OVS

Annual Report
2018

Company information

Registered office of the Parent Company
OVS S.p.A.
Via Terraglio 17,
30174 - Venice - Mestre

Legal details of the Parent Company
Authorised share capital €227,000,000.00
Subscribed and paid-up share capital €227,000,000.00

Venice Companies Register no. 04240010274
Tax and VAT code 04240010274
Corporate website: www.ovscorporate.it

Letter to shareholders

Shareholders,

the year just ended was certainly the most difficult one in our recent history.
The first half of the year was characterized by essentially stable sales and margins, alongside an increase in working capital, largely deriving from the stock originally intended for the former Swiss group, Sempione Fashion. By contrast, sales declined sharply in the second half of the year for climatic reasons, due to temperatures that remained well above the seasonal average until the middle of November, when they finally returned to normal. Sales in the "kids" segment – historically a source of stability for the Group – were more affected by the absence of a change in the season, particularly in the "back-to-school" period.

Within this scenario, in the second half of the year, we decided to increase our mark-downs, taking advantage of the two periods typically dedicated to sales in the Italian market: August and January. There was therefore a marked reversal in the trend in inventory levels, which, partly due to the drop in sales, naturally resulted in lower EBITDA, offset by stronger cash generation.

The way forward for the OVS brand will involve opening new direct stores, albeit more selectively than in the recent past and also through franchising, while continuing the process of modernising the network.

Upim – the Group's most local brand – will also continue to grow through both directly operated stores and franchising. Upim is focusing in particular on its strategy of expanding into smaller catchment basins and hypermarkets, according to a "B2B" approach where the value added by its superior procurement capacity and development of its product range may represent a solution to the product range credibility problems faced by less organized players.

International growth will mainly continue with store openings in franchising dedicated to the kids' segment. Our digital evolution is also progressing rapidly. More than 50% of physical store sales are now preceded by an on-line search, and about 50% of the products purchased online are picked up in physical stores.

The integration between physical and online selling and the digital evolution are already providing more opportunities for customer relationships on an increasingly one-to-one basis.

Finally, given the still very challenging market environment, the close attention to cost control will continue, especially in relation to rental fees, with owners acknowledging that OVS leads the market with its brands and is still expanding, while other players are closing their stores. Above all the larger locations.

The transfer of the residual shares of our company from BC Partners to TIP finally brought a new structure for the Group's equity base, characterized by the presence of a strategic investor oriented towards achieving long-term growth objectives, for the benefit of all the Group's stakeholders. The new delineated composition of our Board of Directors also reflects more diverse skills, from which we have already begun to benefit.

Main figures

€ 1,457.2 MLN SALES	**1,747** STORES
€ 144.2 MLN EBITDA*	**949,000** SELLING AREA
€ 55.2 MLN NET RESULT*	**6,970** EMPLOYEES

(*) adjusted values

LA STAMPA

STEFANO BERALDO

“La nuova sfida di Ovs casse intelligenti e corner sartoriali”

...ad del gruppo di abbigliamento: “Il mercato è sempre più complicato, ...er avere successo bisogna interpretare i cambiamenti ogni secondo”

nottiere - ricorda con autoironia Beraldo -, abbiamo vissuto una prima trasformazione anni fa per rendere attraente ciò che era considerato uno stile normale». Ora è tempo di una

E' così in Bangladesh o negli altri Paesi che producono per noi, Cina e Hong Kong, India e Turchia a esempio. Dall'estero arriva la produzione del 76% dei nostri articoli. Ma alcune linee le

ria degli acquisti precedenti così da suggerire come aiutarlo, come dialogare con lui. Noi movimentiamo 200 milioni di capi e uno dei motivi di soddisfazione più ...

IL TALENT È CLASSICO

ELIO E LE MERAVIGLIE DELL’OPERA «ROSSINI? PIÙ PRECOCE DI FEDEZ»

di Giuseppina Manin

Il primo a scommetterci è lui. «Se alla gente piace la gara, perché non usarla per far conoscere e amare la più bella delle musiche?» si chiede Elio, icona di quella terra di mezzo tra classica e pop che non conosce confini. Ed Elio, diplomato in flauto al Conservatorio di Milano, carriera abbandonata per meglio trasgredire in musica, sarà l'impareggiabile entertainer della finalissima del 1° dicembre al Teatro Dal Verme di Milano di ... è sostenere un doppio giudizio da brivido. Dopo tanti Sanremo ne so qualcosa... Ma ne vale la pena».

Anche perché la posta in palio è altissima. «La musica e l'opera sono il nostro patrimonio nazionale, purtroppo più considerato all'estero che in patria. E anch'io, pur se uscito da studi tradizionali, a lungo ho pensato che l'opera fosse noiosa, roba “da vecchi”. A farmi cambiare idea è stato un musicista come Azio Corghi, che mi ha chiamato per una sua opera «Isabelle», al Festival rossininano di Pesaro e lì ho incontrato un mondo che di vecchio e polveroso non ... marcia in più. Rossini aveva 24 anni quando scrisse il Barbiere, più giovane di Fedez e Sfera Ebbasta!». Quindi, «se resistono ancora tanti pregiudizi la colpa non è dell'opera o della classica ma di come è presentata. Questo talent non è una profanazione ma una buona idea».

Il torneo comincia oggi. I concorrenti sulla linea di partenza, ciascuno ad affilare le sue armi: la tastiera di un pianoforte, l'archetto di un violino, i piatti delle percussioni... O anche solo schiarirsi la voce, lo strumento sommo. Uno su quaranta ce la farà.

«Si parte da una rosa ristretta, ...

no, Enrico Bronzi per la ...ristica, Monica Bacelli ...canto, Enrico Pieranun... il jazz. E Ottavio Danton... sidente.

«Ben vengano sfide, ... tutto ciò che può dare vi... tà ai giovani musicisti. Il ... do sta cambiando in fre... classica deve adeguars... stiene Cristina Frosini, ... trice del Conservatorio ... lano. Che oltre a ospit... audizioni ha mandato i... anche quattro studen... suoi corsi. «E non è così ... tato — aggiunge — vist... su 77 conservatori italia... lo 11 hanno risposto all'... lo. Forse un po' per dist...

CORRIERE DELLA SERA

FASHION / FASHION SCOOPS

OVS Releases Mickey Mouse-Themed Capsule Collection

The lineup was developed in partnership with the Arthur Arbesser, Au Jour Le Jour, Vivetta and Les Petits Joueurs labels.

By Sandra Salibian on October 15, 2018

ESSENTIALIST — TODAY'S MUST READ

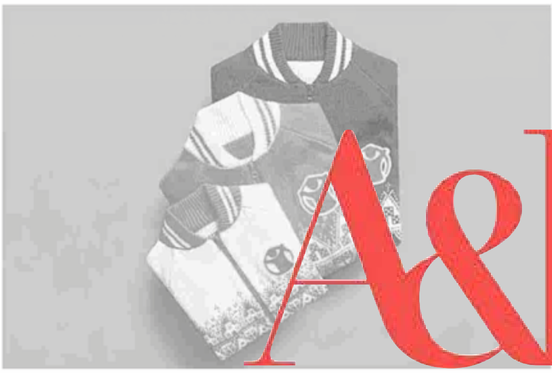
WWD

Note di moda

Una collezione celebra l'opera lirica italiana

ARTE DA INDOSSA...

F



A&F

L'iniziativa

Frida Giannini per Ovs il maglione diventa solidale

L'ARTE A MISURA DI BAMBINO IN MILLE “INVADONO” PIAZZA SAN MARCO

Kids Creative Lab

Venezia Mestre

IL GAZZETTINO

Giochi e divertimento per l'iniziativa promossa da Oviesse e Guggenheim

Mille bambini rivitalizzano piazza S.Marco

LA PERFORMANCE
We The Kids l'invasione di bambini a San Marco
A PAGINA 39
"We The Kids", l'invasione dei bimbi in piazza S. Marco
Il 9 maggio performance diretta da Marinella Senatore con duemila alunni delle scuole elementari per coinvolgere la comunità al rispetto delle persone
la Nuova di Venezia e Mestre
Rossini è rock e la lirica conquista il cuore dei giovani
la Repubblica
BIANCA BALTI ED ELIO
La modella, 34, è arrivata alla cerimonia d'apertura con il cantante Elio, 57. La coppia ha lanciato sul red carpet la nuova collezione Ovs-Arts Of Italy. Gioielli di Chopard, scarpe di Alevì. Make up: Lorena Leonardis. Capelli: Gabriele Trezzi @closeup. Per Elio grooming Stefania Pellizzaro using Cotril.
GRAZIA
STORIE DI MODA
OVS
di Virginia Ricci
QUANDO LO STILE VA ALL'OPERA
Celebrare il melodramma, una delle eccellenze culturali
è l'obiettivo di un progetto che
antiche glorie e talenti futuri
"AMAMI
iO DONNA
VANITY IN SCENA
VANITY FAIR
MISSIONE CULTURALE
Elio (vero nome Stefano Belisari), 57 anni, è curatore di Amadeus Factory, talent per musicisti dei conservatori italiani: ai vincitori una borsa di studio OVS Arts of Italy.
VANITY FAIR
12.09.2018
marie claire
sorellanza
Fattore K
Le seguitissime Kendall e Kylie Jenner firmano una linea democratica, nel loro stile. Per millennial, e non solo
di Marta Stella
Glamour accessibile
È il primo progetto con un marchio italiano. Che rapporto avete con la nostra moda?

Corporate officers

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

* Elena Garavaglia was co-opted by the Board of Directors on 20 June 2018 following the resignation of Board member Vincenzo Cariello, which took effect on 1 June 2018.
** Alessandra Gritti, Massimiliano Magrini and Giovanni Tamburi were co-opted by the Board of Directors on 13 March 2019 following the resignation of Board members Stefano Ferraresi, Stefania Criveller and Marvin Teubner on 11 March 2019.
(1) Member of the Control, Risks and Sustainability Committee
(2) Member of the Appointments and Remuneration Committee

Board of Statutory Auditors	
Stefano Poggi Longostrevi *	Chairman
Roberto Cortellazzo Wiel	Standing Auditor
Eleonora Guerriero	Standing Auditor
Antonella Missaglia	Alternate Auditor

* Appointed Chairman effective 1 June 2018, replacing Paola Camagni, who resigned

Independent auditor

PricewaterhouseCoopers S.p.A.

Director responsible for preparing the company's accounting statements

Nicola Perin

OVS. Rumford collection. Spring/Summer 2019

Contents


#67IRBL1
COOL ANYWAY

Blukids. Botanic style. Spring/Summer 2019

Report on Operations

Report on Operations

In a particularly adverse market context, with a second part of the year characterised by unusually high temperatures, which inevitably affected sales, we further increased our market share, from 7.8% in 2017 to 8% in 2018, a sign of the vitality of our brands in the Italian market. We also accelerated our operations improvement processes, which contributed, among other things, to good cash generation in the last quarter. After the first six months, which saw profitability in line with our standards, but a significant absorption of working capital, we took decisive action to move towards normalising our stock levels as soon as possible. This required more mark-down activity, mostly in August and January, so almost all in the second half. While this activity resulted in reduced margins, it also resulted in a significant trend reversal, with cash generation of more than €64 million in the quarter just ended.

- **Net sales for the year** (excluding the sell-in to the former Sempione Fashion Group) came in at €1,391.6 million, down 1.7% year on year, mainly due to the autumn/winter season, which was seriously affected by a decrease in traffic at stores due to exceptionally mild temperatures.

- **Adjusted EBITDA** was €144.2 million. All of the €52.3 million decrease took place in the second half of the year, characterised on the one hand by a decline in sales due to adverse weather trends, and on the other by the concentration of three typical promotional pressure points. The summer sales, Black Friday and the winter sales, all of which were essentially grouped in the second half of the year, involved a sharp increase in promotional pressure compared with the same period of the previous year, in order not to take the effects of the deterioration of the stock situation into the next financial year. IFRS EBITDA was positive for €74.4 million, primarily affected by write-downs of assets recognised in the financial statements relating to the former Swiss group, Sempione Fashion. The financial impact of non-recurring expenses was fully exhausted in 2018.

- The **adjusted net result for the year** amounted to €55.2 million, a decrease of €51.3 million, reflecting the decrease in EBITDA. The IFRS net result for the year was €25.3 million, up by €20.2 million compared with the previous year, mainly due to a positive mark-to-market effect, whereas the previous year was negative.

- The **adjusted net financial position** was €375.8 million (€364,9 million, taking into account the positive mark-to-market effect of €10.8 million). The difference in net financial position compared with the previous year, which stood at €105.6 million at the end of the third quarter of 2018, decreased to €57.8 million, reflecting cash generation of €64.7 million in the fourth quarter of 2018 alone (compared with approximately €17 million in the previous year).

- The **scope of stores** at the end of the year was 1,747, increased mainly due to the growth in children's franchising business both in Italy and abroad.

Summary consolidated figures

€mln	31 January '19 IFRS	31 Janury '19 Adjusted	31 January '18 IFRS	31 January '18 Adjusted	chg. (Adjusted)	chg. % (Adjusted)
Net Sales	**1,457.2**	**1,457.2**	**1,525.7**	**1,525.7**	**-68.5**	**-4.5%**
Net Sales excluding sell in SF *	**1,391.6**	**1,391.6**	**1,415.1**	**1,415.1**	**-23.4**	**-1.7%**
Gross Profit	**789.7**	**791.6**	**824.3**	**828.8**	**-37.2**	**-4.5%**
% on net sales	56.7%	56.9%	58.2%	58.6%		
EBITDA	**74.4**	**144.2**	**174.8**	**196.5**	**-52.3**	**-26.6%**
% on net sales	5.3%	10.4%	12.3%	13.9%		
EBIT	**7.2**	**85.6**	**112.0**	**142.4**	**-56.7**	**-39.8%**
% on net sales	0.5%	6.2%	7.9%	10.1%		
EBT	**32.8**	**67.9**	**9.5**	**133.6**	**-65.7**	**-49.1%**
% on net sales	2.4%	4.9%	0.7%	9.4%		
Net Profit	**25.3**	**55.2**	**5.1**	**106.5**	**-51.3**	**-48.2%**
% on net sales	1.8%	4.0%	0.4%	7.5%		
Net Financial Debt	**365.0**	**375.8**	**377.8**	**317.9**	**57.8**	**18.2%**
Market Share (%)		**8.0**		**7.8**	**0.1**	**1.5%**

In order to give a representation of the organic business and make it comparable with the previous year, net sales used to calculate the financial KPIs were adjusted from sales arising from the service contract with the former Swiss group, Sempione Fashion.

The table shows both adjusted and IFRS results to represent the Group's operating performance net of non-recurring events which are unrelated to ordinary operations. The adjusted results therefore enable a uniform analysis in the periods indicated.
The following adjustments regarded as one-offs were carried out in 2018, with no impact on cash and not representative of the normal course of business operations. Specifically:

1. EBITDA was adjusted for (i) €79 million of non-recurring expenses, mainly relating to the termination of the relationship with the former Sempione Fashion Group, the effects of which came to an end in 2018, (ii) €9.5 million relating to financial costs reclassified to the gross margin, to reflect the effective impact of EUR/USD hedging on goods sold during the year, and finally (iii) €0.3 million relating to costs for stock option plans with no cash impact.
2. In addition to the above, EBIT was adjusted for €8.6 million of non-cash amortisation charges for purchase price allocation in previous years.
3. Also in addition to the above, the net result before tax was adjusted for €53 million, mainly relating to net income from foreign exchange gains on foreign currency items, including with respect to forward derivatives and realised foreign exchange gains.
4. Finally, the net result for the year was adjusted for the tax impact of the above income statement adjustments, estimated at €5.3 million.
5. The adjusted net financial position does not factor in mark-to-market accounting of outstanding derivatives at 31 January 2019 (€10.8 million).

For a detailed analysis of non-recurring expenses, see the continuation of this Report, as well as the specific section of the Notes to the financial statements "Significant non-recurring events and operations".

Performance

The first half of the year was characterised by a slight decrease in sales, a substantial confirmation of margins, and an increase in working capital, largely deriving from the stock originally intended for the former Swiss group, Sempione Fashion. By contrast, sales declined in the second half of the year until mid-November, when temperatures finally began to approach the seasonal average. Sales in the "kids" segment, a factor of stability for the Group, were more affected by the absence of a change in the season, particularly in the "back to school" period. Consequently, like-for-like sales declined by 5% in the 12 months.

During the second half of the year, we decided to increase the mark-downs, taking advantage of the two periods typically dedicated to sales in the Italian market: August and January. There was therefore a marked reversal in the trend in inventory levels, which, partly due to the drop in sales, naturally resulted in lower EBITDA compared with the same period last year, and, including as a result of lower volumes purchased, strong cash generation.

At year-end, stocks were still slightly higher than in the previous year (+6%): however, their level and composition improved considerably compared with the first half of the year, and even more so compared with the third quarter, when seasonal performance issues prevented the progress that had in fact already been achieved from being shown. We expect this trend to continue in the current year, thanks to greater supply chain flexibility. As a result of these developments, EBITDA in the second half of the year, which is higher than in the first half under normal conditions, was affected, in addition to the effects of the anomalous weather trends on sales, by the impact of the double sales season, in which mark-down activities were concentrated. This resulted in a steep decline in the result compared with the second half of the previous year.

The Group's net financial position, after suffering the effects of the deterioration in its commercial relations with the former Sempione Fashion Group until the third quarter, benefited from a fourth quarter of good cash generation which also benefited from stock rationalisation. The net financial position was €375.8 million, reflecting cash generation of €64.7 million in the fourth quarter alone, compared with €16.9 million in the fourth quarter of 2017, thus reducing the net financial position gap compared with the previous year from €105.6 million at 31 October 2018 to around €57.8 million in January 2019. The situation is now even better.

The net result for the year was affected by one-off and extraordinary components, almost exclusively attributable to the termination of commercial relations with the former Swiss group, Sempione Fashion, while the adjusted net result for the year, generated by recurring business and excluding the above elements, was €55 million.
In 2018, the network increased by 123 stores in Italy and abroad, including 14 full-format DOS, and another 109 stores, mainly kids stores in franchising, thus expanding the entire network to 1,747 stores, 763 of which are directly operated. International sales were up 18% due to organic growth. Finally, the growth of the e-commerce channel (+87%) was significant, but the increased merging and use of the interconnected physical-digital channels was even more so.

Our omni-channel strategy is making rapid progress. The integration of the physical store with the online channel, the digitalisation that has already allowed the introduction of countless services, such as new mobile application tools and pay collection, faster deliveries, click and collect, and many others, will make it possible to increase the number of personalised services even further, thereby enhancing the "customer experience". This process will also be supported by a consistent and effective marketing campaign fuelled by an increasingly one-to-one CRM approach with the end-customer.

The central role of customers and optimum understanding of their needs, supported by the ever-more analytical interpretation provided by digital innovation and CRM, have encouraged us to continue to evolve merchandising towards the values that our customers hold most dear. Price, which we will pay constant attention to, is not and will not be the only reason to prefer our product; we have already introduced, with very encouraging signals, some higher-quality offering segments while maintaining the quality-price ratio that we are known for. We will continue along this path, accompanied by consistent communication that will highlight not only the convenience of our offer, for which we have always been recognised, but also its quality.

We believe that margins could gradually improve over 2019, as we expect the markdowns carried out in 2018 to gradually decrease from quarter to quarter. However, the contraction of the market has obliged us to focus further on cost rationalisation. Technological innovation related to certain processes, improvements in logistics and the simplification of many procedures, together with increased flexibility and the reduction in stocks, have enabled us to plan a reduction in general costs in 2019, to which we intend to add a reduction in rents in order to adapt payments, at least partially, to the different market conditions.

Thanks also to the more dynamic contribution of real estate to store restructuring and the increasingly complete finishing level that we require of properties as a condition for the opening of a store, we anticipate a significant reduction in investment.

As already explained, 2018 was an unusual year for the Group, which had to cope not only with the economic and financial impacts arising from the end of relations with the former Swiss group, Sempione Fashion, but also with a significant and, we believe, exceptional contraction in the market that has affected all players in our sector. The stock performance was affected by these factors and the industry's general de-rating. Although we are operating in a difficult context, we believe that our strategy is correct and that the constant improvement in the offering, enhanced execution capacity, technological and digital innovation, a renewed approach to communication and the development of interesting new channels for UPIM will allow us to return to the higher level of profitability that is more usual for us.

The transfer of the residual shares in our company from BC Partners to TIP finally brought about a new structure for the Group's equity base, characterised by the presence of a strategic investor oriented towards achieving growth objectives.

Consolidated results

€mln	31 January '19 IFRS	31 January '19 Adjusted	31 January '18 IFRS	31 January '18 Adjusted
Net Sales	**1,457.2**	**1,457.2**	**1,525.7**	**1,525.7**
Net Sales excluding sell in to Sempione Fashion	**1,391.6**	**1,391.6**	**1,415.1**	**1,415.1**
Purchases of consumables	667.5	665.5	701.4	696.8
Gross Margin	**789.7**	**791.6**	**824.3**	**828.8**
GM%	56.7%	56.9%	58.2%	58.6%
Personnel costs	292.6	289.6	293.0	289.5
Costs for services	197.9	194.8	191.8	191.7
Rent costs	132.7	133.6	125.3	125.2
Provisions	28.0	4.2	15.2	1.7
Other operating costs	63.9	25.3	24.2	24.2
Total operating costs	715.2	647.4	649.5	632.3
Total operating costs on net sales %	49.1%	46.5%	42.6%	44.7%
EBITDA	**74.4**	**144.2**	**174.8**	**196.5**
EBITDA%	5.3%	10.4%	12.3%	13.9%
Depreciation & Amortization	67.2	58.6	62.7	54.1
EBIT	**7.2**	**85.6**	**112.0**	**142.4**
EBIT %	0.5%	6.2%	7.9%	10.1%
Net financial (income)/charges	(25.6)	17.7	102.5	8.8
PBT	**32.8**	**67.9**	**9.5**	**133.6**
Taxes	7.5	12.8	4.5	27.1
Net Income	**25.3**	**55.2**	**5.1**	**106.5**

In order to give a representation of the organic business and make it comparable with the previous year, net sales used to calculate the financial KPIs were adjusted from sales arising from the service contract with the former Swiss group, Sempione Fashion.

€mln	31 January '19	31 January '18	Chg %
Net Sales			
OVS	1,151.1	1,186.3	-3.0%
UPIM	240.5	228.8	5.1%
Sempione Fashion	65.5	110.6	-40.8%
Total Net Sales	**1,457.2**	**1,525.7**	**-4.5%**
EBITDA			
OVS	118.9	169.9	-30.0%
EBITDA margin	10.3%	14.3%	
UPIM	25.3	26.6	-4.7%
EBITDA margin	10.5%	11.6%	
Total EBITDA	**144.2**	**196.5**	**-26.6%**
EBITDA margin (*)	**10.4%**	**13.9%**	
Depreciation	(58.6)	(54.1)	8.2%
EBIT	**85.6**	**142.4**	**-39.8%**

(*) Calculated taking into account Net Sales excluding sell in to Sempione Fashion

Net sales

Total sales for the year (excluding the sell-in to the former Sempione Fashion Group) decreased by €23.4 million, or -1.7%, reflecting a performance that in the second half of the year, as anticipated, was affected by extremely mild temperatures that lasted until the end of November, resulting in a marked decrease in traffic throughout the apparel sector.
The OVS brand was hardest hit, affected partly by the negative performance of the children's component, a decisive factor for the brand: due to the temperatures in September and October (the "back to school" period), there was not the usual surge in "wardrobe renewing" purchases. Mainly for this reason, sales contracted by 3% year on year.
UPIM continued to grow, due to the greater expansion of the network, and also benefited from sales of non-seasonal goods. The brand gained +5.1% in total on the previous year.
The sales of the e-commerce channel increased by 87%, reaching approximately €16 million in total revenues.
Sales abroad, mainly in franchising of children's clothing, came in at €69.5 million, up 18% on the previous year and with a positive EBITDA contribution.

Gross margin

The gross margin on sales contracted compared with the previous year (around -170 bps year-on-year), from 58.6% of net sales in 2017 to 56.9% in 2018. The decrease was entirely due to the greater promotional pressure exerted in order to normalise the stock levels, which had increased due to market weakness, unfavourable weather and the absorption of goods originally intended for the former Swiss group, Sempione Fashion. It should be noted, however, that in 2018 the intake margin grew, thanks also to the effect of the sourcing synergies developed by the Group due to international expansion.
While considering external factors such as the inflationary impact on the costs of raw materials, the Group expects that it will also be able to maintain the intake margin level in the year ahead.

EBITDA

EBITDA, adjusted as usual to better reflect the Group's normalised operating performance, was €144.2 million, down €52.3 million compared with €196.5 million in 2017. As already explained in detail, the loss of EBITDA was entirely attributable to the second half of the year, when there was a significant reduction in store traffic in the exceptionally mild months of September, October and November. The adverse weather trends and the stock surplus experienced by the entire industry, in addition to the goods not sent to the former Swiss customer, resulted in a high level of promotional activity that affected the second half of the year, but which at the same time allowed the year to end with a decrease in stock of €31.5 million compared with the third quarter. To mitigate the effect of lower sales, the Group has activated and obtained savings on fixed costs.

EBIT

EBIT, adjusted to better reflect the Group's operating performance, was €85.6 million, down €56.7 million compared with €142.4 million in 2017. Depreciation and amortisation increased slightly as a result of the network expansion and investments in operations.

Net result for the year

The adjusted net result was €55.2 million, down €51.3 million compared with FY17, reflecting the decrease in EBITDA and some positive and negative components compared with the previous year, and specifically: (i) higher depreciation, amortisation and write-downs, (ii) non-operating expenses due to the EUR/USD exchange rate reflecting timing effects and, to a lesser extent, higher financial expenses, and (iii) a decrease in the tax rate, due to the benefits deriving from Patent Box and from research and development. The IFRS net result for the year was up by around €20 million compared with the previous year, mainly reflecting a better hedging result due to the EUR/USD exchange rate compared with the market exchange rate at 31 January 2019.

Non-recurring expenses

Non-recurring and non-operating expenses for the year are mainly attributable to the impact of the closure of the business of the Sempione Fashion Group, in which the OVS Group was a minority shareholder (with an equity investment of approximately 30%) and to which it was commercially exposed.

During the spring of 2018, and in particular from May onwards, the Swiss group began to show difficulties in both financial and economic terms: hence the decision by the administrative body of Sempione Fashion AG to close the business, with the consequent disposal of all companies belonging to the Charles Vögele network (for further details, see the section below on "Significant events during the reporting period").

In light of these events, the recoverability of the assets generated by commercial relations with the Swiss group was compromised. The OVS Group therefore cancelled these assets, considering as non-recurring both the necessary write-downs and some costs associated with managing this particular event, which, as a whole, at the EBITDA level, affected the company's accounting results by €74.7 million in 2018, in addition to the €13.5 million already set aside and adjusted in 2017.

In detail, these expenses related to: (i) asset write-downs of €66.7 million relating to receivables from the former Sempione Fashion Group and goods from companies in this group (Austria, Switzerland, Germany, Slovenia and Hungary); (ii) €4.4 million relating to one-off costs, mainly of a legal nature; and (iii) €3.6 million for logistical costs necessary to recover part of the inventory owned by OVS S.p.A. that had been sent to Switzerland. Following

the above write-downs, total assets in the financial statements relating to the former Sempione Fashion Group amounted to just €0.4 million and concerned the Charles Vögele Hungaria Kft company only.
Other non-recurring and non-operating expenses occurring in 2018 included €1.4 million for capital losses and costs associated with the sale of the property used as the operational head office, and €2.9 million for other non-recurring costs, mainly relating to transactions with former employees and costs accrued during some periods of store inactivity due to restructuring works.
For further analysis, see the specific section of the notes to the financial statements entitled "Significant non-recurring events and operations".

Net financial position

At 31 January 2019, the Group's adjusted net financial position was €375.8 million net of the positive mark-to-market effect of derivatives of €10.8 million. Adjusted debt was €57.8 million higher than at 31 January 2018, substantially better than the gap reported at the end of the third quarter (€105.6 million compared with the previous year). Consequently, the cash generated in the fourth quarter was €64.7 million, compared with €16.9 million in the fourth quarter of 2017 (+€47.8 million), reflecting a significant improvement. The improvement in cash generation compared with the previous year has continued: the gap compared with the previous year is now lower.
The ratio of the average net financial position over the last 12 months (excluding the mark-to-market effect) to adjusted EBITDA is 2.97x, up from 2017. This increase will result in the application of a spot interest rate of 3.00% + Euribor 3M in 2019 (2.50% + Euribor 3M in 2018).

Summary statement of financial position

€mln	31 January '19	31 January '18	Chg
Trade Receivables	98.4	113.0	(14.5)
Inventory	411.0	387.9	23.0
Trade Payables	(351.0)	(403.4)	52.4
Net Operating Working Capital	**158.4**	**97.5**	**60.9**
Other assets/(liabilities)	(86.3)	(51.2)	(35.1)
Net Working Capital	**72.1**	**46.3**	**25.8**
Tangible and Intangible Assets	1,359.5	1,365.8	(6.3)
Net deferred taxes	(124.4)	(134.3)	9.9
Other long term assets/(liabilities)	(31.4)	(14.7)	(16.7)
Pension funds and other provisions	(43.2)	(43.7)	0.5
Net Capital Employed	**1,232.6**	**1,219.5**	**13.1**
Net Equity	867.7	841.7	26.0
Net Financial Debt	364.9	377.8	(12.9)
Total source of financing	**1,232.6**	**1,219.5**	**13.1**

The Group's net invested capital increased by €13.1 million to €1,232.6 million, mainly due to the increase in net operating working capital. Shareholders' equity thus increased by €26.0 million, while financial debt decreased by €12.9 million. Net fixed assets (including intangible assets and goodwill, totalling €1,085 million) were tested for impairment, as per policy, which confirmed the carrying amount recognised in the financial statements. For a complete analysis, please see the notes to the consolidated financial statements of the OVS Group.

Shareholders' equity

Consolidated shareholders' equity stood at €867.7 million at 31 January 2019, up compared with the previous year, when it was €841.7 million.
The reconciliation table for the shareholders' equity and the net result for the year of the Parent Company with consolidated shareholders' equity and the consolidated net result for the year is reported below in the notes to the consolidated financial statements.

Summary statement of cash flows

€mln	31 January '19	31 January '18
EBITDA Adjusted	**144.2**	**196.5**
Adjustments	(69.8)	(21.7)
Change in Net Operating Working Capital	(60.9)	(49.3)
Other changes in Working Capital	21.6	9.9
Capex	(60.9)	(68.0)
Operating Cash Flow	**(25.8)**	**67.3**
Financial charges	(14.9)	(14.2)
Severance indemnity payment	(2.2)	(2.1)
Corporate taxes	(3.2)	(46.9)
Dividends	0.0	(34.1)
Financial receivables depreciation	0.0	(5.5)
Taxes and other	(11.8)	0.8
Net Cash Flow (excl derivatives MtM and amortised costs)	**(57.8)**	**(34.7)**
Change in MtM derivatives	70.6	(77.3)
Net cash flow	**12.8**	**(112.0)**

Cash flow

Moving on to analyse financial and capital data, it should be noted that net cash flow for the year was positive for €12.8 million, compared with a negative cash flow of €112 million in 2017. Excluding the mark-to-market effect, cash flow was negative for €57.8 million, compared with €34.7 million in the previous year. The generation of cash in the fourth quarter of approximately €65 million, in line with the normal generation of the stand-alone OVS business, significantly reduced the net financial position gap compared with the previous year.
In addition to the IFRS EBITDA differential, operating working capital absorbed around €10 million more than in the previous year. Unlike last year, however, this absorption was the result of a negative initial phase and a strong recovery in the second part of the year. This recovery will also be visible in successive months, thanks mainly to lower purchases and greater flexibility. Investments for the year amounted to €80.7 million, gross of €19.7 million in divestment arising from the sale of the registered office in the third quarter of 2018. Of the investments for the year, approximately €18 million, relating to the restructurings carried out, were realised through the use of a vendor financing instrument, the cash out of which is expected to be in line with the growth in EBITDA at the store level in the next three years.
In the fourth quarter, the external impacts on the Group's business no longer existed, while measures to reduce the inventory level continued, along with the containment of purchases: this resulted in the Group generating almost €65 million in cash in the last three months of the year alone. The reversal of the trend becomes clear when we look at cash absorption: in the first nine months of the year, absorbed cash was €71 million higher than in the previous year, while at year-end it was only €23 million.

Dividends

The Board of Directors has resolved to propose to the Shareholders' Meeting that no dividend be paid out with reference to the net result for 2018.

Consolidated results for 2018

The following table shows the Group's consolidated results for 2018, presenting separately the effect of non-recurring net expenses, stock option plan charges, amortisation charges arising from PPA in previous years, and income and expenses relating to foreign exchange gains and losses, whether realised or due to the measurement of foreign currency items (mainly USD) at the reporting date, including with respect to the forward derivatives entered into (with regard to the comparable exposure for 2017, only the fair value differential from the measurement of forward derivatives allocated to the income statement is shown separately, since foreign exchange gains realised on forward instruments stipulated by the Group underlying goods not yet sold were insignificant).

€mln	31 January 2019	of which non-recurring	forex reclassification		of which Stock Option plan, derivatives, PPA, foreign exchange differences		31 January 2019 adjusted
Net sales	1,457.2	0.0	0.0		0.0		1,457.2
Other income	68.9	1.0	0.0		0.0		67.9
Revenues and other income	**1,526.1**	**1.0**	**0.0**		**0.0**		**1,525.1**
Purchases of consumables	667.5	11.5	(9.5)	(a)	0.0		665.5
Personnel cost	292.6	2.7	0.0		0.3	(b)	289.6
Other opereting costs	491.6	65.8	0.0		0.0		425.8
EBITDA	**74.4**	**(79.0)**	**9.5**		**(0.3)**		**144.2**
Depreciation & Amortization	67.2	0.0	0.0		8.6	(c)	58.6
EBIT	**7.2**	**(79.0)**	**9.5**		**(9.0)**		**85.6**
Net financial income/(charges)	25.6	(0.2)	(9.5)	(a)	53.0	(d)	(17.7)
PBT	**32.8**	**(79.2)**	**0.0**		**44.1**		**67.9**
Taxes	(7.5)	19.0	0.0		(13.7)		(12.8)
Net Profit	**25.3**	**(60.2)**	**0.0**		**30.4**		**55.2**

(a) they include foreign exchange differences on forward hedges of goods purchases in foreign currency, reclassified from "Net Financial income/ (charges)" to "Purchases of consumables", and negative for € 9.5 million in 2018.
(b) they refer to cost of Stock Option Plan, for € 0.3 million.
(c) they refer to depreciation of PPA operations, for € 8.6 million.
(d) they mainly refer to the release of the negative fair value effect, booked in 2017 (the same has instead a positive effect in 2018) partly offset by the related exchange rate differences booked for the purchase of goods in foreign currency during 2018, and by other foreign exchange differences.

€mln	31 January 2018	of which non-recurring	forex reclassification		of which Stock Option plan, derivatives, PPA, depre-ciation of receivables		31 January 2018 adjusted
Net sales	1,525.7	0.0	0.0		0.0		1,525.7
Other income	73.4	0.0	0.0		0.0		73.4
Revenues and other income	**1,599.1**	**0.0**	**0.0**		**0.0**		**1,599.1**
Purchases of consumables	701.4	0.0	4.6	(a)	0.0		696.8
Personnel cost	293.0	0.6	0.0		3.0	(b)	289.5
Other opereting costs	430.0	0.1	0.0		13.5	(c)	416.4
EBITDA	**174.8**	**(0.7)**	**(4.6)**		**(16.5)**		**196.5**
Depreciation & Amortization	62.7	0.0	0.0		8.6	(d)	54.1
EBIT	**112.0**	**(0.7)**	**(4.6)**		**(25.1)**		**142.4**
Net financial income/(charges)	(102.5)	(21.1)	4.6	(a)	(77.3)	(e)	(8.8)
PBT	**9.5**	**(21.8)**	**0.0**		**(102.3)**		**133.6**
Taxes	(4.4)	0.2	0.0		22.5		(27.1)
Net Profit	**5.1**	**(21.6)**	**0.0**		**(79.8)**		**106.5**

(a) they include foreign exchange differences on forward hedges of goods purchases in foreign currency, reclassified from "Net Financial income/ (charges)" to "Purchases of consumables", and positive for € 4.6 million in 2017.
(b) they refer to cost of Stock Option Plan, for € 3.0 million.
(c) they refer to depreciation of receivables from companies of Sempione Fashion Group for € 13.5 million.
(d) they refer to depreciation of PPA operations, for € 8.6 million.
(e) they refer to the change in fair value of non-hedging derivatives, negative for € 77.3 million.

With regard to the results at 31 January 2019, it should be noted that:

- Revenues and income, which came in at €1,526.1 million, mainly include the retail sales generated by the OVS and UPIM brands.
- Given by the difference between revenues and operating costs after depreciation and amortisation, net of non-recurring expenses, stock option plans, PPA amortisation from previous years, forward derivatives adjusted to take account only of foreign exchange gains and losses realised on forward instruments entered into by the Group and underlyings of goods already purchased and sold, EBITDA came in at €144.2 million, or 9.9% of sales.
- The net result before tax was positive for €32.8 million, and €67.9 million net of non-recurring expenses and other costs, which are shown in the fourth column of the table.
- Net taxes amounted to €7.5 million, benefiting from Patent Box tax relief for the three-year period 2015-2017 of €2,796 thousand.
- The net result was positive for €25.3 million, and positive for €55.2 million net of the above expenses.

Results of OVS S.p.A.

The following table shows the consolidated results of OVS S.p.A. for 2018, presenting separately the effect of non-recurring net expenses, stock option plan charges, amortisation charges arising from PPA in previous years, and income and expenses relating to foreign exchange gains and losses, whether realised or due to the measurement of foreign currency items (mainly USD) at the reporting date, including with respect to the forward derivatives entered into (with regard to the comparable exposure for 2017, only the fair value differential from the measurement of forward derivatives allocated to the income statement is shown separately, since foreign exchange gains realised on forward instruments stipulated by the Group underlying goods not yet sold were insignificant).

€mln	31 January 2019	of which non-recurring	forex reclassification	of which Stock Option plan, derivatives, PPA, depreciation of receivables	31 January 2019 adjusted
Net sales	1,458.1	0.0	0.0	0.0	1,458.1
Other income	67.9	1.0	0.0	0.0	66.9
Revenues and other income	**1,526.0**	**1.0**	**0.0**	**0.0**	**1,525.0**
Purchases of consumables	703.6	4.8	(9.5)	0.0	708.3
Personnel cost	280.4	2.7	0.0	0.3	277.4
Other opereting costs	468.8	53.3	0.0	0.0	415.5
EBITDA	**73.2**	**(59.8)**	**9.5**	**(0.3)**	**123.8**
Depreciation & Amortization	66.0	0.0	0.0	8.6	57.4
EBIT	**7.2**	**(59.8)**	**9.5**	**(8.9)**	**66.4**
Gains (losses) from equity investments	8.9	(20.5)	0.0	0.0	29.4
Net financial income/(charges) and exchange rate differences	30.4	1.1	(9.5)	56.5	(17.7)
PBT	**46.5**	**(79.2)**	**0.0**	**47.7**	**78.0**
Taxes	(7.2)	14.4	0.0	(14.6)	(7.0)
Net Profit	**39.3**	**(64.8)**	**0.0**	**33.1**	**71.0**

€mln	31 January 2018	of which non-recurring	forex reclassification	of which Stock Option plan, derivatives, PPA, depreciation of receivables	31 January 2018 adjusted
Net sales	1,519.5	0.0	0.0	0.0	1,519.5
Other income	72.4	0.0	0.0	0.0	72.4
Revenues and other income	**1,591.9**	**0.0**	**0.0**	**0.0**	**1,591.9**
Purchases of consumables	743.6	0.0	4.6	0.0	739.0
Personnel cost	282.2	0.6	0.0	3.0	278.6
Other opereting costs	421.0	0.1	0.0	13.5	407.4
EBITDA	**145.1**	**(0.7)**	**(4.6)**	**(16.5)**	**166.9**
Depreciation & Amortization	61.3	0.0	0.0	8.6	52.7
EBIT	**83.8**	**(0.7)**	**(4.6)**	**(25.1)**	**114.2**
Gains (losses) from equity investments	(2.9)	(21.1)	0.0	0.0	18.2
Net financial income/(charges) and exchange rate differences	(85.1)	0.0	4.6	(77.3)	(12.4)
PBT	**(4.2)**	**(21.8)**	**0.0**	**(102.3)**	**119.9**
Taxes	(3.5)	0.2	0.0	22.5	(26.2)
Net Profit	**(7.7)**	**(21.6)**	**0.0**	**(79.8)**	**93.7**

With regard to the results at 31 January 2019, it should be noted that:

- Revenues and income, which came in at €1,526.0 million, mainly include the retail sales generated by the OVS and UPIM brands.
- Depreciation and amortisation, amounting to €66.0 million, mainly relate to store improvements and refits.
- Other operating expenses, which totalled €468.8 million, mainly comprise costs for the use of third-party assets (€196.7 million), miscellaneous operating expenses (€50.2 million), sales service costs (€54.8 million), utility costs (€33.5 million), maintenance, cleaning and security costs (€33.8 million), professional services (€26.6 million) and advertising expenses (€24.2 million). Net of non-recurring costs, the amount relating to "Other operating expenses" would have been €415.5 million.
- Gains (losses) on equity investments include income for dividends received from subsidiary OVS Hong Kong Sourcing Ltd for €34.1 million and expenses arising from the write-down of the foreign investee companies totalling €25.2 million. Following the liquidation of OVS Austria GmbH, the equity investment in this company has been written down by €19.2 million.
- Net financial expenses came in at €30.4 million, deriving from financial expenses of €17.7 million, financial income of €1.2 million, and foreign exchange gains and the fair value of forward derivatives of €47.0 million.
- Taxes were negative for €7.2 million; without the charges shown in the second and fourth columns of the income statement, taxes would be negative for €7.0 million.
- The net result for the year was positive for €39.3 million, and would be positive for €71.0 million if the Company had not incurred the costs indicated in the second and fourth columns of the statement.

FINANCIAL PERFORMANCE

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

€mln	**31 January 2019**	**31 January 2018**
Working capital (A)	(143.2)	(175.2)
Net capital employed (B)	1,363.4	1,370.8
Net Financial position	367.4	379.4
Shareholders' equity	852.8	816.2

(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 machinery, intangible assets, goodwill and equity investments.

FINANCIAL MANAGEMENT

Net debt was €367.4 million at 31 January 2019, compared with €379.4 million at 31 January 2018.

The breakdown is as follows (in millions of euros):

€mln	31 January 2019	31 January 2018
Cash and net financial assets	25.3	58.1
Credits/(Debts) on derivatives	10.7	(59.9)
Credits/(Debts) to subsidiaries	0.1	0.8
Credits/(Debts) to banks	(402.4)	(376.3)
Credits/(Debts) to other financial institutions	(1.1)	(2.1)
Net financial position	**(367.4)**	**(379.4)**

Payables to banks are shown 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, can 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 Asian region, further boosting its presence in Bangladesh and China by increasing purchasing volumes. At the same time, purchasing has also increased in the India, Burma 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).

In 2018, the company reported net profit of €21.0 million (€35.2 million in 2017, including fees associated with the purchase of goods for the former Sempione Fashion Group).

OVS MALOPRODAJA D.O.O.

The company operates in the Croatian market, directly operating ten OVS stores.
There was one new store opening and no store closures in 2018.
OVS will mainly pursue expansion in the region through the franchising formula.
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 six OVS stores.
One new store was opened and one store was closed in 2018.
OVS will mainly pursue expansion in the region through the franchising formula.
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 55 stores in franchising and six directly operated stores. There were three new store openings and no closures of stores in 2018.
The company is not material for the purposes of the consolidated financial statements.

82 S.R.L.

In 2017, the company 82 S.r.l. was incorporated, 70% held by OVS S.p.A. and 30% by Massimo Piombo, with the aim of developing some stores under the PIOMBO brand for upper casual men's clothing. In 2018, 82 S.r.l., licensee of the "PIOMBO" brand, granted OVS S.p.A. the sub-license of the brand after structured negotiations, for organisational reasons. Therefore, in the second half of 2018, OVS opened 2 DOS in Treviso and Milan, as well as five corners in stores managed by a third company (Coin S.p.A.).
The company is not material 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.
In the year under review, there were no significant concentrations of credit risk; it should be noted that, as a result of the insolvency proceedings against Sempione Fashion AG and Charles Vögele Austria GmbH, the OVS Group has written off these receivables.
In addition, the residual balance of receivables from Vidrea Deutschland GmbH (formerly Charles Vögele Deutschland GmbH) was fully written down as the Group, on 16 April 2019, learned that a bankruptcy order relating to this company had been filed.
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.

Liquidity risk

Liquidity risk is the risk that financial resources may be difficult to access.
Currently, the Group believes that it can access, through available sources of financing and lines of credit, sufficient funds to meet its foreseeable financial requirements.

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 operate.
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 financial situation and results, has become strategically important.

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 agreement (March 2020), 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 2019 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, thereby determining a certain level of volatility in the Group results, appropriately considered in the presentation of adjusted data in the context of this document.

Investment and development

Gross investments of €80.7 million were made in 2018. The investments largely focused on the growth and consolidation of the Group, and mainly related to (i) the restructuring of 42 stores in the existing network for around €43 million, of which around €18 million was incurred through the use of vendor financing (with a repayment line in line with the generation of the store operating margin), (ii) the opening of new stores (around €14 million) with Group brands, (iv) the development of IT and digital transformation systems (around €16 million) and (v) the enhancement of the logistics structure (around €4 million) in order to improve distribution efficiency. Gross investments made in the previous year amounted to €68 million.

At Group level, the sales network comprised a total of 1,747 stores at 31 January 2019 (including the small-format stores) including 763 DOS (24 abroad), 871 affiliated stores (283 abroad) and 113 administered stores (71 abroad). In 2018 (01 February 2018 – 31 January 2019), the network continued to grow in terms of stores (net of closures) by 123 units, including 19 DOS and 114 affiliated stores, while administered stores decreased in number by ten units. In 2017 (1 February 2017 – 31 January 2018), the network had continued to grow in terms of stores (net of closures) by 151 units, including 39 DOS and 119 affiliated stores, while administered stores had decreased in number by seven units.

Research and development

The Group did not carry out any research and development activities in the year pursuant to the provisions of the 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. …"

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 thousand.
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.

Related-party transactions

In accordance with the applicable laws and regulations, the Board of Directors of the Parent Company, by resolution of 23 July 2014, effective as of 2 March 2015, approved the "Regulation governing related-party transactions", and subsequently, with resolution of 19 September 2018, a new updated version of the same Regulation has been approved, with effect from 19 September 2018.
The procedure was adopted by the Company pursuant to Article 2391-bis of the Civil Code and of the regulation containing provisions on transactions with related parties adopted by Consob with resolution no. 17221 of 12 March 2010 and subsequent amendments and additions, also taking into account of the indications and clarifications provided by Consob with communication n. DEM/10078683 of 24 September 2010.
The procedure identifies the rules governing the approval and execution of transactions with related parties put in place by OVS, directly or through subsidiary companies, in order to define skills and responsibilities and ensure substantial and procedural correctness of the same operations.
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

As already mentioned in relation to operating performance, account had to be taken in 2018 of the economic and financial effects of the closure of each commercial relationship with the former Sempione Fashion Group. As is already known, at the end of 2016, Sempione Retail AG, a 35% investee company of OVS S.p.A., assumed direct control of 85% of Sempione Fashion AG (formerly Charles Vögele Mode AG).

On 18 April 2017, OVS S.p.A. and the then minority investee company Sempione Fashion AG entered into a cooperation agreement aimed at both introducing OVS's brands and merchandising in Switzerland, Austria, Germany, Slovenia and Hungary, through a defined conversion plan, and implementing a cooperation model comparable to franchising (the "Cooperation Agreement").

In view of the emergence of financial difficulties for the Swiss and Austrian companies in the Sempione Fashion Group, on 13 April 2018, OVS, Sempione Fashion AG and Charles Vögele Austria GmbH agreed to change the technical arrangement for their commercial relations according to the structure of the consignment stock (the "Consignment Agreement") and undertook a transaction that involved the buying back by OVS of goods previously sold, for payment of the relative price, partly in cash and partly by offsetting. As part of the operational management of the consignment stock relationships, OVS created the direct subsidiary OVS Austria GmbH.
In April 2018, Sempione Fashion AG sold its subsidiary Charles Vögele Deutschland GmbH to a third party, the Dutch company Vidrea Retail B.V., of the Victory and Dreams Holding B.V. group, which operates in the clothing retail sector under the brand "Miller & Monroe", among others. At the same time, the Transition Management Agreement was signed, which involved the management of the phasing out of the Charles Vögele stores by Sempione Fashion AG, and payment, with this available cash, for the provision of goods by OVS until May 2018.

Despite the aforementioned Consignment Agreement signed on 13 April 2018, the financial situation of Sempione Fashion AG deteriorated further and, on 28 May 2018, an amendment to the payment terms established in the Consignment Agreement was therefore approved (the "Amendment Agreement"). For more details, see the Information Document dated 30 May 2018.

On 30 May 2018, Sempione Fashion AG was granted admission to provisional composition moratorium proceedings by the judge of the Swiss court, on its request.

Subsequently, on 21 July 2018, Sempione Fashion AG ended the liquidation sale phase launched after the company's admission to the above proceedings and, on 30 July 2018, following the final closure of the stores, the administrator decided to file for the bankruptcy of Sempione Fashion AG, thus concluding the composition proceedings (an outcome already planned by OVS in the aforementioned Information Document). The company was declared bankrupt on 2 August 2018.

As a result of the above, on 30 July 2018, OVS informed Sempione Fashion AG of the termination of the Cooperation Agreement entered into on 18 April 2017 and, as a result, all commercial relationships between OVS and Sempione Fashion AG deriving from this agreement and its subsequent amendments ceased.

In July 2018, Charles Vögele Austria GmbH, a wholly owned subsidiary of the aforementioned Sempione Fashion AG, filed with the competent authorities a petition for admission to restructuring composition proceedings without a "self-administrator", which provided for a percentage payment to corporate creditors.

In September 2018, Sempione Fashion AG in composition proceedings sold to a third-party operator (GAEBB, a company connected to the GA Europe Group) the shares owned in Charles Vögele Austria GmbH, Charles Vögele, trgovina s tekstilom doo (Slovenia) and Charles Vögele Hungaria Kft. As part of the above restructuring proceedings aimed at the reorganisation of Charles Vögele Austria GmbH, OVS and GAEBB also reached an agreement on the basis of which OVS waived its receivables from the Austrian company and transferred its stock of goods at the Austrian stores to GAEBB for immediate payment. After this transaction, OVS commenced the liquidation of OVS Austria GmbH.

In December 2018, following a prolonged delay in payment for the goods sold to Charles Vögele Deutschland GmbH (purchased as indicated by the Dutch company Vidrea Retail B.V.), OVS filed a lawsuit for the forced recovery of the receivable from the German company.

For the purposes of completeness, it should be noted that on 6 March 2019 a petition was filed by a creditor for the bankruptcy of Charles Vögele Deutschland GmbH (which in the meantime had become Vidrea Deutschland GmbH), the order for which, issued by the Court of Hechingen, was notified to OVS on 16 April 2019.

The economical and capital effects of the above events were all reflected in OVS's accounting and financial documents. All receivables from companies in the former Sempione Fashion Group were fully written down in the financial statements as at 31 January 2019, as well as all assets from Sempione Retail AG, which will undergo proceedings resulting in its forced non-performing liquidation. Receivables from Charles Vögele and trgovina s tekstilom doo (Slovenia) were also fully written down, although this latter company is not currently subject to any composition proceedings (however, its capital structure appears very weak).

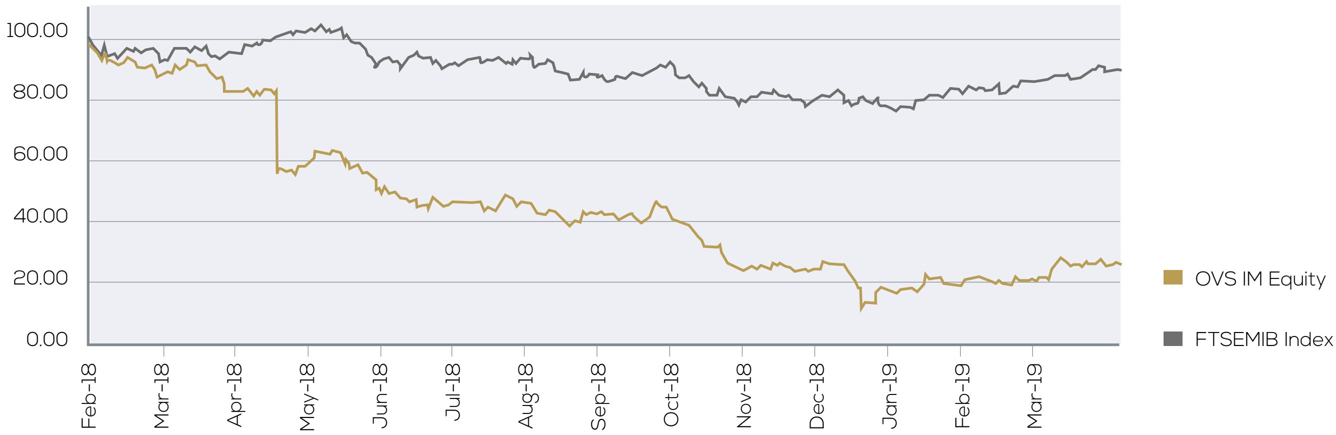
At 31 January 2019, receivables from Charles Vögele Hungaria Kft remained, amounting to approximately €0.4 million, due to the supply of some goods in the months following their purchase by GAEBB and duly collected in the months following the reporting date.

There were no other significant events during the reporting period, other than the above and those mentioned in the previous points of the report.

Notes on share performance

OVS SPA STOCK PRICE TREND - FY 2018

OVS SPA VS FTSE MIB



The OVS 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 €5.97 on 31 January 2018. One year later, at 31 January 2019, the stock was listed at €1.333.

The price of the OVS stock experienced strong pressure during 2018 due to factors both inside and outside the Group. Internal factors included: (i) the economic and financial impact in 2018 deriving from the termination of the relationship with the former Swiss group, Sempione Fashion, and (ii) a decrease in economic performance compared with the previous year. External factors included: (i) the general de-rating of all the multiples of the apparel retail sector, partly due to continual releases of discouraging results by many competitors, as shown in recent months by the negative results published by some major market players; (ii) a domestic stock price (FTSE Mib) which fell 15% year-to-date after peaking in late 2017, even though it rallied in early 2019; (iii) the arrival on our stock of bear investors leading to an increase in short positions, and (iv) a general climate of uncertainty in Italy.

In the first few months of 2019, the stock benefited from news of the sale of the shares previously held by the BC Partners fund to Tamburi Investment Partners S.p.A..

It should be noted that, at 12 April 2019, among the seven brokers that monitor OVS S.p.A., one presented a "Buy" recommendation on the stock, while the others had "Neutral" recommendations.
For more information and updates on 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 is reserved for directors who are also employees, managers with strategic responsibilities and/or other employees of OVS S.p.A. and its subsidiaries. The Plan is intended to create value for shareholders by improving long-term corporate performance and attracting personnel who play a key role in the Group's development.
The Plan provides for the issue of up to 5,107,500 options, which will be freely allocated to the beneficiaries if certain performance targets are met, and confers on each of them the right to subscribe to one ordinary share of the Parent Company for each option assigned.
The same Shareholders' Meeting was also convened in an extraordinary session to resolve upon the proposal to give the Board of Directors, for a period of five years from the date of the resolution, the power to increase the share capital, pursuant to Article 2443 of the Italian Civil Code, in tranches, excluding option rights pursuant to Article 2441, paragraph 8 of the Italian Civil Code, for a total maximum nominal amount of €35,000,000.00, through the issue, in one or more tranches, of up to 5,107,500 ordinary shares with no par value, to be reserved for the beneficiaries of the Stock Option Plan 2015-2020, with the consequent amendment of Article 5 of the Articles of Association.
As of 31 January 2019, 3,771,100 stock options have been allocated.

It should also be noted that the Shareholders' Meeting of 31 May 2017 approved a new stock option plan, called the "Stock Option Plan 2017-2022", reserved for directors who are also employees, managers with strategic responsibilities and/or other employees of OVS S.p.A. and its subsidiaries, which may be implemented using either (i) treasury shares bought back under the authorisation pursuant to Article 2357 of the Italian Civil Code granted by the Shareholders' Meeting from time to time; or (ii) shares deriving from a capital increase by the Board of Directors, after the granting of a mandate to the same to increase the share capital pursuant to Article 2443 of the Civil Code, in tranches, excluding option rights pursuant to Article 2441, paragraph 8 of the Civil Code, for a total maximum nominal amount of €4,080,000.00, through the issue, in one or more tranches, of up to 4,080,000.00 new ordinary shares of OVS, to be reserved for the beneficiaries of the "Stock Option Plan 2017-2022".

The new Plan is also intended to create value for shareholders by improving long-term corporate performance and attracting personnel who play a key role in the Group's development.
The Plan provides for the free allocation to each beneficiary of up to 4,080,000 options, which give the right to subscribe or purchase ordinary shares of OVS in the ratio of one share for each option exercised. The options will mature when determined performance targets are met.
At 31 January 2019, 2,399,500 options had been assigned under the "Stock Option Plan 2017-2022".

Lastly, the Board has defined, at the recommendation of the Appointments and Remuneration Committee, general guidelines for a new "Stock Option Plan 2019-2022" (hereinafter, the "Plan"), to be implemented through the free assignment of options to subscribe for 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 ("TUF"), who will be identified by the Board of Directors, after consulting the Appointments and Remuneration Committee, from among those individuals who perform a key role in the achievement of the Company's strategic objectives (hereinafter, the "Beneficiaries").

The Plan is intended to create value for shareholders by improving long-term corporate performance and by attracting and retaining personnel that play a key role in the Group's development, in order to align the interests of the Beneficiaries with those of the Group's shareholders.

Up to 5,000,000 options will be issued under the Plan, which will be freely allocated to the Beneficiaries. Each Beneficiary may exercise the options effectively accrued depending on the achievement of a condition of access to the Plan (Gate) and a performance condition linked to a predefined value of three-year cumulative EBITDA. Each option will confer on each Beneficiary the right to subscribe for one ordinary share of the Parent Company for each option assigned.
The exercise price of the shares is set at €1.85.
The information document on the characteristics of the Plan will be made public in accordance with the law before the Shareholders' Meeting called to approve the Plan and convened by the meeting of the Board of Directors for 31 May 2019.

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

Significant events after the reporting period

On 11 March 2019, the shareholder Gruppo Coin S.p.A., as the seller, sold its equity investment (17.835%) in the Issuer, OVS S.p.A., to Tamburi Investment Partners S.p.A., as the buyer; as a result of this acquisition, TIP, already a shareholder of OVS with an equity investment of approximately 4.912%, has a total stake of 22.747% in OVS's share capital.
Referring to the press releases issued on 11 March and 13 March, on 11 March 2019, the non-executive directors Stefano Ferraresi, Stefania Criveller and Marvin Teubner tendered their resignations and on 13 March 2019, the Board of Directors of OVS S.p.A. therefore decided to co-opt three new members, namely Giovanni Tamburi, Alessandra Gritti and Massimiliano Magrini, pursuant to Article 2386 of the Italian Civil Code and Article 13.4 of the Articles of Association (all non-executive and the latter also satisfying the independence requirements laid down in applicable legislation and the Corporate Governance Code). These resignations and the co-option were related to the said transaction.
On the basis of communications received by the Issuer in relation to significant equity investments, to date no party has declared that it exercises control.
Under the existing loan agreement, it should be noted that the new corporate structure and the new Board of Directors do not constitute a "change of control".

It should be noted that, with respect to Charles Vögele Deutschland GmbH, which is now owned by a European operator and has changed its name to Vidrea Deutschland GmbH, on 16 April 2019 it was learned that a bankruptcy order for this company had been issued by Hechingen Court. At the close of the financial statements as at 31 January 2019, the assets recognised in the financial statements relating to the company were fully written down as the receivables held were regarded as difficult to recover.

Business outlook

OVS will open new DOS and affiliated stores; network modernisation will also continue. The results of the refurbished stores were very positive in 2018 and early 2019.
Upim, the Group's most local brand, will also continue to grow, through both directly operated stores and franchising. In the latter case, the excellent results expected from openings in smaller catchment basins, where Upim offers customers living in these areas a modern and efficient product with significant profitability returns, have been confirmed, as the competition is less. In addition, the interest in capturing a significant macro trend,

such as the difficulty of hypermarkets in offering a sufficiently specialised range of clothing, in terms of both range size and price-quality ratio, has been confirmed. In this regard, we have just concluded an important trade agreement with Finiper, one of the largest and most well-regarded Italian hypermarket chains. We recently opened three new Upim stores inside the till barrier in other hypermarkets, with very encouraging results. These stores, added to the three already open under the Panorama brand, are evidence of an opportunity that we, more than others, believe we can seize.

International growth will mainly continue with store openings in franchising.
Our digital evolution is progressing rapidly. More than 50% of physical store sales are now preceded by an on-line search, and about 50% of the products purchased online are picked up in physical stores. The integration between physical and online selling and the digital evolution are already providing more opportunities for customer relationships on an increasingly one-to-one basis.

The central role of customers and optimum understanding of their needs, supported by the ever-more analytical interpretation provided by digital innovation and CRM, have encouraged us to continue to evolve merchandising towards the values that our customers hold most dear. Price, which we will pay constant attention to, is not and will not be the only reason to prefer our product; we have already introduced, with very encouraging signals, some higher-quality offering segments while maintaining the quality-price ratio that we are known for. We will continue along this path, accompanied by consistent communication that will highlight not only the convenience of our offer, for which we have always been recognised, but also our product quality.

We believe that margins could gradually improve over 2019, as we expect the markdowns carried out in 2018 to gradually decrease from quarter to quarter. However, the contraction of the market has obliged us to focus further on cost rationalisation. Technological innovation related to certain processes, improvements in logistics and the simplification of many procedures, together with increased flexibility and the reduction in stock, have enabled us to plan a reduction in general costs in 2019, to which we intend to add a reduction in rents in order to adapt payments, at least partially, to the different market conditions.

Partly due to the contribution of real estate to store restructuring and the increasingly complete finishing level that we require of properties as a condition for the opening of a store, we anticipate a significant reduction in investment, while maintaining investments dedicated to technological innovation, with particular regard to the digital experience, CRM and to supporting the flexibility of our operations.

We expect like-for-like sales to contract slightly in 2019, given our determination to reduce planned purchases, which will allow the stock to continue to decline and improve in quality. Due to the resulting lower mark-downs and careful cost containment measures, we expect an improvement in EBITDA compared with the previous year and good cash generation.

Lastly, it should be noted that, with regard to the outstanding loan of €475 million, due in March 2020, the Group has continued its discussions with the various banks in the pool.

Specifically, a first phase has been concluded with minor changes obtained that did not require the consent of the entire pool, such as: i) the elimination of certain guarantees related to pledges on trade receivables, provided that certain financial parameters have been met, and the elimination of special liens on certain unregistered movable assets; ii) the possibility of issuing capital market instruments; and iii) the expansion of the factoring basket provided for in the agreement from €20 to €30 million. At the date hereof, the aforementioned changes are being formalised.

Meanwhile, the broader process of refinancing the entire financial package is still ongoing. In this regard, it should be noted that: i) a financial advisor was identified to support the process; ii) the various legal teams have been identified; and iii) the timetable for the process has been more clearly defined. It should also be noted that the current loan granted by the pool has only one covenant, relating to the ratio of the average net financial position for the last 12 months (excluding the impact arising from the mark-to-market accounting of derivative contracts) to adjusted EBITDA for the last 12 months. For the calculation of the above amounts, and in accordance with the contractual provisions, the international accounting standards in force at the effective date of the loan agreement (March 2015) are taken into account, and for EBITDA, this is adjusted in order not to reflect both non-recurring elements and certain expected impacts specifically provided for within the agreement.

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 Issuers' Regulation, as their respective assets make up less than 2% of the assets in the Group's consolidated financial statements at 31 January 2019, and their respective revenues make up less than 5% of the Group's consolidated revenues at 31 January 2019.

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.

Despite the equity investment held by Gruppo Coin, OVS does not believe 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, 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.

Proposed resolution on net result for the year

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 2019 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 2019;

resolves

1. to approve the separate financial statements of OVS S.p.A. at 31 January 2019;
2. to approve the allocation of earnings of OVS S.p.A. at 31 January 2019, amounting to €39,330,881.00, as follows:
   - €1,966,544.00 to the legal reserve;
   - €37,364,337.00 in retained earnings."

for the Board of Directors
The Chief Executive Officer
Stefano Beraldo

Mestre, Venice, 17 April 2019

CROFF. Summer feeling.
Spring/Summer 2019

Consolidated non-financial Statement (legislative decree 254/2016)

2018

Methodological note and reading guide

As a public interest entity (pursuant to Article 16, paragraph 1, of Legislative Decree 39 of 27 January 2010)[1] with numbers of employees, assets and liabilities and net revenues higher than the thresholds stipulated in Article 2, paragraph 1, OVS S.p.A. is subject to the application of Legislative Decree 254 of 30 December 2016 (hereinafter, "Decree 254")[2] .
This consolidated Non-Financial Statement (NFS) of OVS as at 31 January 2019 has therefore been prepared in accordance with the provisions of Decree 254 and is an integral part of the documentation relating to the 2018 Annual Report. The Non-Financial Statement is to be regarded as supplementary and complementary to the Report on Operations and other documentation relating to the financial statements.

Reporting scope, process and measurement

This document is published annually. Unless otherwise indicated, the data refer to the period from 1 February 2018 to 31 January 2019, and, where possible, are compared with the same period of 2017.

The Non-Financial Statement has been drawn up to the extent necessary to ensure an understanding of the Group's business, its performance, results and impact, covering the topics considered relevant and provided for in Article 3 of Legislative Decree 254/2016.

The reporting scope includes the Parent Company OVS S.p.A., with certain exceptions in some areas that also include foreign subsidiaries operating in the Countries[3].

The NFS reports on topics relating to combating active and passive corruption, the environment, personnel management, social aspects and respect for human rights assessed as significant and material according to a specific, consolidated process, which takes into account the specific activities of OVS, which are described below (see the section entitled "Material topics related to business activities").

With regard to the topic of human rights, OVS has expressed its commitment to the protection of human rights in various documents, the Code of Ethics, and the whistleblowing procedures.

In order to standardise the reporting of information and make it easier to relate it to the contents of the above legislation, for each thematic area the materiality of the topic is demonstrated with respect to OVS's activities, the associated risks, the Company's policies and commitments and the results obtained and monitored through ad hoc indicators that are able to represent the operational results.

The data and information contained in this Statement relate to events that took place during the reference year indicated above, deriving from the Company's business activities, that are material based on the materiality analysis carried out in accordance with the Decree. They were collected and consolidated by OVS's various responsible functions, which used extractions from corporate reporting systems, billing and internal and external reporting, and were coordinated by the Corporate Sustainability function.

The data shown are in their final form, except where specified in the table.

Specifically, in this regard, OVS S.p.A. has adopted the indicators provided by the GRI Standards of the Global Reporting Initiative. The coverage of the Standards is associated with the material aspects and complies with the "Core" application level.

OVS uses GRI standards updated to the 2016 version, with the exception of the GRI 403 standard, for which the 2018 version is used.

This document been assessed for compliance by an auditing company.

The assessment was carried out according to the procedures indicated in the "Independent Auditor's Report", provided at the end of the document.

The Board of Directors of OVS approved the Non-Financial Statement on 17 April 2019.
The NFS is published in the consolidated financial statements, which are available at www.ovscorporate.it.

Registered office
OVS S.p.A.
Via Terraglio, 17
30174 Mestre, Venice

Contacts
Corporate Sustainability
sustainability@ovs.it
Investor relations
investor.relations@ovs.it

1 "Public interest entities" is intended to mean the entities referred to in Article 16, paragraph 1, of Legislative Decree 39 of 27 January 2010, i.e.: Italian companies issuing securities admitted to trading on regulated Italian and EU markets; banks; the insurance companies referred to in Article 1, paragraph 1(u) of the Private Insurance Code; the reinsurance companies referred to in Article 1, paragraph 1(cc) of the Private Insurance Code, with their registered offices in Italy, and the secondary offices in Italy of the non-EU reinsurance companies referred to in Article 1, paragraph 1(cc-ter), of the Private Insurance Code.

2 "Implementation of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU regarding the disclosure of non-financial information and information on diversity by certain companies and certain large groups"

3 Subsidiaries (foreign companies) are excluded from the scope of this NFS, as they represent, in total, 0.4% of the Group's turnover, and have a total number of employees equal to 4.1% of the Group's workforce.

Letter to the stakeholders

Sustainability is an indispensable challenge for a company whose main business activity (clothing production and distribution) makes it responsibly active in seeking solutions to the climate crisis. We have decided to be guided by a new production and consumption concept, moving from a linear model of input-output to a circular model in which each element has a new life and can be regenerated. Whatever is not consumed is assimilated into another process. Sustainability is an opportunity closely linked to the ability to thrive over time by channelling business, investments, and core values towards the planet's resources for positive change. I believe that a sustainability strategy is an absolute priority for OVS S.p.A. and it certainly is a top priority for me, as CEO.

The sustainability themes of the #wecare programme, guided by a Sustainability Director, affect all the functions, ranging from corporate culture to design and the product, from materials to the supply chain, and from logistics to stores, using a systemic approach. Dozens of actions are interconnected in a strategy in which clear operational priorities are defined, in line with the objectives of the business plan. Over time, both top management and the entire staff have increased their awareness and expertise. In 2018, we firmly believe that one key to our success is our people: a training programme that has been broadly extended to area managers and the entire sales network of OVS S.p.A. has involved thousands of individuals throughout Italy. As a market leader in Italy, with millions of consumers and an offering largely dedicated to families, we are firmly convinced of the cultural and educational role that we must play in society. Our stores must represent hubs of clear and transparent information on the key themes of sustainability. To this end, we have launched a partnership with WWF for the Kids Creative Lab project, which will focus on environmental issues. Significant results were achieved by a big acceleration of more sustainable material sourcing processes and collaboration in international initiatives to improve working conditions in our supply chain.

We believe that the challenges presented are most effectively met through multi-stakeholder action and initiatives (see BCI or Accord).

There are three perspectives that I want to highlight in relation to our sustainable development strategy. The first relates to the return on investment in terms of innovation, which is enormous and is constantly in evidence, both within and outside the company. Sustainable action necessarily requires setting higher and more challenging goals, which demands the constant rethinking and improvement of everything we do. There is always a better way to do things, and sustainability provides a tremendous boost to innovation and the implementation of solutions.

The second perspective is more financial, and relates to recognising the risks and costs of non-sustainability – the inability to get one step ahead of the issues that inevitably need to be faced if sustainability is not addressed with care and skill.
A third dimension is that of the consumer, whether existing or potential, who increasingly takes it for granted that the company with which he or she interacts meets the highest standards of product safety and wholesomeness, and care of people and the environment, from the production of raw materials to the disposal of the used product. The trust millions of customers place in us every day must be nurtured with a sense of responsibility, and it is essential that we act every day in a manner consistent with a deep commitment to sustainability.

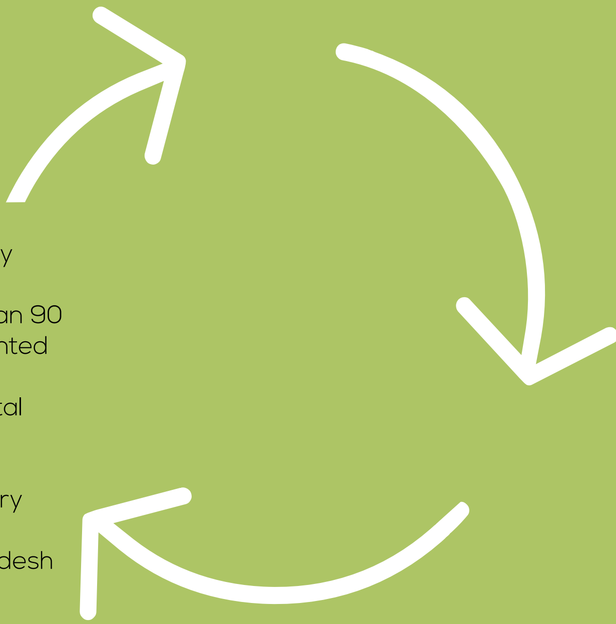
We have started on a multi-faceted path that systemically encompasses all business areas. We control development by measuring material aspects using a series of indicators that we are constantly monitoring to verify critical issues and improvements in a timely manner. For a number of years we have been measuring these indicators for internal use, but with the financial statements we want to make them public periodically, in order to share and further enhance our commitment and our journey, and also to make each person proud to work with us.

2018 Highlights

PRODUCT SUSTAINABILITY

In 2018, cotton represented just under 70% of the materials used by OVS S.p.A. Around 55% has a certified, traceable source that is more sustainable than traditional cotton. The current trend is consistent with the objective of supplying only certified (BCI, organic or recycled) cotton by 2020. This indicator clearly represents OVS's commitment to the achievement of a production chain with reduced water and chemical consumption, in line with the sustainable development objectives defined by the United Nations.
Polyester is the second most used material by OVS after cotton, and several courses of action have been taken to improve its environmental impact.
In 2018, approximately 120 tonnes of recycled polyester (equivalent to approximately 10,000,000 plastic bottles) were used to manufacture pile t-shirts.
In 2019, a project launched in 2018 dedicated to the production of denim garments will be implemented, with the elimination of potassium permanganate in the garment treatment processes. This helps to significantly reduce the consumption of water and hazardous chemicals in the treatment of denim.

RESPONSIBLE PRODUCTION



Continuing the programme of mobilising its supply chain towards a more informed and sustainable production model, in 2018 OVS involved more than 90 suppliers in Bangladesh (which together represented around 40% of annual production) in training programmes aimed at improving its environmental performance, through the HIGG Index platform. Through this platform, OVS aims to involve all its suppliers in an action shared by the entire industry aimed at increasing transparency.
In 2018, OVS renewed its support for the Bangladesh Accord to make factories safe in Bangladesh, reporting a remediation rate for its suppliers of 89.2% and the involvement of approximately 140,000 workers in occupational safety training.
Finally, the use of OEKO-TEX certified suppliers has significantly increased, from 34% to 49% of production volumes. This certification further guarantees the safety of the garments produced.

RESPECT FOR THE ENVIRONMENT

The decision to procure only renewable electricity resulted in OVS purchasing 623,711 GJ of electricity from certified renewable sources in 2018, thereby saving around 60,000 tCO_2e of Scope 2 emissions, roughly equivalent to the absorption of a forest of 1,000 hectares (more than 1,000 football pitches).
In addition, the constant quest for greater energy efficiency has led to a reduction in the consumption per m^2 of the sales network for the 5th consecutive year, a decrease of 7% compared with 2017.
A renewed focus on water consumption was initiated and an awareness-raising programme was launched at the company headquarters, which reduced overall water consumption by 23% and per capita consumption by 22% compared with 2017.

PEOPLE

Training remained at the heart of the HR management strategy in 2018, a year in which the training budget increased by 6.5%, exceeding €450,000 in investment and providing almost 80,000 hours of training in total. At least 3,800 hours were devoted to sustainability training for people at the company headquarters and store managers throughout Italy.

Profile and main activities of OVS

OVS S.p.A. ("OVS") is the leading company in the Italian clothing market engaged in the creation, production and marketing of clothing for women, men and children through the OVS and UPIM brands.
The OVS brand was created within Gruppo Coin in 1972. As its network has expanded over time, it has developed a bond of trust with its customers, achieving brand awareness on the Italian market of 100% in 2018 (source: Doxa 2017, men and women aged between 20 and 55).
OVS S.p.A. also owns the UPIM brand, which is positioned in the value segment of the women's, men's and children's Italian clothing products market and is mainly aimed at families. UPIM, which has been present in Italy since 1928, was acquired in January 2010.

The Company's business model is typical of vertically integrated retailers and includes the following activities: product development, entrusted to a team of product managers, designers and merchandisers that leverages an organisational structure highly specialised in sourcing with a strong presence in the key geographical areas to design, develop and implement the merchandise mix with external suppliers, under the artistic guidance of the fashion coordinator and the organisational guidance of the category managers.

OVS S.p.A. operates through its countrywide sales network with stores that differ in terms of sales area and management approach (direct sales or franchising). The Group is also the leader in the children's category in Italy, and in recent years has won the "Retailer of the Year" award a number of times in several product categories.

The history of the OVS Group

OVS was initially created in 1972 as "Magazzini Oviesse", a division of the company Coin S.p.A. engaged in department store management. The department store model was developed in the 1970s and 1980s with the sale of clothing products; the product sectors then expanded, with the introduction of household items, sports equipment, toys, perfumery and leather goods.

In 2005, the Coin group transferred the business arm comprising the activities of the then OVS to the newly established company OVS S.r.l., wholly owned by Gruppo Coin, which was subsequently transformed into Oviesse S.p.A..

In January 2010, Gruppo Coin acquired 100% of the share capital of Upim S.r.l., one of the leading Italian clothing companies, with a presence in the country of 135 directly operated stores under the UPIM brand and 15 under the Blukids brand, as well as over 200 stores in franchising.

In January 2013, the merger by absorption of the subsidiaries Oviesse S.p.A., Coin S.p.A., Upim S.r.l., Oviesse Franchising S.p.A. and Coin Franchising S.p.A. into Gruppo Coin S.p.A. became effective. After this corporate reorganisation, Gruppo Coin S.p.A. became the parent company of Gruppo Coin.

In April 2014, Gruppo Coin launched a corporate reorganisation project to hive off the business unit comprising the "OVS-UPIM division", which was transferred to OVS S.p.A. on 1 August 2014. OVS S.p.A. has been listed on Borsa Italiana since March 2015.

In 2016, OVS created #wecare, a strategic sustainability programme to integrate social and environmental performance into the general business strategy, details of which are set out below.
In 2018, OVS opened new PIOMBO stores. The PIOMBO collection, developed by stylist Massimo Piombo, is aimed at men whose style is sophisticated and modern, with an offer that combines elegance and quality at reasonable prices.

Mission and values

OVS S.p.A. it has set itself the task of "making beauty accessible to everybody", basing its success on concrete values that inspire the behaviour of all the people who play a part in its business processes.
The values and behaviours described below form the foundations of the day-to-day thoughts and actions of every person making up OVS's great team.
This team, always in a cohesive and motivated way and by adhering consistently to these values and behaviours, determines, on a daily basis, the path of extraordinary growth and development that the Company has embarked upon with passion, pragmatism, determination and success, and will enable it to achieve ever-more challenging goals in a sustainable way.

VALUE CREATION

Generate value in everything we do for customers, colleagues, the Company and the communities in which we operate.

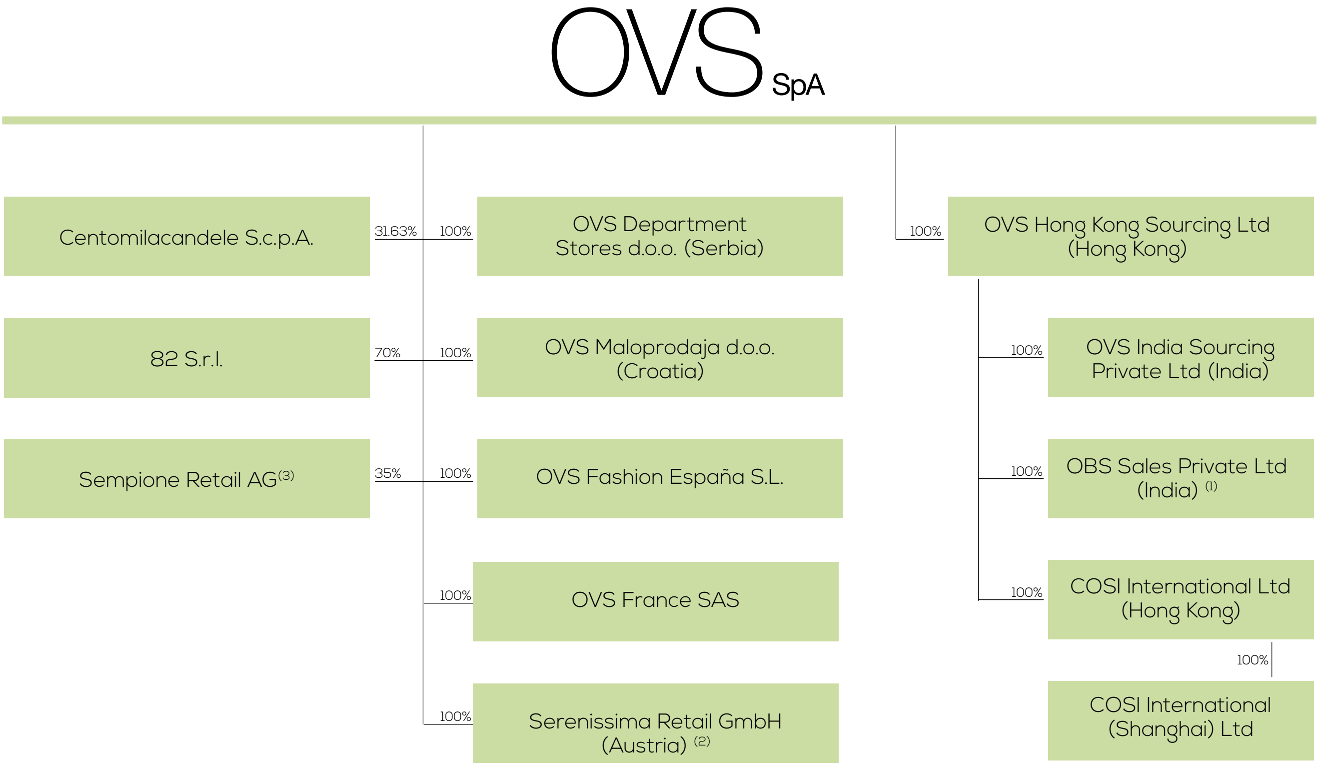
- Imagination: Imagine without limits, beyond the ordinary.
- Innovation: Have a natural attitude to change and continuous improvement.
- Team work: One team, as the sum of the value of the individuals within it.
- Italian lifestyle: The excellence of Italian style offers the appeal of a unique lifestyle to everyone.
- Respect: Always act with respect for ourselves, others and the environment in which we live.
- Openness: Be open to new experiences and to diversity.

We have based our sustainability strategy on a manifesto that fully conveys the spirit of the #wecare programme, available on the we.care.ovscorporate.it website.

The structure of the Group

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

Figure 1 - Company organisational chart



(1) Winding up
(2) Previously known as SASR Alpha Zweiunddreißigste Beteiligungsverwaltung GmbH
(3) Declaration of bankruptcy dated November 06, 2018

Brands

The **OVS** brand is Italy's leading clothing brand for women, men and children, with a market share in Italy of 8% (September 2018 - source: Sitaricerca).

OVS's leadership position is also confirmed by strong recognition of its brand, which has been present in Italy since 1972, the countrywide sales network and the shift towards more style-based collections.

The brand renewal process launched in 2007 has allowed OVS to be recognised and appreciated by the market as a brand capable of combining day-to-day and quality fashion content at the best possible price and interacting with its customers in both institutional forms and through new multimedia channels.
The brand identity is reflected in the product portfolio, which is well balanced by gender and categories, and an offer that combines basic garments with more style-oriented items. The strength of the brand is based on price leadership with no compromise on product quality.

Upim was established in 1928, when it opened its first store in Verona. Its long history as a department store saw a turning point in 2009, when Gruppo Coin acquired the brand and completely revamped its formula.

The Bernardi stores acquired by the Group in 2012 also took on the Upim banner. Upim's central value is being "close to people": territorially, due to its local presence; commercially, due to its day-to-day convenience and broad offer that responds to service needs in several segments; and finally, due to its clear and direct communication.

UPIM's offer is mainly aimed at families, with a particular focus on the quality/price ratio and the provision of current, tasteful products that are also basic and functional, so not completely influenced by fashion trends, but with the characteristics of ongoing collections that may be re-offered and enjoyed over time.

OVS Kids is Italy's leading supplier of clothing for infants, boys and girls aged 0-14. It has directly operated stores and franchises in Italy.

Blukids is the Upim clothing brand dedicated to children aged 0-14 years with an "active" clothing line.
It became part of Gruppo Coin in 2009, and has become a benchmark for convenient, accessible shopping aimed at meeting the daily needs of mothers and children.
It has directly operated stores and franchises in Italy.

CROFF

CROFF is Upim's historic Italian textiles and home accessories brand. Its collections express the various worlds of the home, ranging from textiles to table and kitchen ware and from accessories to furnishings, with an offer of basic quality products at affordable prices.

Shaka
INNOVATIVE BEAUTY

Shaka Innovative Beauty is the OVS S.p.A. brand dedicated to perfumery, make-up products, professional make-up accessories and a bath and skincare line, with around 300 of stores in Italy.

PIOMBO

The **PIOMBO** brand is dedicated to the masculine world. It is aimed at men whose style is sophisticated and modern, with an offer that combines elegance and quality at reasonable prices.

Business model

OVS designs and develops its collections through an integrated process that starts with the study of trends and styles, creating an accessible fashion offering that can satisfy the requirements of families, young people and older consumers.
The collection is organised with a focus on various scenarios for wearing the clothes, ranging from everyday life to school, sport and more formal occasions. Everything is designed to respond to the desire to dress with Italian style at an affordable price.
The products are made using a model that is outsourced but strongly integrated within the internal value chain, thanks to cutting-edge logistics and sourcing organisation.
The products are sold in a very extensive network of stores (DOS and franchising) located across Italy and constantly expanding abroad.
Meanwhile, the ongoing growth of e-commerce with a multi-channel approach represents another major factor in development, both now and in the future.
The main features and success factors of the OVS business model are: speed of execution, dynamic projects, innovative drive and close attention to costs, together with extremely flexible implementation and a strong focus on results.

Innovation

Digital transformation is at the heart of OVS's strategies and involves all areas of our business, including e-commerce, omnichannel services, customer relations and operations. Our goal is to create a dialogue with our customers, making them feel welcome in an environment, whether physical or virtual, that is designed with them in mind. This is why we have invested in CRM (Customer Relationship Management), e-commerce, and store digitalisation, moving towards complete, fluid integration of e-commerce (online) with physical stores (offline): almost half of customers buying online at www.ovs.it now collect their purchases from the extensive network of stores. In recent months, we have accelerated our innovation journey with the introduction of new tools: **OVSiD and MySize**.
OVSiD dematerialises the old physical card, enabling customers to be recognised on all physical and virtual touch points (apps, websites, cash points with tablets, in-store screens and totems), including by simply tapping their smartphone at the till or providing their name to the sales assistants. Through OVSiD, customers can access, on each channel, their advantages, promotions dedicated to them and their purchase history and, if they wish, can receive the "My OVS Receipt", a digital summary of shopping on OVS, after each purchase.
MySize was introduced in September at around 50 stores, allowing the customer, in a few simple steps, to independently check whether the garment they want is in store in their size and, if not, to request free home delivery or in-store collection.

Corporate management model and organisation of business activities

GOVERNANCE

For a comprehensive description of corporate governance, please see the Report on Corporate Governance and Ownership Structure available at www.ovscorporate.it.

COMPOSITION OF THE BOARD OF DIRECTORS AND THE BOARD OF STATUTORY AUDITORS

On 1 June 2018, Board member Vincenzo Cariello resigned. Consequently, on 20 June 2018, the Board of Directors, in accordance with the Articles of Association, co-opted Elena Garavaglia, who was appointed from the same minority list as the outgoing member.

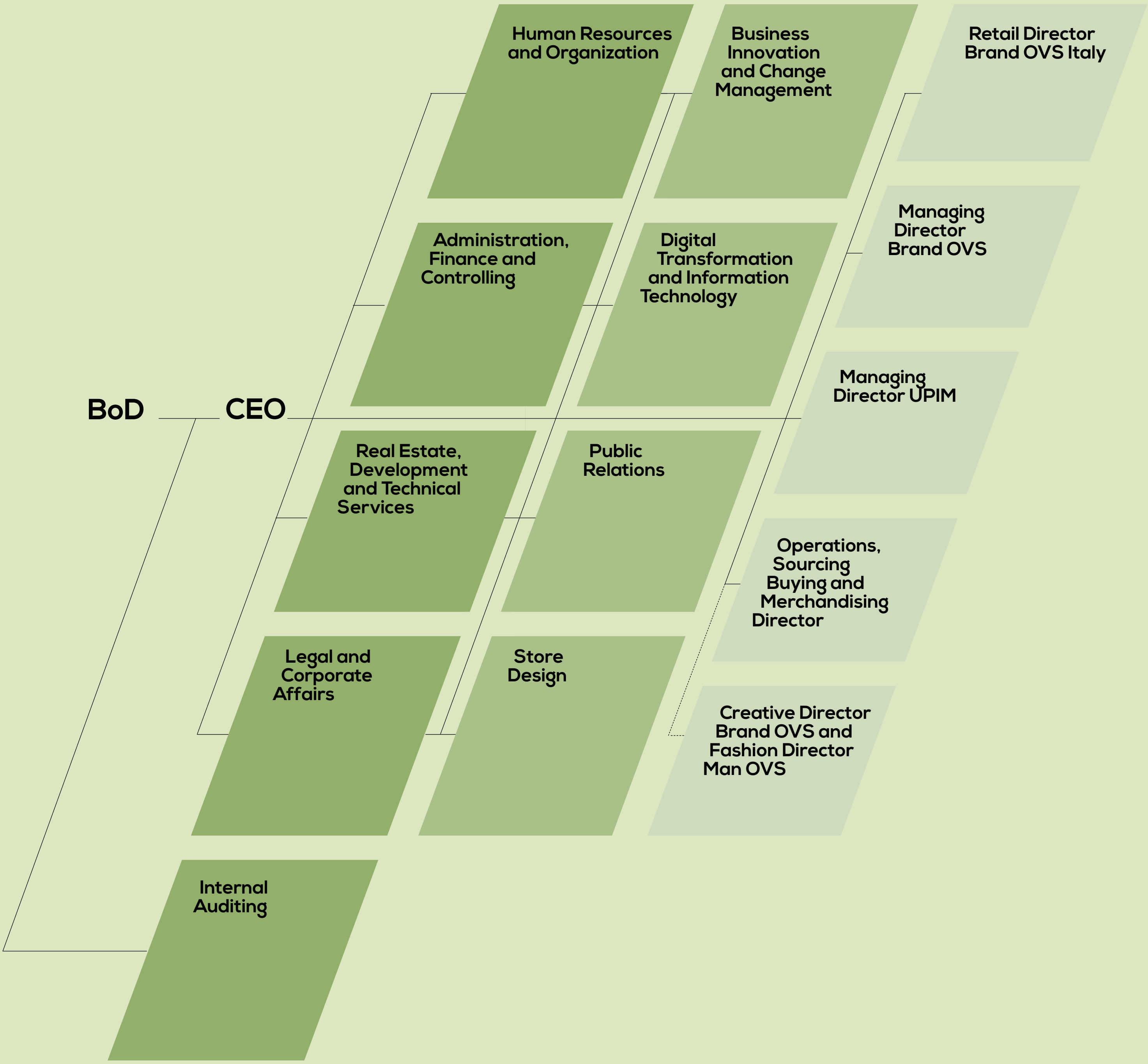
For further details, see the Report on Corporate Governance and Ownership Structure (at http://www.ovscorporate.it/it/governance/assemblea-degli-azionisti) and the press releases issued by the Company on 11 March 2019 and 13 March 2019, respectively.

Board of Statutory Auditors

On 1 June 2018, the Chairman of the Board of Statutory Auditors, Paola Camagni, resigned. Accordingly, on 1 June 2018, pursuant to Article 24.2 of the Articles of Association, Stefano Poggi Longostrevi, the Alternate Auditor on the same list as Paola Camagni, was appointed as Standing Auditor and Chairman of the Board of Statutory Auditors.
The current Chairman of the Board of Statutory Auditors will remain in office until the next Shareholders' Meeting on 31 May 2019, called to confirm this and to appoint the new Alternate Auditor.
For further information regarding the functioning and appointment of the corporate bodies, please see the Report on Corporate Governance and Ownership Structure.

Figure 2 - Functional organisational chart

Organisational structure



Sales departments

Within the respective general departments, the Sales departments of OVS and UPIM, which are responsible for customer service and image in stores, oversee budgeting processes, in-season sales management (promotions, markdowns, sales, etc.), organisation of activities (displays, customer service, replenishment, shop windows, etc.) and new store openings.
A network of Area Managers, responsible for different geographical areas, ensures countrywide oversight, managing visual merchandising activities to ensure that the image and display and communication criteria are consistent with the guidelines for the brand concept, and, lastly, coordinates the franchising sales network in Italy, optimising sales performance and profitability by providing support and direction to the partners.

Product sourcing and development

Product development is entrusted to a team of product managers, designers and merchandisers that leverages a group structure highly specialised in sourcing with a strong presence in the key geographical areas to design, develop and implement the goods mix with external suppliers, under the artistic guidance of the Fashion Director (in OVS Donna) and the organisational guidance of the Product Managers.
Product development starts with the selection of fabrics or with models from reworked samples. The clothing production phase is monitored in terms of quality and supply times, and carried out by teams resident in the producing countries. The production cycles range from a few weeks for basic clothing products manufactured in neighbouring countries (Turkey, Romania, Italy or other countries in the Mediterranean basin) to five or six months, where the price is the most critical variable and where the need for advanced planning is greater. The products are sent to the central warehouse and directed from there to the network of DOS and franchises according to a push-pull model, to enable constant attention to improving saleability. The sales policy is entirely managed by OVS and includes the definition of prices, and consequently margins, the formulation of the commercial calendar (an essential and distinctive component in maintaining high interest in the brand), and the in-season management of slow-sellers with appropriate markdown activities.

Marketing functions

The Marketing functions of OVS and UPIM are responsible for communication processes, defining advertising campaigns, media plans, web marketing management and website development. They also monitor the market with regard to the positioning of the brand image and the orientation of the target of interest (consumption, customers, competitors).
OVS's Marketing structure is also responsible for customer relationship management and customer care processes, as well as OVS's commercial partnerships. Finally, it manages the presence of the world of OVS on social media.

E-business

The E-Commerce function directly manages the e-commerce business processes and the dedicated platform, ensuring their evolution and optimisation and the achievement of high quality standards and the business results defined by the Company, using a multi-channel approach.
It is also the structure that manages the corporate websites (OVS, UPIM, OVS PEOPLE, ARTS OF ITALY, etc.), ensuring consistency with the corporate image and aiming to increase OVS's digital visibility and push traffic towards these sites.
2018 ended with a 40% increase in overall turnover, with more than 1.6 million visits/month to www.ovs.it.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

OVS considers the topic of "Integrity and Business Ethics" to be material, and has adopted an internal control and risk management system, consisting of tools, organisational structures, procedures and corporate rules that allow for sound, proper corporate management that is consistent with the strategic and operational objectives. It complies with the applicable laws and regulations on correct and transparent internal and market reporting, and enables the consequences of unexpected results to be prevented and limited. It is based, inter alia, on the Code of Ethics and the organisational model developed pursuant to Legislative Decree 231/01 (Model 231).

CODE OF ETHICS

In its Code of Ethics, OVS S.p.A. identifies benchmark corporate values, highlighting all of the rights, duties and responsibilities of all those working in or with OVS S.p.A. (employees, partners, government, shareholders and any other person with whom contact is established).
The Code of Ethics was adopted, by resolution of the Board of Directors of the Company, on 27 October 2014 and subsequently updated by resolution of the Board of Directors of 14 December 2016 and 18 April 2018.
The Code of Ethics can be viewed on the corporate website
(http://www.ovscorporate.it/it/governance/modello-231-e-codice-etico).

ORGANISATION, MANAGEMENT AND CONTROL MODEL (LEGISLATIVE DECREE 231/01)

The main objective of the Model 231 is to configure a structured and organic system of rules, including organisational rules, and control procedures and activities, to raise awareness among all of those acting in the name and/or on behalf of OVS S.p.A. about the need to base their behaviour on principles of loyalty and fairness, and to prevent the risk that the offences referred to in the decree will be committed.
The Model 231 can be viewed on the corporate website at
(http://www.ovscorporate.it/it/governance/modello-231-e-codice-etico).

WHISTLEBLOWING

For some time, OVS has had a framework of values and behaviours in place to inspire those who work within or with our Company. It is in OVS's interest to promote and direct its actions according to principles of loyalty and fairness and to adopt the necessary countermeasures to prevent the commission of criminal offences. In this context, OVS has developed a Whistleblowing System, available to collect testimonies and reports that help it to continue on this path. The "Whistleblowing Procedure", defined in April 2018, governs the process of managing reports of significant unlawful conduct pursuant to Legislative Decree 231/2001, or breaches of the Model 231 adopted by the Company, based on precise and consistent facts.
Breaches of the Code of Ethics, the law and regulations can be reported on the corporate website at (http://www.ovscorporate.it/it/governance/modello-231-e-codice-etico). Reports are handled with the utmost confidentiality and anonymity is guaranteed for whistleblowers.

RISK SUPERVISION AND MANAGEMENT

Given the complexity of management activities and taking into account that risk-taking is a fundamental and indispensable part of the Company's activity, the Board of Directors of OVS has assessed the importance of identifying and mapping the main risks in advance and adopting suitable instruments to govern them and reduce their impact. The Company has therefore adopted a risk management system, drawing inspiration from the CoSO Report - Integrated Framework and CoSO Enterprise Risk Management models issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In line with these purposes, the risk management system adopted by the Company has the following aims:
- to disseminate the risk prevention and mitigation culture within the Company;
- to ensure transparency on the risk profile assumed and the management strategies implemented, through periodic and structured reporting to the Board of Directors and top management.

OVS's risk management system is also:
- extended to all types of potentially significant risk;
- focused on the most relevant risks, according to their ability to compromise the achievement of strategic objectives or to impair strategic corporate assets;
- based on a quantitative approach or based, where possible, on a precise measurement of the impacts of the risks on the expected economic and financial results according to their probability of occurrence.

On 22 April 2015, the Board of Directors, on the recommendation of the Director in charge of the internal control and risk management system, having received a favourable opinion from the Control and Risks Committee and from the Board of Statutory Auditors, approved the Company's risk management system guidelines to identify, supervise and manage areas of risk, ensuring the achievement of strategic and operational objectives, the reliability of financial reporting, compliance with laws and regulations and the safeguarding of corporate assets.
The risks identified may be either internal or external to the Company, and therefore related to the sector and/or market context, where the probability of occurrence is outside the sphere of corporate influence. In the case of external risks, the aim of the risk management system is to monitor the risk and mitigate the impact in case of occurrence. In the case of internal risks, the aim of the risk management system is to manage the risk through specific prevention and control systems incorporated within the corporate processes, aimed at reducing the probability and/or limiting the impact in the event of occurrence.
The Group's exposure to strategic, business and operational risks and the related mitigation actions flow into the risk assessment, which is submitted to the competent management and control bodies, also for the possible implementation of corrective measures.
The Board of Directors is responsible for coordinating and supervising the risk management process, so that the risks assumed within the scope of the business are consistent with the business strategies approved, also defining the acceptable risk threshold.
The Control and Risks Committee is responsible for assisting the Board in (i) identifying and assessing the main risks affecting the Company and its subsidiaries so that they are adequately monitored; and (ii) defining and updating mitigation plans and risk governance in general.
The Director responsible for the internal control system is responsible for (i) identifying the main corporate risks, taking into account the characteristics of the business and the operations performed by the Company and the Group; and (ii) taking care of the design, implementation and management of the internal control and risk management system, constantly verifying its adequacy and effectiveness.

Analysis and management of non-financial risks

Among the current and/or potential risks to which the OVS Group is or could be exposed, it is possible to identify certain risks, undergone and generated, related to the topics that OVS S.p.A. has identified as material for the Group and its stakeholders.

Table 1 - Ways of managing non-financial risks

Material topic	Non-financial risks	Management/policy procedures
Business integrity and ethics	Active/passive corruption risk - identified in the context of risky activities pursuant to Legislative Decree 231/2001 Integrity of business conduct - A retail business model, distributed throughout the country and with broad operational delegation, is exposed to the risk of a lowering of the ethical standards of the personnel and/or its external staff, with operational, compliance and economic implications.	Through the organisation, management and control model pursuant to Legislative Decree 231/01, OVS manages active and passive corruption risks, identifying potential sensitive activities, examples of offences and the structures and main safeguards put in place. This policy is disseminated globally through the Code of Ethics and the whistleblowing system Specific supervisory activities are carried out through the Supervisory Body (SB) Adoption of Codes governing Group reports on standards of conduct
Sustainable supply chain	Risks related to the supply chain partnership, arising from changed business needs Dependence on raw materials - cotton is the most important fabric for OVS (over 70% of OVS's clothing production is in cotton). While the impact of cotton production is already significant today, it is likely to increase further in the coming decades, making cotton a scarce and more expensive resource.	OVS asks suppliers to adhere to and comply with the Code of Conduct, which is binding on environmental and social performance Internal and external audit programmes based on the Code of Conduct are performed OVS actively participates in industry collaboration initiatives to guide the monitoring and development of environmental and social performance in the supply chain OVS has defined a cotton procurement strategy that emphasises certified sustainable sources
Development of human capital	Incompetence and incapacity resulting from lack of training and skills management and renewal of individual skills Demotivation and lack of responsibility due to failure to recognise merit and results due to the absence of a performance appraisal plan Risk related to lack of adaptability in a changing environment Misalignment due to failure to share company objectives Insufficient productivity due to a negative corporate climate, reflecting a lack of sense of belonging, motivation, and company identity	OVS defines an investment plan in order to implement training programmes appropriate for the achievement of performance Training for continuous adjustment of technical skills and soft skills Performance appraisal schemes are used that are aligned with the best market practices Development of the soft skills most suitable to strengthen the capacity for adaptation and resilience of employees; Communication channels are developed for the sharing of company goals Progressive expansion of dialogue initiatives with staff Adoption of the Code of Ethics containing principles for the protection of workers and human rights
Diversity and equal opportunity	Employment relations and negative impacts arising from gender discrimination	Adoption and development of wellbeing programmes to create a tailor-made work environment Special focus on situations related to pregnancy (see the MAAM Programme for the promotion of soft skills linked to maternity), and ensuring uniform career paths
Occupational health and safety	Risks to the health and safety of workers in Italy and abroad, arising from incorrect assessments of these risks and from programmes not suitable for their prevention	OVS defines specific plans for the protection of employees' health and safety, fire and other disasters, first aid and prevention and control of the suitability of buildings Compliance with applicable environmental legislation through the promotion of safe and environmentally friendly processes and activities Supervisory activities for the risk of regulatory non-compliance

Material topic	Non-financial risks	Management/policy procedures
Community development	Failure to integrate the company into the social fabric	OVS supports and proposes community development programmes with a positive impact on improving living and working conditions and managing environmental risks, including in developing countries Reputation managed through proactive institutional communication and social media strategies
Circular economy	Dependence on raw materials and negative impacts on the environment	Adoption of an action plan for the development of strategies for the implementation of circular economy virtuous models and processes
Direct environmental impacts	Costs arising from failure to manage energy efficiency processes Negative impact on climatic conditions Damage to ecosystems due to waste disposal	Plan for the rational consumption of energy resources The exclusive use of certified renewable energy Plan to improve the efficiency of structures (stores, head office and warehouses) Prevention of pollution caused by polluting emissions in the atmosphere, which increase the greenhouse effect Efficient management of scraps and waste generated by production activities is ensured Appropriate management and monitoring systems are implemented
Sustainability marketing	Reputational and customer satisfaction risk and due to the lack of overall management of stakeholder relations	Adoption of Codes governing Group reports on standards of conduct with stakeholders Stakeholder engagement and sustainability information activities
Packaging	Increased waste production costs	OVS helps to reduce waste production by using responsible disposal methods Implementation of appropriate management and monitoring systems
Product sustainability and safety	Health and safety risks to consumers	All aspects related to compliance monitoring affect the risk of non-compliance, which may lead to judicial and administrative sanctions as a result of breaches of mandatory rules or self-regulation. OVS complies with the new regulations requiring stricter standards for the management of chemical agents in the production of garments, leading to higher costs.

Audit activities

Internal audit activities are carried out in support of the Board of Directors, the Control, Risks and Sustainability Committee and the Board of Statutory Auditors, targeting all corporate areas. 231 compliance audit activities are carried out in support of the Supervisory Body, and constitute the main monitoring and control tool, together with the whistleblowing system previously described.
In 2018, the following were carried out: an audit of foreign sales, an audit of national sales and five audits of the corporate area, with a specific focus on regulatory compliance issues.

Prevention of active and passive corruption

As explained in its Code of Ethics, OVS rejects and sanctions any corrupting behaviour (including, for example, the giving or promise of donations in money or other benefits - also in the form of gifts or benefits of any kind, hiring, etc.) in relations with interlocutors or partners. In particular, OVS censures the behaviour of those who give or promise money or other benefits to any person belonging to other private entities (e.g. directors, managers, employees) so that the latter breach the obligations of their office or their obligations of loyalty to the entity to which they belong, even if such conduct may convey a direct or indirect advantage to the Company. In this regard, the Company also condemns any corrupting behaviour aimed at obtaining from its interlocutors or partners any information relating to third parties or the disclosure of industrial and business secrets or in any case of confidential data or know-how.
This commitment applies to both employees and third parties, through an appropriate disciplinary system and with the provision of specific "ethical" contractual clauses.
OVS assesses and manages the risk of corruption: the mapping of risks for the purposes of Model 231 constitutes for OVS a fundamental element in terms of preventing the risk of corruption, and more generally of ethics and compliance.
Accordingly, within Model 231, a series of protocols have been developed relating to the management of high-risk activities and a series of protocols related to the management of cross-cutting instrumental activities.
OVS also has a **Whistleblowing System** through which it provides an online platform for reports, ensuring maximum confidentiality and discretion.
This system will have a specific area dedicated to training on Model 231.
In 2018, no incidents of corruption were recorded, either active or passive, relating to corporate activities.
In 2018, a total of 1,008 training hours were delivered on the Code of Ethics and Model 231, compared with 1,251 hours in 2017.

Sustainability and value creation

SUSTAINABILITY STRATEGY AND GOVERNANCE

OVS's sustainability strategy is based on the Company's commitment to considering, in every one of its actions, the environmental and social impacts with which they are inevitably associated, and is expressed through the sustainable innovation programme #wecare, defined in 2015 and launched in February 2016.
For OVS, sustainability must be a characteristic feature of every business action, without limiting itself to creating a specific capsule collection. With the #wecare programme, the Company is committed to improving the current business paradigms in the fashion world by using tools and skills that have become available thanks to movements such as the Benefit Corporation[4], that aim to redefine business success. Since 2016, OVS S.p.A. has used the B Impact Assessment[5] in its own analysis and assessment models to achieve an overview of the impact generated

4 Benefit Corps are companies that meet the highest standards of accountability and transparency and aspire to use the business to address and resolve environmental and social problems.
5 The B Impact Assessment, developed by the not-for-profit B Lab, is a set of global and independent measurement standards for the assessment of social and environmental performance. It allows a company to measure its absolute impact and compare it with benchmarks. The impact assessment is carried out on four areas of analysis (employees, community, environment and governance) and on the company's business model.

by the organisation and the initiatives launched. This tool also allows us to identify priority areas for improvement and the future objectives of the #wecare plan.
The #wecare programme is also based on the scientific framework and the principles of sustainable innovation developed over years of research by The Natural Step, an NGO founded in Sweden in 1989.
These principles provide a concrete and comprehensible definition of sustainability for all and are necessary, sufficient and universal to describe a sustainable future.
In a sustainable society:

- nature is not subject to increases in the concentration of substances extracted from the earth's crust (e.g. heavy metals and fossil fuels)
- nature is not subject to increases in the concentration of substances produced by human activity (e.g. waste and pesticides)
- nature is not degraded faster than the time required to regenerate (e.g. deforestation and overbuilding)
- the satisfaction of people's basic needs is guaranteed, promoting health, participation, skills development, impartiality and enhancement of the individual.

In the periodic review of its sustainability strategies, OVS S.p.A. also considers the 17 Sustainable Development Goals (SDGs), adopted in September 2015 by the UN General Assembly within the 2030 Agenda for Sustainable Development. These objectives relate to different areas of social, economic and environmental development as well as to the processes that may accompany and favour them.
OVS S.p.A. considers the following objectives to be particularly important for its activities: 5 (Equal Opportunities), 6 (Clean Water and Sanitation), 7 (Affordable and Clean Energy), 8 (Decent Work and Economic Growth), 10 (Reducing Inequalities), 12 (Responsible Consumption and Production), 13 (Climate Action), 14 (Life Below Water) and 15 (Life on Earth).

Control, Risks and Sustainability Committee

A committee has been set up within the Board of Directors, made up of independent directors whose purpose is to support the Board in defining the Company's sustainability strategies. The Committee reports periodically to the Corporate Sustainability manager. The CEO and the Board of Statutory Auditors also take part in the meetings of the Committee.

The #wecare programme

Through the **#wecare** programme, the Company has focused its attention on aspects of sustainability relating to design and production, the use of materials and production processes, the life cycle of garments and fibre recycling, direct environmental impacts, the supply chain, customer relations and, in general, relations with its stakeholders.
In particular, OVS has adopted a Business Maturity Model, developed on the basis of international best practices in the clothing/retail industry, with respect to which it periodically evaluates its positioning. The aim is to systematically verify its actions and assess the impact of its operations, creating value for the Company and strengthening relationships of trust with the various stakeholders.
In this way we intend to communicate to our customers how much care we put into our garments, reflecting our good practices throughout the supply chain.

Mapping of stakeholders

The table below shows the mapping of key stakeholders and the topics important to each of them. These represent, in part, OVS's perception of the individual categories of stakeholders and, in part, the expectations identified by the involvement actions already under way. This tool is constantly evolving.
OVS has mapped the categories of key stakeholders, the latter identified with both general analyses and an ongoing involvement of the organisational functions that normally deal with the various categories of stakeholders. The important topics for each stakeholder have then been identified: in part, these represent OVS's perception of the individual categories of stakeholders and, in part, the expectations identified by the involvement actions already under way. This tool is constantly evolving.
We have also launched a reflection on the dialogue channels already active in the Company to assess their real ability to grasp and monitor critical areas (as well as strategic opportunities) in the company-stakeholder relationship.
One of the fundamental guidelines of the strategic plan outlined is the involvement of stakeholders. We feel that we play a crucial role in informing people in a clear and transparent way and spreading awareness of clothing choices.
This is why we involve our stakeholders in our initiatives, making them protagonists in a world that works to give everyone the freedom to dress every day an innovative and sustainable Italian style.

Table 2 - Stakeholder mapping

Stakeholder	Stakeholder's interest	Ovs S.p.A.'s interest towards the stakeholder
CUSTOMERS	- Satisfy their need to purchase - Accessible and safe clothing f or their families - Express their personality with brands that visibly align themselves with their values - Look fashionable	- Satisfy the customer - Increase the propensity to purchase and the value of the OVS S.p.A. brand
OFFICE STAFF	- Fulfil themselves professionally - Increase the sense and purpose of their role - Increase their skills - Increase well-being during the working day (concentration, nutrition, stress levels, etc.)	- Increase employee productivity - Increase the sense of belonging to the Company - Reduce the turnover rate - Make the employee an ambassador of OVS S.p.A.'s values
COMPETITORS	- Acquire market share through distinctive levers - Common interest in improving the reputation of fast fashion	- Maintain leadership in fast fashion in Italy - Use distinctive levers to increase brand reputation - Common interest in improving the reputation of fast fashion
SUPPLIERS	- Consolidate the relationship with OVS S.p.A. over time and increase the value of the relationship - Improve their practices	- Systematically improve the supplier's environmental and social practices - Promote economic development
LOCAL COMMUNITIES PRODUCING COUNTRIES	- Support from the Company on a par with institutions in developing countries - Promotion of work and rights	- Tighten profitable relationships to generate shared value - Increase the level of acceptance of the Company
LOCAL COMMUNITIES STORES (ITALY)	- Support from the Company on a par with institutions for a common benefit	- Tighten profitable relationships to generate shared value - Increase the level of acceptance of the Company

Stakeholder	Stakeholder's interest	Ovs S.p.A.'s interest towards the stakeholder
PRESSURE GROUPS	- Ensure that OVS S.p.A. is part of the solution in solving global environmental problems by reducing the impact of the fashion industry - Increase transparency and consumer information to guide more informed choices - Develop sustainable brands rather than greenwashing	- Be recognised as a serious brand with a clear strategy in terms of environmental and social sustainability
INSTITUTIONS	- Enforce the rules - Incentivise the Company if it is virtuous in improving access to and availability of resources for citizens	- Leverage institutions to create a positive impact
OPINION LEADERS	- Create new trends	- Be perceived as a cool brand
STAFF IN STORES	- Promote well-being in the store (temperature, stress levels, etc.) - Facilitate interaction with the client with distinctive arguments	- Increase employee productivity - Facilitate interaction with the client with distinctive arguments - Reduce the turnover rate
INVESTORS	- Increase the value of the shares - Reduce the risk associated with the investment - For funds: Focus on environmental, social and governance due diligence	- Communicate sustainability as a strategy to minimise risk and create long-term value for investors
FRANCHISEES	- Improve performance - Increase the attractiveness of the brand	- Establish long-term partnerships in line with OVS S.p.A.'s values
INDUSTRY COALITIONS	- Acquire new affiliates - Ensure that the affiliate plays an active role in improving working conditions and reduce the use and impact of harmful substances in the clothing industry's supply chain	- Join coalitions strategically in order to increase the visibility of OVS S.p.A. and maximise the positive impact, leveraging economies of scale generated by industry collaboration

The main initiatives for dialogue and stakeholder involvement are as follows:

CUSTOMERS
- Customer satisfaction surveys and service quality surveys;
- Educational programmes;
- Annual survey to identify important issues.

OFFICE STAFF
- Initiatives for training and development of human capital;
- MAAM Project;
- Code of Ethics and safety training;
- Annual survey to identify important issues.

SUPPLIERS
- Periodic meetings with key suppliers to share good practices for the improvement of environmental and social performance;
- Audit programmes;
- industry collaboration initiatives;

LOCAL COMMUNITIES - PRODUCING COUNTRIES

- Periodic meetings
- Partnerships

LOCAL COMMUNITIES - STORES

- Activities as part of FederDistribuzione

INVESTORS

- Investor relations activities
- Annual publication of the calendar of company events

FRANCHISEES

- Periodic meetings
- Periodic surveys

SECTOR ASSOCIATIONS AND INDUSTRY COALITIONS

- Membership of international initiatives to improve sustainability across the fashion industry (Sustainable Apparel Coalition – SAC, Better Cotton Initiative, Better Factories Cambodia, Accord, FederDistribuzione)

COMMUNITY

- Meetings with members of the fashion and arts world to conduct investment initiatives for social and cultural promotion activities in the community (e.g., the Peggy Guggenheim Collection, Save The Children, Fare x Bene Onlus, WWF, etc.).

ECONOMIC VALUE GENERATED AND DISTRIBUTED

The majority of the economic value distributed by OVS S.p.A. remunerates and sustains the system of supply chain companies.

Table 3 - Income statement at value generated and distributed

	2018	2017
ECONOMIC VALUE GENERATED BY THE GROUP	**1,549,635**	**1,500,958**
NET SALES	1,458,080	1,519,453
OTHER INCOME	66,984	72,813
FINANCIAL INCOME	35,280	22,387
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS	(25,214)	(24,139)
DOUBTFUL ACCOUNTS	(28,026)	(16,170)
FOREIGN EXCHANGE GAINS AND LOSSES	46,964	(70,599)
INCOME/EXPENSES FROM THE SALE OF TANGIBLE AND INTANGIBLE ASSETS	(3,333)	(2,056)
ADJUSTMENTS TO THE VALUE OF TANGIBLE AND INTANGIBLE ASSETS	(1,100)	(731)
ECONOMIC VALUE DISTRIBUTED BY THE GROUP	**1,447,278**	**1,351,100**
OPERATING COSTS	1,123,451	1,130,834
REMUNERATION OF STAFF	287,266	288,628
REMUNERATION OF LENDERS	17,228	15,094
REMUNERATION OF INVESTORS	--	-
REMUNERATION OF GOVERNMENT [6]	19,267	14,778
EXTERNAL DONATIONS	66	125
ECONOMIC VALUE RETAINED BY THE GROUP	**102,357**	**51,499**
DEPRECIATION AND AMORTISATION	63,026	58,965
PROVISIONS		250
RESERVES	39,331	(7,716)

6 Remuneration of government also includes deferred taxes

Materiality analysis

In order to improve sustainability policies, refine reporting processes and focus more precisely on the topics to be included in reporting, OVS considers the point of view of its stakeholders (those entities that have a position of interest towards the Company and therefore a capacity for influence), through constructive and fruitful dialogue. In 2016 and 2017, the Company carried out specific structured activities to identify stakeholders' perception of the most significant ("material") issues for OVS's sustainability, with the aim of improving its ability to intercept emerging trends on the domestic and international market for inclusion in reporting.
The following activities were carried out to define the list of material topics:

- recognition of the current situation through an analysis of various internal public and non-public sources (internal analysis);
- analysis of sector benchmarks, conducted on a selected sample of competitors operating at national and international level (external analysis);
- comparison with the main issues arising from the Sustainable Development Goals (SDGs);
- online survey disseminated to a panel of around 4,000 parties, consisting of employees and customers (last survey in February 2018).

In 2018, the OVS Group did not conduct specific surveys of external parties, but focused on internal analysis of what had previously been recorded and monitored regulatory and sector developments: it was thus possible to confirm that the Group's NFS enables, according to "material topics taking into account the company's activities and characteristics", reporting in accordance with the scope of application of the Decree.

In particular, non-financial business risks and opportunities were confirmed and better defined.
The most recent survey conducted on the perception of sustainability in product purchasing choices revealed a picture in which most customers consider the sustainability of products when they choose clothing and are very interested in the sustainability of OVS products.

The sustainability of products was also important at the time of purchase for the employees who took part in the survey.

In summary, the most significant issues arising from the survey were:
Community development an important theme for the creation of value for the region. This interest is expressed through the Company's support for initiatives linked to social or environmental objectives;

Development of employees and human capital, in terms of the work-life balance, health and safety, career paths, development of diversity and promotion of equal opportunities;

Environmental impacts deriving from the Company's activities to be important, in terms of energy efficiency, efficient use of water, management of CO_2 emissions, waste management and logistics;

Security and traceability of products, in relation to information on controls of potentially harmful substances and on the origin of products;

Customer service, in terms of listening to the customer and improvement based on feedback received, the pricing and accessibility of products, innovation in the shopping experience and safeguarding privacy;

Initiatives and projects to involve consumers, in terms of environmental impacts related to the cleaning and maintenance of clothes, responsible use of clothes (reuse and recovery), consumption models (fast fashion and circular economy) and initiatives for educational, social and environmental purposes;

Aspects related to the supply chain, such as sustainable product design and overseeing supplier interaction on driving greater sustainability

Management of the network of commercial partners and franchisees, in terms of capacity and skills, selection criteria for commercial partners, working conditions in the areas of franchisees, business ethics and monitoring of environmental performance.

Material topics related to business activities

Based on the results of the surveys previously described and considerations related to the needs of the Company, the following material topics have been identified:

- Business Integrity and Ethics;
- Sustainable Supply Chain;
- Development of Human Capital;
- Diversity and Equal Opportunity;
- Occupational Health and Safety;
- Community Development;
- Circular Economy;
- Direct Environmental Impacts;
- Sustainability Marketing;
- Packaging;
- Product Sustainability and Safety.

The table below shows the material topics identified by the OVS Group on the subjects envisaged by Legislative Decree No. 254/2016.

Table 4 - Connection between decree and material topics areas

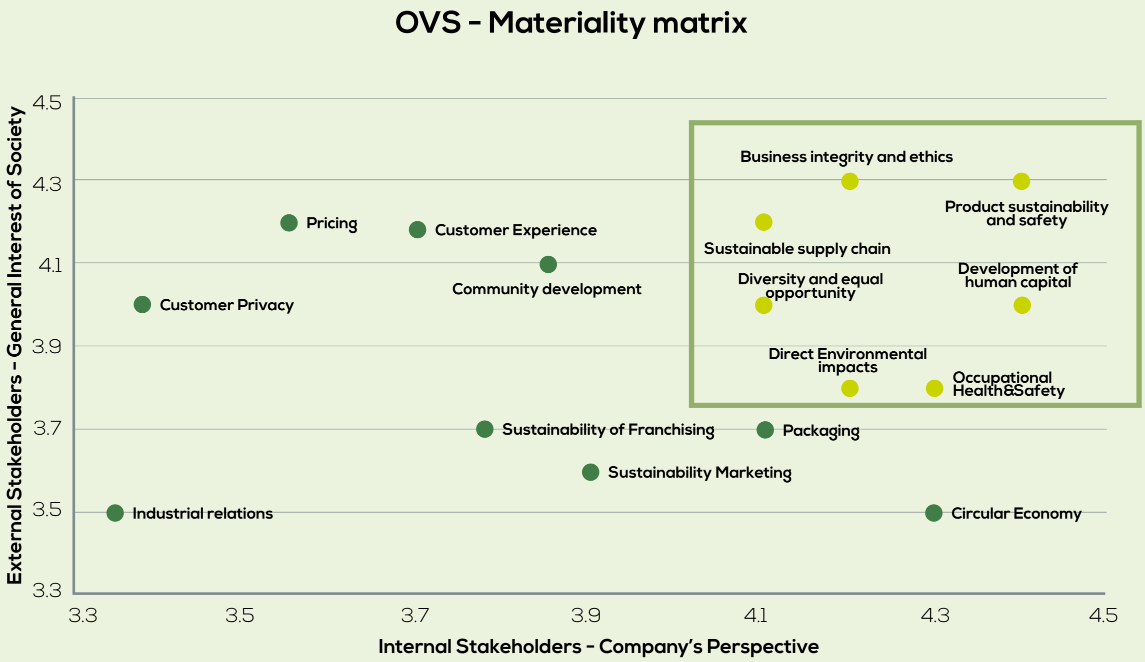
Scope of Decree No. 254/2016	Material topics
RESPECT FOR HUMAN RIGHTS	SUSTAINABLE SUPPLY CHAIN
COMBATING ACTIVE AND PASSIVE CORRUPTION	BUSINESS INTEGRITY AND ETHICS
PERSONNEL	DEVELOPMENT OF HUMAN CAPITAL DIVERSITY AND EQUAL OPPORTUNITY OCCUPATIONAL HEALTH AND SAFETY
ENVIRONMENT	DIRECT ENVIRONMENTAL IMPACTS PACKAGING CIRCULAR ECONOMY PRODUCT SUSTAINABILITY AND SAFETY SUSTAINABLE SUPPLY CHAIN
SOCIAL	COMMUNITY DEVELOPMENT SUSTAINABILITY MARKETING SUSTAINABLE SUPPLY CHAIN

Materiality matrix

OVS confirmed the analyses conducted with the previous NFS in terms of the materiality matrix which enables it to focus its sustainability strategy and the business activities in the matrix.

- each point represents an issue that is being explored;
- material topics are positioned according to the importance attributed to each of them with respect to: internal organisation and perspective (impact for the Company);
  external stakeholders involved and market perception (impact for stakeholders and society);
- the material topics of "high importance" are shown in the box in the top right hand corner. Specifically, the latter have been defined on a discretionary basis, with threshold values set at 4.0 for the internal corporate perspective and 3.5 for the perspective of external stakeholders and the market.

Figure 3 - Materiality matrix



The following table shows the scope of the impact that the OVS Group generates in relation to each topic regarded as material, distinguishing between the impact within the OVS Group (including the impact on the "Staff" category of stakeholders) and the external impact, i.e. referring to one or more categories of reference stakeholders.

Table 5 - Scope of the impact of material topics

Material topic	Specific GRI standard: Category	Specific GRI standard: Sub Categories and/or Aspects	Importance for: OVS	Staff	Customers	Suppliers	Territory	Associations
Product sustainability and safety	Social	Product Responsibility: Product and Service Labeling, Customer Health and Safety, Compliance	X		X	X	X	X
Sustainability marketing	Economic	Market Presence, Economic Performance	X	X	X		X	
Business integrity and ethics	Social	Society: Anti-corruption, Anti-competitive Behavior	X	X	X	X	X	X
Development of human capital	Social	Labor Practices and Decent Work: Employment, Labor/Management Relations Training and Education	X	X			X	
Sustainable supply chain	Social	Labor Practices and Decent Work: Supplier Assessment for Labor Practices, Supplier Assessment for Impacts on Society	X	X	X	X	X	X
Direct environmental impacts	Environmental	Materials Energy Water Emissions Effluents and Waste Products and Services Transport	X	X	X	X	X	X
Diversity and equal opportunity	Social	Labor Practices and Decent Work: Diversity and Equal Opportunity, Equal Remuneration for Women and Men	X	X			X	X
Packaging	Social	Product Responsibility: Marketing Communications, Product and Service Labeling, Compliance	X		X		X	X
Occupational Health and Safety	Social	Society: Occupational Health and Safety	X	X		X		
Community development	Social	Society: Local Communities	X	X			X	X
Circular economy	Economic Environmental Social	Economic Performance Overall Society: Compliance	X		X	X	X	X

Product sustainability

Product sustainability and safety, careful management of packaging and circular economy issues, as well as respect for animal welfare, are fundamental themes of OVS's sustainability strategy.
The main policies established to oversee the issues are summarised below:

- A strict garment safety control programme through a publicly available RSL (Restricted Substances List) and specific certifications (e.g.: OEKO-TEX);
- Adoption of a methodology to systematically monitor the impact of OVS's offer on the planet, starting from the product development phase;
- A sourcing strategy dedicated to materials with the greatest impact (cotton and polyester) to ensure the progressive use of sustainable and/or circular materials;
- The promotion of circular economy initiatives in fashion and participation in innovative research and development projects in this area;

Design

The improvement measures identified by analysing the potential impacts of a piece of clothing on the environment and the people who make it and wear it are even more effective if this assessment starts at the initial design phase of the product.
By carrying out this type of analysis when the materials are sorted, the fabric processing and treatment techniques are selected and decisions are made as to where to locate and how to organise the production chain, the challenges posed by the commitment to achieve more sustainable fashion can be anticipated with a long-term strategic approach, benefiting from greater room for manoeuvre to deal with them effectively.
For this reason, a synthetic product sustainability rating tool is being developed and tested to systematically monitor the impact of OVS S.p.A.'s offer on the planet in terms of materials, suppliers and production processes, thus guiding the adoption of solutions that improve sustainability.
In addition, every OVS S.p.A. Product Manager has received specific training and guidelines aimed at improving their knowledge of the impacts associated with materials, processes and other important design aspects and how to direct product design in order to mitigate the impact on the environment.

Materials

The impact of materials is estimated to be about 60%[7] of the overall footprint of a piece of clothing throughout its entire life cycle. For details of the materials used, see:Table 23 - Materials breakdown
We constantly monitor the materials used in our clothing products. However, we want sustainability to be a characteristic element of all our products, starting with the materials for our entire product portfolio, and we therefore do not limit ourselves to creating a specific capsule collection.
Among the other initiatives which it has joined, OVS S.p.A. takes part in the ECAP (European Clothing Action Plan), which aims to introduce a fashion industry model with less impact, working in particular on materials.
We are therefore working to identify solutions that can be applied throughout all of our collections and make a substantial contribution to our constant improvement, including through international collaborations.
In addition to specific innovation projects for some processing phases, OVS has identified its intervention priorities by acting first of all on the most important materials: cotton and polyester.

7 "Measuring Fashion" - Quantis & ClimateWorks Foundation 2018

Sustainable cotton

Cotton is the most important material for us, and our customers appreciate its versatility and naturalness. However, we are aware that "natural" does not always mean "low-impact". Although conventional cultivation of cotton takes up less than 3% of total cultivated land at the global level, it accounts for most of the world's production of insecticides and pesticides, harming both farmers and the extended neighbouring communities and requiring high consumption of both water and chemical fertilisers[8].

However, there is an alternative: a more sustainable cotton grown in an ethical manner by dramatically reducing the use of all harmful chemicals. With this approach, less water is also used, with savings of up to 90%, soil quality and yield are improved, and better working conditions are promoted for the people involved in the supply chain. OVS S.p.A. has therefore decided to strategically promote sustainable cotton farming without compromising on people and the environment. For this reason we are committed to progressively purchasing only sustainable cotton, and we were the first Italian retailer to join the Better Cotton Initiative in 2016. This initiative was created to actively support the transformation of the global cotton industry and radically improve its impact on environment and the people who grow cotton.

Furthermore, we support organic farming, which we favour, particularly - but not only - for children's clothing. In 2018, OVS S.p.A. purchased around 2,800 tonnes of cotton from certified organic farms. Compared with the 2017 figure (1,220 tonnes), the increase is significant (+136%) thanks to the new procurement strategy, which aims to achieve a target of 100% of cotton from certified farms in 2020.

Polyester

In 2018, OVS used more than 6,800 tonnes of polyester for the production of clothing and accessories.

Polyester is a non-renewable fossil-derived material with significant impacts on climate change and the dispersion of persistent substances into the environment.

For this reason, a major project to replace virgin polyester with post-consumer recycled material began in 2018. OVS decided to start this process by making pile knitwear in the 2018 Autumn/Winter collection from recycled polyester, with the aim of seeking the best solutions for extending this decision to other types of product.

Through this initiative, more than 120 tonnes of recycled polyester were sourced, making it possible to avoid the dispersion into the environment of the equivalent of about 10 million plastic bottles.

To promote the development of new technologies for the recovery of textile materials, OVS is part of the Industrial Advisory Board of Demeto, a project financed under the Horizon 2020 programme for the creation of a chemical recovery plant for polyester. This project will enable the regeneration of polyester yarns also from garments at the end of their lives.

Quality and safety

We regard product safety and quality as an essential pre-requisite for our product offer, also considering the market share we represent and our leadership position in the children's clothing segment.
This is why we carry out more than **40,000 tests per year** on our products to guarantee the quality and safety of 100% of our range. Within the Company, a Quality Assurance function ensures that the quality of what is offered for sale corresponds to predefined standards in terms of internal production requirements, materials and workmanship, and compliance with current regulations.

8 Textile Exchange - Organic Cotton Round Table 2016

The Quality Assurance function thus draws up the product quality standards required of all suppliers, both Italian and foreign, and performs ongoing reviews of "production requirements" to adapt them to increasingly stringent regulatory and market requirements, defining those specific to each product line with the product managers.
All our garments undergo chemical and physical testing to ensure that they comply with the limits on potentially hazardous substances defined by OVS S.p.A., which are safer than those established by law and are compiled in our Restricted Substances List.

DEFINING CLEAR QUALITY AND SAFETY STANDARDS

Every product must comply with the most stringent quality standards, in terms of both materials and production processes.

We require our manufacturers, as an integral part of the contract, to apply the strictest restrictions on the use of chemicals, in line with the provisions in force in the countries of the European Union, and - adopting the precautionary principle - we have established parameters for residues of harmful chemicals on clothing that are more stringent than the legal limits, in particular for clothing intended for children up to 36 months.

As a further guarantee for the consumer, especially for children's wear and underwear, OVS S.p.A. has held OEKO-TEX 100 certification (Classes I and II) for several years. This certification aims to ensure that the item of clothing is people-friendly, in order to offer an additional guarantee of the safety of the finished product, checking it according to criteria that are far more exacting than the parameters required at national and international level. In-depth product audits and periodic company audits also make it possible to direct the industry towards the responsible use of chemicals in the long term and on a global scale.
A process has been initiated to verify GOTS-certified sources of production in order to increase the use of certified organic cotton in the production chain from the raw material to the finished product. This was the end of a journey embarked on by OVS some time ago in organic cotton, which, as for most players in the market, stops at the selection of organic raw material. So far, management provides for the processing of this raw material by OEKO-TEX-certified suppliers, in order to ensure a consistent process. The transition to a supply chain of GOTS-certified suppliers ensures that this process is fully tracked, without neglecting the fact that GOTS also provides for a social responsibility audit in line with OVS's Code of Conduct guidelines.

In 2018, OVS S.p.A. purchased approximately 108,000,000 products from the OEKO-TEX-certified supply chain, equal to 49% of total ordered goods, a significant increase compared with 2017.

Product quality is subject to continuous control processes: checks are carried out on items of clothing, accessories, cosmetics and home textiles from the creation stages, with the involvement of qualified and independent third parties that certify their full compliance with the legal and quality requirements defined by OVS S.p.A..

All batches of categories of clothing, footwear, costume jewellery, cosmetics and items intended for contact with food are subject to mandatory controls, with samples taken directly in production and analysed in ISO:17025-certified laboratories of leading international companies.

This control activity is carried out both at Italian suppliers and at reception points in Italy where supplies from abroad arrive, and at foreign suppliers. In this second case, the inspections are carried out on site by structures dedicated to the quality of operations within the Group's subsidiaries present in the producing countries, always making use of analyses and verifications conducted by certification bodies and specialised laboratories.

In the event of non-compliance with the minimum production, quality and performance requirements, whenever possible an attempt is made to intervene with reconditioning, followed by further testing, to allow for products to be sold. In the event of non-conformities related to the safety or toxicity aspects of the product, the margins for corrective intervention may be more limited, resulting in the cancellation of orders and the disposal of non-compliant products.

NO CASES OF PRODUCT RECALL DUE TO QUALITY OR SAFETY IN 2018

In recent years, thanks to careful control work, OVS S.p.A. has not been involved in significant proceedings or transactions related to claims for damages caused by defects in products sold.

Respect for animal welfare

The Company's designers have been asked to replace materials of animal origin with more virtuous materials from an environmental and ethical point of view. If this is not possible, they guide their choices towards solutions that ensure the exclusion of any form of animal abuse.

FEATHERS

Exclusive use of Downpass certified feathers that guarantee full traceability. Animal welfare is guaranteed by the ban on the practice of plucking from live animals; the environmental impact is also reduced by ensuring that the feathers come from animals reared for food.

FUR

OVS banned the use of animal fur in its collections some time ago, signing a formal commitment with LAV and the Fur Free Alliance, thus demonstrating its particular focus on issues relating to safeguarding and respecting the environment and the animal world. http:// www.lav.it/en/news/ovs-fur-free
OVS has also banned the use of angora wool in its products.

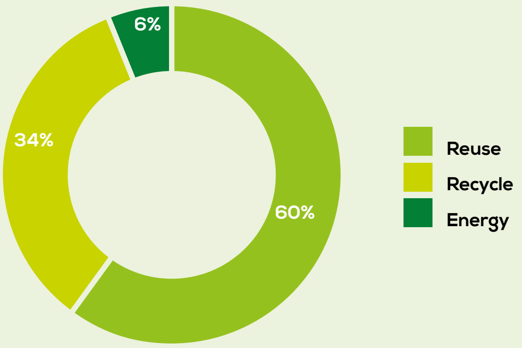
Approach to the circular economy

The earth is a system that is closed for matter and open for energy: we must therefore consider that everything we produce and consume remains inside it, as if we were in a spaceship.
Our challenge in this area is to be guided by a new production and consumption concept, moving from a linear model of input-output to a circular model in which each element has a new life and can be regenerated. Whatever is not consumed is assimilated into another process.

USED CLOTHING COLLECTION

In 2013, OVS S.p.A. launched an initiative that involves its consumers in collecting and recycling used clothing, thus avoiding the impacts of their disposal. The clothes collected by OVS S.p.A. are selected, analysed and transformed, following strict standards and making use of the most advanced technologies in collaboration with I:CO, a worldwide operator in fabric recycling. The garments are carefully sorted: if still wearable, they will be treated so that they can be put back on the market as second-hand clothes; otherwise, depending on their condition, they may be transformed into different products or broken down into their textile fibre to recover new raw material or, in the last instance, be used to produce energy.
OVS S.p.A. has collected nearly 900 tonnes of clothing since the initiative was launched.
In 2018 alone, 147 tonnes were collected, in line with 142 tonnes collected in 2017. The initiative is expected to be relaunched in 2019 with new consumer incentives.
The graph below shows the recycling and reuse percentages for the garments collected, provided by I:CO.

Figure 4 - Percentage allocations of used clothing



The agreement with the technical partner also provides for a donation of 2 euro cents to Save the Children for every kg of clothes recovered, thus reinforcing the message of care for the planet with the support of important social campaigns.

GLOBAL FASHION AGENDA - COMMITMENT TO CIRCULAR FASHION

Global Fashion Agenda is a platform of the fashion world that promotes the in-depth knowledge of issues related to sustainability among the executives and creatives of the most important fashion brands, acting at both strategic and operational levels. The transition to a circular system is imperative for today's fashion industry. The linear economic model currently in use of take-produce-throw away is reaching its physical limits, as the world population, it is estimated, will exceed 8.5 billion by 2030 and consequently the global production of clothes will increase by 63%.
During the 2017 Copenhagen Fashion Summit, Global Fashion Agenda invited brands and retailers to participate in an initiative to promote a circular fashion system.
OVS was the only Italian company to participate, alongside another 94 international companies, which together represent a combined value of 12.5% of the world fashion market. [9]
OVS will commit, with the other participants, to taking the lead in accelerating the transition to a circular system that restores and regenerates materials, offering new opportunities for innovative design, increased customer engagement and building shared economic value.

9 https://www.globalfashionagenda.com/commitment/#

Table 6 - Circular fashion objectives

Area	Objective	Status
1 - design strategies to improve the recyclability of garments	By 2020, all our product managers will be trained and assessed on the application of circularity principles in the product.	Completed
	By 2020, all our product briefs will include circular design principles.	Completed
	By 2020, all our clothing will be measured with a circularity score.	Ongoing
2 - increase in the volume of used clothing collected	By 2020, all our stores in Europe will have an active used clothing collection system and we will collect 1,000 tonnes of clothing per year.	Ongoing
3 – increase in the volume of re-used clothing	By 2020, we will have launched a collaboration with a partner specialising in the recycling of fabrics and/or a philanthropic institution for the management of all the clothing collected by the brands of the OVS S.p.A. group.	Ongoing
4 - increase in the volume of garments made from recycled fibres	By 2020, we will have produced 3 million garments with textile fibres collected from consumers.	Ongoing
	By 2020, we will have launched at least two promotion and research initiatives in the recycling of textile fibres for cotton and polyester, which represent more than 80% of the fibres we buy.	Completed

INNOVATIVE PROJECTS - RECYCROM

The goal we set ourselves is to progressively increase the use of fibres from waste or recycling processes to give real value to the process of recovering end-of-life clothing in which we are engaged. For this reason we have launched research projects, including an innovative technological transfer project for the recovery and treatment of fabric swatches and scraps generated during the making of clothes to transform them into dye.

One of the most impactful phases in the life cycle of clothing products is certainly the dyeing phase. OVS S.p.A. has developed Recycrom technology, in partnership with an innovative Italian start-up, which enables the treatment of fabric swatches and scraps generated during the making of clothes for their transformation into dye, reducing the relative impacts by more than 95%.

In 2018, OVS launched the development of a collection of over 20,000 garments dyed with Recycrom, which will be launched on the market in the Spring/Summer 2019 season.

IL FILO DELL'AMORE

RIPORTACI I CAPI BLUKIDS 0-36 MESI
CHE NON UTILIZZI PIÙ

Through the environmental sustainability community project "Il Filo di Amore" ("The Thread of Love"), which involves more than 300 directly operated and affiliated stores in the Upim and Blukids network countrywide, OVS S.p.A. plans to follow the growth of children who wear the brand and support families in difficulty at the same time, launching a programme for the collection and reuse of used clothes. We have promoted a collection of garments to donate to the shelters of Amici dei Bambini ("Friends of Children"), an NGO established by adoptive and foster families which has been helping abandoned children since 1986.

Supply chain management

OVS considers the "sustainable supply chain" issue to be important, and is therefore aware of the relationship of interdependence with a complex supply chain extending to numerous countries around the world, as well as the associated risks.
The sustainability strategy cannot overlook the creation of a driver of co-development for all parties within the chain.
For this reason OVS has defined:

- A Code of Conduct that introduces binding guidelines on environmental and social performance in order to continuously improve levels of transparency and sustainability;
- An internal and foreign audit programme based on the Code of Conduct;
- A supplier assessment system that incorporates sustainability KPIs into the main evaluation criteria;
- Collaboration plans with key suppliers for the adoption of good practices to improve environmental and social performance.

Suppliers

The production of a piece of clothing involves a complex range of activities, often carried out by different parties, each specialising in a specific activity and often located in emerging countries, with different cultural sensibilities and different capacities to manage business activity while fully protecting the environment, workers and local communities.
Each supply relationship pursues the combined objectives of effective support for our business and creating a positive impact on local communities, helping to improve working conditions at the production sites of our suppliers and supporting economic development in production locations.

Table 7 - Ordered goods by country

Country	2018 Suppliers	2018 Ordered goods	Delta ordered goods	2017 Suppliers	2017 Ordered goods
BANGLADESH	87	272,822,225	-16%	85	324,396,749
CHINA	234	173,270,696	-19%	254	213,739,888
INDIA	95	67,771,777	-6%	85	72,409,593
ITALY	148	36,547,125	8%	137	33,980,753
MYANMAR	15	30,392,467	15%	12	26,541,186
CAMBODIA	15	12,899,740	-7%	12	13,858,797
PAKISTAN	27	22,066,856	16%	18	19,098,161
TURKEY	27	7,977,386	-3%	28	8,190,394
VIETNAM	7	7,480,475	-15%	9	8,799,234
TUNISIA	7	5,286,214	-32%	10	7,776,442
OTHER COUNTRIES	85	13,019,869	-50%	142	26,239,320
TOTAL		**649,534,830**	**-14%**		**755,030,517**

Ordered goods were calculated taking into account orders with returns in fiscal year 2018.

Supply chain management

Supply chain management is based on a structured operational framework to make sure that the practices adopted and working conditions comply with our core values and help to disseminate a positive impact on people and the environment.
OVS works only with suppliers that fully respect the values and guidelines on environmental and social performance contained in our Code of Ethics. See Table 24 - Number of new suppliers screen using environmental and social parameters
The guidelines do not simply represent a list of instructions, but a shared responsibility that generates a virtuous circle for everyone, at an economic, environmental and social level, contributing in particular to improving working conditions with positive repercussions on local communities.
The behavioural standards described concern the areas relating to people, the environment, compliance and transparency, and are based on the relevant international regulations, such as the UN Convention on the Rights of the Child, the Universal Declaration of Human Rights and the ILO Conventions, as well as other industry best practices.
By agreeing to work with us, each supplier is required to guarantee the principles described in the Code in respect of its own behaviour. We work with our suppliers to ensure that this is not just a formal commitment, but translates into an awareness and involvement of the entire supply chain in order to establish direct and continuous relationships.

AUDITING OF SUPPLIERS

The Company operates with more than 40 staff dedicated to verifying on-site the real situations at the production sites.
To ensure adherence to the principles established by the Code and measure the actual environmental and social performance of our supply chain, we implement a periodic audit plan.
The protocol we apply for these checks was revised in 2016, and we made it fully operational during 2017.
The control activity is carried out by the staff of OVS Sourcing, one of our subsidiaries with offices in Hong Kong, Bangladesh, Turkey, India and Pakistan which carries out sourcing, quality assurance and control services

exclusively for OVS S.p.A.. We also make use of controls carried out on suppliers by third parties and we adhere to Industry Collaboration initiatives. In Bangladesh, which produces over 40% of our volumes, we have signed up to the Accord programme. Thanks to this initiative, we are able to check all of our suppliers' production directly on site from the point of view of the safety of working conditions (see details in the box below).

In order to assess, in an integrated way, the overall performance of the suppliers and their ability to manage their business effectively, also considering protection of the environment, workers and local communities, we have defined a new service quality concept that includes sustainability among the other evaluation criteria (Quality, Service and Costing).

In particular, we use a rating system that synthetically expresses the sustainability profile of each supplier based on information gathered through a self-assessment process, verified subsequently through the audit programme, which takes into account their ability to mitigate the impact on the environment and ensure adequate working conditions, assessment of the level of risk inherent in the sector or country in which the supplier operates, and the degree of transparency and external commitment of the supplier in terms of corporate social responsibility. This data is then integrated with other KPIs in the standard areas of corporate performance assessment to obtain an integrated assessment of all the aspects relevant to the business.

We also undertake to deal with appropriate diligence with any reports, including those received by external parties, of possible supplier behaviour that diverges from the shared ethical and environmental standards, and to verify and sanction any violations in the most appropriate ways.

HIGG INDEX

However, we realise that the commitment of a single brand is not enough to generate positive long-term impacts. For this reason, we work within the Sustainable Apparel Coalition to build transparency tools and to improve environmental and social performance throughout the value chain.

We have started using the HIGG Index platform for this purpose, with the goal of extending its application to all our suppliers.

In June 2018, we engaged the production sources located in Bangladesh in a dedicated training activity involving over 90 production plants.

As a result of this project, some 93 suppliers in Bangladesh have been activated on the platform and 16 of these have already been certified externally on the data included.
These suppliers represent around 40% of OVS's annual production.

Trade associations

In order to develop a supply chain that creates real development opportunities for the local communities in which it is established, we adhere to international initiatives to improve sustainability throughout the fashion industry:

SUSTAINABLE APPAREL COALITION (SAC)

This association works to develop sustainable practices in the clothing sector to prevent environmental damage and have a positive impact on individuals and communities associated with their activities (collaboration during 2016, formal membership in 2017).

BETTER COTTON INITIATIVE

http://bettercotton.org - Details in the "Products of value" section.

ACCORD

The Accord on Fire and Building Safety in Bangladesh, which was established following the Rana Plaza incident, is an international agreement promoted by the OECD between contracting companies, trade unions and the Bangladesh garment association to check and ensure the safety of working environments in the local textile supply chain that have signed up to the agreement (a member since May 2014). See the box on the next page for further details. In 2017, OVS S.p.A. signed the new agreement, which contains some new elements, including the extension of its scope to textile products for the home and other textile accessories, and the transition of the Accord functions to the national government bodies of Bangladesh.

BETTER FACTORIES CAMBODIA

This is a non-governmental organisation working with local institutions and governments to protect workers in countries at risk of breaches of human and labour rights (a member since March 2015).

People and corporate culture

The topics related to personnel management that are material to OVS are: the development of human capital, diversity and equal opportunity, occupational health and safety and organisational efficiency for better cost control.

OVS believes that the growth of its people and the development of their skills is a platform of value for the Company, and it is therefore committed to defining pathways, tools and opportunities to enable everyone to reach their full potential.

The main risks related to personnel management concern the topics of health and safety of the Group's personnel, remuneration, training, skills management and the process of refreshing individual skills, performance appraisal, adaptability in a constantly changing context, the sharing of corporate objectives and the focus on commercial results, internal engagement and the management of motivation risk.

OVS makes significant investments in the training and development of its own resources, considering it crucial to keep its employees professionally competitive with respect to the skills required by the business and the market. In this regard, OVS applies specific human resources management guidelines, in line with the guiding principles of the Company and aimed at achieving the following objectives:

- to anticipate and support the transformation of the skills of its resources with a view to preparing them for the challenges that the development of the business, market and technology will present in the near future;
- to manage and optimise investment in training and to measure and control costs;
- to prepare and support career development by increasing mobility and employability;
- to make the organisation more efficient, including in order to effectively control costs.

Although 2018 was characterised by an organisational overhaul that resulted in a reduction in the overall workforce (permanent and temporary), mainly in Italy, the process of updating management continued in order to obtain high-level professionals with a strong international profile.
Specifically, the following were included:

- The OVS Woman Underwear Product Director from Turkey;
- The OVS Woman Accessories Product Director from the UK;
- The Country Manager Hong Kong OVS Sourcing from France;
- The Infrastructures and Architectures IT Director from the ICT world;

OVS's international presence grew in terms of both headcount (+58 people, +11%) and locations, due to the opening of the buying office in Pakistan.

The drive to achieve effective cost control has resulted in an ongoing effort to analyse the potential of each resource in relation to the needs of individual structures, and strong staff mobility, both between office structures and between sales and office structures, supported by training programmes that have optimised these relocations.

The search for greater organisational efficiency has translated into an overhaul of the Company's core processes (e.g. Buying & Merchandising), and a clearer allocation of responsibilities and roles within the various corporate functions.

Composition and distribution of personnel

OVS S.p.A.'s success depends on the work of nearly 7,000 people on permanent contracts worldwide. Approximately half of them have worked for the Company for more than 10 years. See Table 25 - Distribution of permanent workforce by geographical area.

The main operating area is Italy, and the following indicators therefore refer to this scope.

At 31 January 2019, the total number of OVS S.p.A. employees in Italy was 7,699. Of these 6,440 were hired on permanent contracts, of which 79% were women (5,056) and 21% were men (1,384).

At managerial level the proportion of women is lower, at 25%.

The personnel employed in the sales network totalled 6,835, comprising 5,514 women (81%) and 1,321 men (19%). The number of permanent office staff totalled 828, comprising 535 women (65%) and 293 men (35%).

Table 8 – 2018 permanent workforce in Italy by professional category (office roles)

Employees by category and gender	Men	Women	Total
MANAGERS - DIRIGENTI	55	18	73
PROFESSIONALS - QUADRI	92	72	164
EMPLOYEES - IMPIEGATI	144	444	588
WORKERS - OPERAI	2	1	3
TOTAL	**293**	**535**	**828**

Table 9 - 2018 permanent workforce in Italy by professional category (store roles)

Employees by category and gender	Men	Women	Total
STORE MANAGERS	305	256	561
OTHER ROLES	786	4,265	5,051
TOTAL	**1,091**	**4,521**	**5,612**

In 2017, office and store duties were not represented separately, so a comparison of the workforce for the year compared with the previous year can only be made for the total.

Table 10 - Workforce compared with previous year

	2018			2017		
	Men	Women	Total	Men	Women	Total
TOTAL	**1,384**	**5,056**	**6,440**	**1,340**	**4,980**	**6,320**

Despite a period of market contraction, the permanent workforce of OVS S.p.A. in Italy increased by 120.
In calculating turnover, in order to maintain greater compliance with the guidelines set by the GRI standard, the number of terminated employees is compared to the total number of employees on permanent or fixed-term contracts. Outgoing turnover increased slightly in 2018 compared with 2017, from 26% to 40%. Incoming turnover decreased from 31% to 28%[10].

OVS enhances talent and seeks out qualified professionals. 13% of the staff of OVS S.p.A. on permanent contracts have a bachelor's degree and nearly 56% have a high school diploma. More than 50% of the office staff have a bachelor's degree, while around 7% of the store employees have a bachelor's degree and 58% have a high school diploma. See Table 31 - Breakdown of qualifications

The types of activities of OVS S.p.A.'s network of stores require a flexible operating model with extensive use of part-time working. About 30% of our permanent staff work part-time (1,932 people).

In 2018, the Company also made use of employees on fixed-term contracts, and at the end of the financial year (31 January 2019) there were 1,259 of these employees in the workforce.

Most of OVS S.p.A.'s personnel on permanent contracts are aged 30 to 50. Young people under 30 are also numerous (675 in total). The average age is 42. With regard to length of service, more than half the corporate population has worked for the Group for more than 10 years (58% of the population), and the average length of service is around 14 years.

The figures presented show substantial stability in the employment relationship. Over 30 colleagues reached retirement age in 2018.

10 See Table 26 - Hires in Italy by gender and incoming turnover, Table 27 - Hires in Italy by age bracket, Table 28 - Terminations in Italy by gender and outgoing turnover, Table 29 - Terminations in Italy by age bracket

Table 11 - Breakdown of permanent workforce in Italy by age bracket

Age bracket	2018 Men	2018 Women	2018 Total	2017 Men	2017 Women	2017 Total
<30	168	507	675	155	490	645
30-50	800	3,451	4,251	790	3,503	4,293
>50	416	1,098	1,514	395	987	1,382
TOTAL	**1.384**	**5,056**	**6,440**	**1,340**	**4,980**	**6,320**

The Group's personnel are distributed uniformly throughout Italy, thanks to an extensive countrywide sales network. [11]
Return to work after parental leave remained unchanged at 97% in 2018 compared with 2017[12].
Finally, it should be noted that the total number of people in protected categories is 280, of whom 66 are men and 214 are women.

Training and development

In 2018, the #wecare sustainability programme continued the work undertaken in 2017, with increased participation by sales staff and a particular focus on employees in the world of products. The theme of sustainability has become an institutional theme in on-boarding meetings.
Generally, OVS S.p.A. pays a lot of attention to developing employees' skills through training and development activities, to foster talent as much as possible and support each person's personal and professional growth.

Table 12 - Hours of training by geographical area

	2018 TOTAL TRAINING HOURS	2018 AVERAGE HOURS PER EMPLOYEE	2017 TOTAL TRAINING HOURS	2017 AVERAGE HOURS PER EMPLOYEE
ITALY	78,987	10.3	62,863	10
BANGLADESH	744	7	165	2
CHINA	404	18	404	18
HONG KONG	1506	16	564	6
INDIA	54	1	104	2
PAKISTAN	52	7	n.a.	n.a.
TURKEY	3	0.4	0	0
TOTAL	**81,750**		**64,100**	

In Italy, the majority of training is concentrated and structured within a veritable vocational training school. These initiatives take the form of classroom activities, on-the-job training, project work and social learning. The main skills development paths are:

INDUCTION PROGRAMME

Provides all the cross-cutting skills for roles at OVS S.p.A. (organisational reports, efficient use of IT tools, English language). In this context, all newly hired employees with office roles are involved in an on-boarding activity and

11 The data on the distribution of staff by geographical area in Italy (Italy-North East, Italy-North West, Central Italy, Southern Italy and the Islands) set out in last year's report are not described this year because this breakdown is essentially homogeneous and not relevant for the purposes of disclosure in this NFS.
12 See Table 34 - Return to work after parental leave

a training and development path on the cross-cutting skills useful for effective inclusion and integration in the Company.

BUYING AND MERCHANDISING SCHOOL

Designed to reinforce all the distinctive style, product and management skills that mark out every fashion retail professional. 2018 saw the extensive involvement of key roles in the Product departments in new systems for planning and building collections, necessary in the context of an ever-increasing push towards internationalisation.

ACADEMY

The programmes are directed at managers and senior professionals, and involve people who have embarked on a path of development towards roles with more responsibility and organisational importance. OVS S.p.A. regards continuous growth as a source of both personal and corporate development, and therefore periodically organises meetings with external observers to discuss new scenarios and engage in "outside-the-box" thinking.

OVS RETAIL SCHOOL

Currently the main Italian corporate school dedicated to training sales professionals, such as visual merchandisers, department heads, etc., offering programmes to develop distinctive skills to operate effectively in the OVS sales network.

UPIM RETAIL SCHOOL

Provides continuous skills refreshment for salespeople and visual merchandisers operating in the UPIM sales network.

OVS STORE MANAGEMENT SCHOOL

Provides advanced training for the achievement of the Store Manager Diploma, aiming to continuously develop the skills required to excel in this role.
OVS S.p.A. uses a training method based on the principle of 70 - 20 - 10, which is recognised as the training criterion for optimum performance.
This assumes that 70% of training activities relate to on-the-job training, which, as it takes place day-to-day, is not currently formalised in reported training hours. The reported hours are divided into 20% and 10% for traditional classroom activities, socialisation of formal classroom experiences and of course e-learning.
Based on the experience of the OVS Store Management School, in 2018, a programme was launched with specific workshops for the certification of the Professional Portfolio skills of Buying & Merchandising roles; the Upim Store Management School also reached a significant size: so much so that in 2019 we will launch Graduation Days for new Upim store managers with the relevant diploma and Open Badge.

The training programme

Training is delivered through a very extensive online offering, so that all staff can be reached in a simple and effective way. Formal training requirements are thus covered and opportunities to reinforce the skills and abilities of each person are provided, drawing on a wide range of free resources.
Workshop activities are also planned with methods closer and closer to the concept of action learning or classroom consultancy. Individual and/or small group coaching methods are also included in the development paths.
The Group continued its action on skills development in 2018, pursuing the measures undertaken. The main initiatives implemented to grow skills and involve employees related to soft skills in particular.

- An innovative way of creating engagement and participation on the part of all OVS sales network employees was to invest heavily in involvement with the "Store Forward Innovative Ideas" call to action, the aim of which was to collect innovative ideas directly from colleagues in stores with a direct impact on the stores themselves. The next step involved a substantial team of store managers with the role of project managers and area visual merchandisers who strengthened teamworking, engagement and public speaking capacity to turn the most representative ideas into projects.

- More and more orientated, including in terms of training content, on the central importance of the person and his or her professional personal well-being, the product teams (60 people) have been involved in activities to develop capacity to cope with the continuous new challenges that the environment imposes on individuals. A programme is under way to develop hardiness, i.e. the ability to confront and overcome difficult situations, which is essential to respond vigorously and energetically to continuous questions and requests. It is based on concepts such as commitment, resilience, the ability to meet challenges and accountability for events.

- In the context of "person-directed" activities, initiatives under the "Health and Wellbeing" pathway have been stepped up, with strong participation from local colleagues on issues of parenting related to nutrition, ergonomics, and concentration.

The following activities also continued:
- Reorganising and reinforcing all company training programmes, expanding substantially the use of e-learning opportunities;

- Ongoing investment in language training for the development of English language knowledge through e-learning, individual courses and group courses. The introduction of gamification provided an opportunity to extend and strengthen the international vocabulary of "fashion" terms.

- OVS S.p.A. has always valued internal growth, and in 2018 its training and development activities continued. Individuals with potential in the head office and sales functions took part in the "Drive your Development" course, engaging in classroom activities involving action learning and peer-to-peer feedback and experiencing the challenge of personal and professional growth by completing projects.

- In this context, development activities were strengthened in 2018 through assessment centre feedback.

Depending on the professional role played in the company, each employee receives specific training in order to improve his or her skills, according to a plan that is adapted from year to year according to the training needs and priorities identified by Human Resources.

In 2018, approximately €458,000 was invested in training, up 6.5% compared with 2017.
The training activities mainly concerned occupational health and safety (44%) followed by professional training (27%). For details see Table 35 - Hours of training by type in Italy and Table 36 - Hours of training by professional category to permanent and fixed-term employees.

In 2018, an average of 10.3 hours of training per employee was delivered at OVS S.p.A., including employees on fixed-term contracts. Of the total number of people who took part in training activities, women received 9.2 hours per capita on average, compared with their male colleagues, who received 14.2 hours per capita. Overall training hours were 56,010 for women and 22,977 for men, making a total of 78,987. On-the-job training is not included in these data, but is a driver of the development of very relevant skills.

Health and safety

PREVENTION AND PROTECTION SERVICE

OVS has established a Prevention and Protection Service, as required by law, and pursuant to Article 17, letter b, paragraph 4 of the Safety Act (TUS), has appointed an external Prevention and Protection Service Manager (RSPP), who meets the requirements of professionalism, experience and training.
The specific duties and responsibilities of the RSPP, who is appointed by the Employer to which he or she reports and provides services, consist of coordinating the Prevention and Protection Service. Specifically, his or her tasks are as follows:

- identifying risk factors, assessing risks and identifying measures for the safety and healthiness of working environments, in accordance with applicable legislation, on the basis of specific knowledge of the corporate organisation;
- developing, insofar as he or she is competent, preventative and protective measures resulting from the risk assessment and the control systems for such measures;
- developing security procedures for the various corporate activities;
- proposing training and information programmes for workers;
- taking part in occupational health and safety consultations, as well as in annual safety meetings;
- providing workers with information:
  - on the risks to occupational health and safety associated with the company's activities in general,
  - on first aid, firefighting and evacuation procedures,
  - concerning the names of first aid and fire prevention workers and the competent doctor.

OCCUPATIONAL SAFETY MANAGEMENT SYSTEM

In particular, it should be noted that, in line with the provisions of the Safety Act (Legislative Decree 81/2008), the Prevention and Protection Service (meaning all persons, systems and means, whether external or internal to the company, aimed at preventing and protecting against occupational risks for workers) has, by improving its effectiveness over time, implemented an occupational safety management system which, as well as complying with the applicable legislative provisions, includes a series of activities, coordination meetings and verifications to ensure regular monitoring of workers' safety in the workplace.

In accordance with the provisions of Legislative Decree 81/2008, OVS followed the UNI INAIL Guidelines for the preparation of the procedures of its occupational safety management system.

RISK ASSESSMENT AND IDENTIFICATION OF HEALTH AND SAFETY MEASURES

Employers, in collaboration with the RSPP and with the competent doctor, after consulting the safety representative (where present), carry out the risk assessment and process the Risk Assessment Documents (hereinafter also "RAD") in accordance with applicable legal provisions and the company safety policy.
These documents are processed for both the Company's registered office and for each store (or warehouse, where applicable) and are stored respectively at the office or store (or warehouse) concerned.
The document contains: a report on the assessment of occupational health and safety risks, the identification of prevention and protection measures adopted on the basis of the assessment carried out and the personal

protection devices used, the programme of measures deemed appropriate to ensure that safety levels are improved over time, the identification of procedures for implementing the measures to be carried out and the roles within the company organisation that will perform them, the appointment of the Prevention and Protection Service Manager, the workers' safety representative or regional safety representative and the competent doctor who took part in the risk assessment, and finally the identification of the duties that may expose workers to specific risks requiring recognised professional capacity, specific experience and appropriate education and training.

The Risk Assessment Documents are updated whenever there is a material change in working activity.

EMERGENCY AND FIRST AID MANAGEMENT

In view of the fact that OVS carries out activities with low ignition risk and with little manual activity, emergency management procedures were adopted aimed primarily at prevention, prompt requests for intervention by the competent bodies (for example, VV.FF, etc.), a definition of tasks and responsibilities in managing these, and rapid evacuation of premises if necessary.

The emergencies for which the procedures have been carried out are: lack of electricity, initial fire, alarm from smoke detection system, alarm from automatic fire extinguishing system (sprinklers), earthquakes, failure of the air conditioning system (ventilation).

Annually, the Technical Services Manager verifies the state of implementation of the procedures and sends the Supervisory Body a report on the controls carried out. Within the office and stores, the Company ensures that the fire safety signs at the safety exits, fire extinguishers and hydrants are in place. Sound systems have been installed within the office and the stores so that announcements can be made about any evacuation of the unit. First aid kits are provided in each unit.

PERIODIC SAFETY MEETINGS

Every year, a periodic safety meeting is held, attended by: the Employers; the RSPP; the competent doctor; the workers' safety representative (where present) and the Supervisory Body.
During this meeting, the Company checks that the RAD is up to date and the progress of accidents, training and information programmes and any measures to be taken with regard to safety.

HEALTH SUPERVISION

Health supervision is carried out by a competent doctor. For each worker under medical supervision, the competent doctor keeps a medical file containing the results of medical checks and attaching the results of the tests carried out.
The doctor will perform medical examinations: before admission to employment, in order to establish the absence of contraindications to the work to which the worker is assigned, and to assess his or her suitability for the specific duties; periodically during the performance of the work, at the worker's request, if related to working risks; at the time of a change of duties, in order to verify suitability for the specific duties; and at the end of the employment relationship, in the cases provided for by applicable legislation.
The medical examinations, which are under the Company's responsibility and at its expense, include medical and biological examinations and diagnostic investigations targeted at risk and deemed necessary by the competent doctor.
The company doctor must visit the workplace at least twice a year, together with the RSPP.

TRAINING AND INFORMATION ACTIVITIES

On the basis of the prevention and protection system adopted by the Company and pursuant to the provisions of Articles 36 and 37 of the TUS, the Company provides appropriate training and information, as indicated in the tables above.

The training and information activities focus on: (i) the importance of the recipients' actions being consistent with the corporate safety policy; (ii) the consequences of the behaviours and activities to be implemented; and (iii) the consequences in the event of deviations from safety requirements. Training activities are carried out by the Human Resources and Organisation Department, in collaboration with the RSPP and the Sales Department. The implementation of the training is entrusted to the managers at the store level, with the exception of courses for the Safety Team, coordinated by the Technical Services and also carried out through external consultants.

At the head office level, training is conducted at the time of recruitment and is conducted by the Human Resources and Organisation Department.

In addition to specific training on occupational health and safety issues, OVS provides its employees with additional voluntary training programmes.

These programmes cover training in early intervention, healthy lifestyle, healthy nutrition, reduced tobacco dependency and other topics updated annually. In addition, a free medical clinic service is available to office staff.

COORDINATION AND CONTROL ACTIVITIES IN THE EVENT OF OUTSOURCING OF WORK TO THIRD PARTIES

In accordance with the provisions of Legislative Decree 81/2008, when work is assigned within the company, i.e. the productive unit, to contractors or self-employed persons, the Technical Services employees, also consulting with the Legal and Corporate Affairs Department:

- verify, including through the registration with the chamber of commerce, industry and the crafts, the technical and professional suitability of the contractors or self-employed persons in relation to the work to be awarded under contract;
- provide these parties with detailed information on the specific risks in the environment in which they will operate and the prevention and emergency measures adopted in relation to their activity.
- cooperate in the implementation of measures to prevent and protect against the risks of accidents during the working activity subject to the contract;
- coordinate measures to protect against and prevent the risk to which the workers are exposed, providing each other with information, including in order to eliminate risks due to interference between the work of the various companies involved in the performance of the overall project.

The integrated Risk Assessment Document (RAD) is attached to all such contracts or implementing documents.

The personnel of the contractor must be provided with an identity card bearing their photograph, their personal details and the name of their employer. Workers are required to display this ID card.

OCCUPATIONAL SAFETY STATISTICS

No cases of work-related ill health were recorded during the year. There were 173 work-related injuries (including on the way to or from work), none of which were serious. There were no fatal work-related injuries in 2018[13].

OVS S.p.A. provided 34,816 hours of training on occupational health and safety management, compared with 19,265 in 2017.

Development and assessment

By means of stock option schemes, if certain performance targets are met, OVS S.p.A. offers managers and key individuals at the Group a remuneration system that provides for the allocation of bonus ordinary shares of OVS S.p.A.. In this way, the variable portion of the remuneration of key personnel is linked to the Company's actual performance and the creation of value for shareholders over the long term, creating a highly competitive incentive system capable of attracting and retaining highly qualified individuals and supporting the development of the Company.
To facilitate staff development, a structured performance management system has been implemented to periodically evaluate work performance by means of formal meetings with managers to analyse to what extent employees have achieved the expected targets and their career development path. In 2018, this system covered 100% of office staff and around 10% of OVS S.p.A. employees working in the sales network. OVS's performance management provides for periodic formal meetings with managers, individual or group evaluations and observations on the ground by line managers or HR personnel.

We highlight in particular that the formal performance appraisal process covered 98.4% of male store managers and 95.3% of female store managers. Other store roles are subject to an informal appraisal process.

Remuneration

Each year the process of defining compensation plans takes into account different variables such as the salary budget, individual performances and benchmarking against other companies through market research.
This process includes defining separate variable compensation plans according to employees' roles. Specifically, the sales network staff have a variable remuneration plan defined by the Company Supplementary Agreement, which provides for the awarding of bonuses if predefined targets are met by the reference stores. The remuneration of managerial head office and sales roles generally also includes a portion of variable remuneration based on individual annual performance with an access threshold linked to the Company's overall results.
OVS ensures that the minimum starting salary is equal for men and women, fully respecting equal opportunities. See Table 38 - Comparison of minimum starting salary for men and women.
To confirm OVS's commitment to equal opportunities, the Group pursues the principle of equal pay for work of equal value. The ratio of women's pay to men's pay in the same professional category is shown below (essentially the same).

13 See Table 37 - Accident indices

Table 13 - Comparison of men's/women's pay by professional category - office staff

OFFICE	Ratio
MANAGERS - DIRIGENTI	0.9
PROFESSIONALS - QUADRI	1
EMPLOYEES - IMPIEGATI	0.9
WORKERS - OPERAI	0.8

Table 14 - Comparison of men's/women's pay by professional category - store staff

STORES	Ratio
Store managers	1
Other roles	0.9

As well as remuneration, all OVS S.p.A. staff are offered a supplementary pension fund with free membership and a health care programme guaranteed for all employees independent of the contractual formula (fixed/permanent and part time/full time). All staff are also offered a wide range of agreements with gyms, fitness centres and shopping opportunities provided through a dedicated web portal.

#wecare initiatives

In addition to the programme to raise staff awareness of issues related to sustainable innovation, we have launched activities to ensure that everyone makes a concrete contribution, including in their day-to-day actions. We have provided employees with a car pooling platform to reduce the greenhouse gas emissions associated with their daily commute.
During 2018, approximately 121,159 km were travelled in car-pooling (compared with **76,733 km** in 2017) and **more than eight tonnes of CO_2 were avoided** (compared with five in 2017), corresponding approximately to the planting of a small forest of 100 trees every year.
Since 2016, OVS has abolished the use of disposable plastic bottles; microfiltered water dispensers have been installed and all employees have received a water bottle as a gift.

Respect for the environment

Based on the materiality analysis, another fundamental aspect is linked to direct environmental impacts, and in this regard OVS is developing a strategy to mainly reduce the impact linked to stores. Specifically, commitments relate to:

- the optimal planning and management of spaces to reduce our impacts, while improving interior comfort for the people who frequent them;
- the sustainability profile of stores to assess the impact of our design choices on people and the environment with the entire life cycle in mind.

SUSTAINABILITY IN STORES

An improvement priority for the Group is to raise the sustainability profile of the store network, starting with new openings, as these represent the main source of the direct impacts of the business.
With this objective, a specific OVS standard (hereinafter, also the "guidelines") for stores has been developed that defines the design criteria to be adopted for all new openings, aiming to minimise the impact on the environment by considering the entire life cycle of the building: from the integrated design phases, through construction up to communication to visitors to the store.

The objectives proposed by the guidelines adopted are as follows:

- reduce operating costs through an integrated approach that incorporates sustainability criteria during the design, construction and management of the store;
- minimise energy expenditure and polluting emissions;
- systematically improve the quality of the environment and the comfort perceived within the store, starting from air conditioning and air quality to lighting, the materials used and cleaning;
- have a positive impact on productivity and staff retention;

The OVS store - the cornerstone of our business and a space for direct contact with the customer - is increasingly a place for coming into contact with and sharing our concrete commitment to sustainable fashion. The environment itself was created to conform to these values: a store accessible to all, suitable for families, with a welcoming atmosphere, built using eco-friendly materials and applying solutions for energy efficiency and climatic wellbeing.
The standard profile of OVS's stores is based on the main international green building standards (e.g. LEED, BREEAM, etc.).

The guidelines provide indications on how to improve the sustainability of the building by attending to the following areas:

- **management:** relating to aspects of management of the building site and the minimisation of impacts on the surrounding areas, promoting the introduction of new ad hoc positions within the working group, such as commissioning
- **health and wellbeing:** relating to all the necessary precautions to guarantee healthy and wholesome environments for occupants. Some indicators of internal quality relate to natural and artificial lighting, the visual connection of regularly occupied spaces with external areas, the thermal comfort of occupants, acoustic services, and more generally the quality of the indoor air
- **energy:** scope that covers the measurement, control and optimisation of consumption through the use of consumption accounting and monitoring systems
- **transport:** relating to the promotion of alternative mobility and connection of the store with public transport systems, assessing the location of the stores in urban areas and proximity to public services open to the community
- **water:** an area of oversight that aims to reduce and optimise the use of water resources through strategies to minimise possible facilities losses, the use of efficient sanitary equipment and taps and the increased use of non-potable resources
- **materials:** relating to the analysis of the materials used in production with the aim of directing choices towards materials with low environmental impact. Specifically, the presence of product certifications, the reuse of resources and the analysis of the life cycle are rewarded
- **waste:** a field relating to the reduction of waste production, both in the construction phase and during operation, through the creation of dedicated areas for separate waste collection, composting, the use of materials or recovery components in the construction phase and the use of machinery to reduce the volumes of waste produced
- **pollution:** relating to the reduction of pollution in all environmental aspects: energy, acoustics, lighting, etc.

Energy consumption

"Direct environmental impacts" is a material topic for OVS S.p.A., relating to energy efficiency, power consumption, CO_2 emissions, water resource management and hazardous and non-hazardous waste.
OVS's current consolidated environmental practices include the Company's principles and commitments, aimed at managing and mitigating the environmental impacts of its activities.
Specifically, the commitments concern:

- the application of environmental management practices consolidated over the years;
- the exclusive use of certified renewable energy;
- support for the development of initiatives aimed at increasing the level of energy efficiency, by improving the efficiency of structures (stores, head office and warehouses) and internal and external processes;
- the containment of CO_2 emissions.

The environmental data shown below relate to the period from 1 January 2018 to 31 December 2018 and to the Parent Company OVS S.p.A. only.

ENERGY

The total energy consumption of OVS S.p.A., determined by the consumption of electricity and fossil fuel, amounted to **764,661 GJ** of which **623,711 GJ** came from renewable sources (**82%**), in particular from certified electricity. This value is slightly higher than last year (731,112 GJ), due to the increase in store numbers.

Table 15 - Aggregate energy consumption Italy

Values in GJ	Head office	Stores	Total
Electricity	11,434	651,270	662,704
Fossil fuel	3,388	84,727	88,115
District heating	0	13,842	13,842
Total	**14,822**	**749,839**	**764,661**
Energy/personnel (GJ/hc)	18	134	119
Energy/m² (GJ/m²)	0.71	1.07	1.06

A specific programme to contain our energy needs was launched some years ago to reduce energy consumption, with a positive impact on the environment and on the Group in terms of reducing operating costs.

A key factor in the success of the energy saving programme has been empowering the store teams and seeking their active involvement through the sharing of good practices, the specific training of store managers in this area linked to incentive and recognition mechanisms, and the quarterly communication of energy consumption performance to each store, indicating areas for action.

The implementation of this programme was made possible due to the simultaneous launch of a centralised control system of consumption and energy costs that allows individual stores to be monitored daily. Thanks to the partnership with the Centomilacandele consortium, controlled by the Group, a web-based platform has been developed that is able to track the data for hourly energy consumption, comparing it with the values recorded in the previous year and thus detecting anomalous consumption peaks.

The ease and speed with which the data can be analysed allows for the prompt reporting of anomalies to the store and the consequent intervention of the store manager or maintenance technician.

FOSSIL FUEL

In 2018, total consumption of fossil fuel relative to OVS's head office and stores was equal to: 88,115 GJ, obtained by adding together the consumption of methane (45,725 GJ), diesel (42,304 GJ) and LPG (86 GJ). This value is in line with that of the previous year (86,876 GJ).

Table 16 - Consumption of fossil fuel in Italy

	METHANE (MC)		DIESEL (L)		LPG (L)	
	2018	2017	2018	2017	2018	2017
OFFICE	86,850	97,902	-	-	-	-
STORES	1,085,283	1,043,875	1,174,211	1,047,018	3,400	6,100
TOTAL	**1,172,133**	**1,141,777**	**1,174,211**	**1,047,018**	**3,400**	**6,100**

ELECTRICITY

With regard to the monitoring of electricity consumption, it should be noted that an increasing number of stores, now more than a hundred, to which new store openings are added from time to time, are equipped with systems able to measure and monitor the electricity consumption of the lighting and air conditioning systems. The constant monitoring of data relating to the individual stores means that consumption anomalies can be reported to our technical structure, which can then establish the cause.
It is estimated that this monitoring activity generates energy and economic savings of up to 3%.
The tables below show OVS S.p.A.'s electricity consumption, expressed in GJ[14] , in relation to the head office and stores.[15]

Table 17 - Electricity consumption Italy

Values in GJ	2018	2017
OFFICE	11,434	11,385
STORES	651,270[16]	632,851
TOTAL	**662,704**	**644,236**

Thanks to the energy efficiency initiatives, we reduced consumption per square metre in stores by around 7.2%, as shown in the following table.

Table 18 - M² consumption in stores

	2018	2017
Electricity consumption/m² (GJ/m²)	**0.8352**	**0.9**

In 2018, OVS S.p.A. produced 81 GJ of power from photovoltaic panels, which covered the consumption of our Villanova di Castelnaso branch. This branch is currently the only network plant in our name.

14 The BEIS 2017 conversion factors were used to calculate consumption in GJ.
15 See previous note.
16 Includes 81 GJ of energy produced from photovoltaic panels.

Since 2017, OVS S.p.A.'s electricity requirements (head office and stores) have been covered by certified green energy according to company policy. **The total value of electricity from renewable sources is 623,711 GJ, out of 662,623 GJ of total consumption (94%, net of 81 GJ of electricity produced independently from photovoltaic panels).**

The difference of 38,912 GJ between total electricity and certified renewable electricity mainly relates to the consumption of electricity by users not owned by OVS S.p.A., which is recharged or, to a negligible extent, taken over in supply contracts, the amendment of which has not yet been negotiated.

CO_2 emissions

In 2018, OVS S.p.A.'s direct CO_2 emissions relating to the head office and the stores were 9,159 tCO_2e[17] of direct emissions, mainly deriving from combustion of diesel, natural gas and LPG to heat the store network.

Table 19 - Scope1 emissions in Italy

		2018		2017	
Source	**Unit of measurement**	Consumption	Emissions ($t\ CO_2e$	**Consumption**	**Emissions ($t\ CO_2e$)**
NATURAL GAS	cm	1,172,133	2,458	1,141,777	2,394
DIESEL	l	1,174,211	3,468	1,047,018	2,722
LPG	l	3,400	5	6,100	10
Coolant gases[18]	Kg	1,566	3,228	n.a.	n.a.
TOTAL			**9,159**		**5,126**

In 2018, we introduced reporting of greenhouse gas leakage from air conditioning units. These re-calculated emissions cannot be compared with those of 2017.

Table 20 - Scope 2 emissions in Italy

		2018		2017	
Source	**Unit of measurement**	Consumption	Emissions ($t\ CO_2e$)	**Consumption**	**Emissions ($t\ CO_2e$)**
Non-renewable electricity	KWh	10,808,720	3,891	6,948,896	2,271
DISTRICT HEATING	KWh	3,845,010	1,154	3,191,065	1,043
TOTAL		**14,653,730**	**5,045**	**10,139,961**	**3,314**

With regard to indirect emissions, the amount of CO_2 emissions (Scope 2) was 5,045 tonnes[19]. The increase compared with the previous year was due to the increased scope of stores.
OVS neutralises part of its greenhouse gas emissions through plant cultivation activities. In particular, since 2016 a cocoa tree forest of 1,100 trees has been planted in Cameroon, absorbing 60,500 $KgCO_2e$ annually.

17 DEFRA 2018 conversion factors were used to calculate consumption in GJ.
18 Including R407C, R134A, R410A and R422D IPCC emission factors
19 The DEFRA 2018 factor was used to calculate CO_2 emissions

Water

In 2018, OVS S.p.A.'s **water consumption** was **754,989 cubic meters** and can be broken down as follows.

Table 21 - Water consumption in Italy

In cubic meters	2018	2017
OFFICE	21,674	28,278
STORES	733,315	616,836
TOTAL	**754,989**	**645,114**

The increase in water consumption by the sales network is due to the expansion of the scope.
As far as the head office is concerned, the water savings are due to an internal communication campaign aimed at making people aware of water use.
The water data have been calculated based on the readings of the relative meters, where available. For the remainder, we estimated consumption using an average per square meter that excluded stores with special features (evaporation towers, condensation systems, etc.), for which the actual data were used instead.

The water used is mainly taken from municipal water networks. With regard to water consumption, it is necessary to point out that the figure recorded for the stores comprises the sum of the consumption directly attributable to OVS S.p.A. and other consumption, not directly attributable, which is not currently measurable. This is the case when OVS S.p.A. subleases part of the premises leased to it without having a meter installed to specifically measure the consumption of the third party. OVS S.p.A. charges back for this consumption using methods not necessarily related to actual consumption.

Waste

OVS S.p.A. has been focusing more closely in recent years on containing the waste produced throughout the entire production cycle. Specifically, we have taken the following actions:

- we began collecting used clothes in 2013, and by the end of 2018 had collected over 800 tonnes of garments, thus avoiding their disposal in landfill (see dedicated section);
- we have installed new recycling stations at the Company, thus preventing around 180 tonnes of waste going to landfill each year;
- we have optimised the life cycle of packaging with reusable polythene bags and more efficient management of clothes hangers to reduce waste production (see box);
- our logistics use secondary packaging that is re-used several times in our distribution processes; their design is also optimised to reduce paper waste during production;
- we implement "green purchasing" policies, starting by mainly purchasing recycled ecological paper (the rest is FSC certified).

Table 22 - Total waste production in Italy

	2018			2017		
Values in Kg	Warehouses	Head office	Stores	Warehouses	Head office	Stores
TOTAL WASTE	**4,461,300**	**111,980**	**5,886,225**	**4,914,800**	**131,400**	**7,416,632**

The information shown in the previous table was determined on the basis of final data on the head office, warehouses and part of the store network. Some categories of waste have also been better defined than in the previous year: therefore, the data are not always directly comparable. See Table 41 and Table 42.

Packaging

OVS S.p.A. continuously monitors the use of logistics packaging, reusing it as much as possible. A few years ago we launched the REUTILIZZAMI project for the recovery and reuse of packaging used at the logistics centre and packages sent to the stores. In 2018, the **RIUTILIZZAMI Programme** enabled reuse of the following:

- **2,478,145 cardboard boxes from suppliers**, representing **70% of those received**
- **approximately 50,000 cardboard boxes** from the stores, representing **2% of total packages distributed**

This made it possible to limit the number of new cardboard boxes purchased to 3,034,840, saving around **1,707 tonnes of paper**. At the Pontenure depot, we also activated a process of reconditioning wooden transport pallets. An operative repairs damaged pallets, thus avoiding their disposal as waste.
We dispose of hangers correctly, and do not give them to our customers so that they can be reused in normal store operations. Hangers that are no longer usable because they are broken or obsolete are recycled thanks to a partnership with one of our suppliers, which uses them to produce new hangers. In 2018, we recycled approximately 180 tonnes of plastic hangers.

Community

OVS believes the topic of community development to be material, and is therefore actively committed to supporting people and organisations that promote the social growth of the areas in which the Company operates, aiming to create shared value that will also benefit future generations. Also, in view of the importance of the world of children for our business activities, we specifically support causes and projects for younger people, encouraging them to express their creativity and promoting a healthy and active lifestyle.
Going forward, our goal is to incorporate these positive projects more and more into our business strategy, strengthening our active social presence over the years through strong partnerships with some of the biggest Italian and international social promotion organisations.

Investments

During 2017, OVS continued its commitment to promoting social, cultural and environmental activities in the region, in particular the Kids Creative Lab, Arts of Italy and BullisNO projects.
OVS also carried out **sponsorship** for a total of **€58,707.71**, used for the Raduno Carabinieri, Marathon d'Acqua, Galleria d'Arte di Venezia, Festival della TV e dei nuovi media, Master of Tennis, Cammina per la Vita (Treviso), ACP Congress (Pediatrics), and Marcia del Sorrice initiatives.
Finally, in 2018, **charitable contributions** for a total of **€281,741**[20] were made. These included:

20 €203,041 to Save The Children in the form of a contribution to the Christmas Jumper Day initiative, collected from donations given by our customers at OVS stores; €10,000 to Fare for Bene ONLUS for the BullisNO 2018 initiative; €3,000 to Save The Children for the Fiocchi in Ospedale initiative; €25,000 to the Youth Diabetes Advanced Biomedical Research Foundation; €5,700 to the Amici Associazione ADVAR Foundation; €5,000 to the University of Ca' Foscari to support research activities; and €30,000 to the Lene Thun Onlus Foundation.

Initiatives

KIDS CREATIVE LAB

Kids Creative Lab is a free project for primary school children promoted by OVS and the Peggy Guggenheim Collection. The project, which focuses on training through art, has now reached its sixth edition with prestigious partners and a steady increase in participation. Through this ambitious educational project, OVS intends to strengthen its link with the smallest children.
Following the great success of the first five editions, the 2018 was titled WE the KIDS and was based on Social Practice, the contemporary art practice that involves the creation of a system of relationships to transform the community of the participants or actions for social change.
With WE the KIDS, Italian primary school children become the protagonists of a performance led by a contemporary artist engaged in Social Practice.

ARTS OF ITALY

Conceived and instigated by OVS S.p.A., Arts of Italy is an innovative project that aims to raise awareness of how to protect and promote of the artistic beauty of our country. It represents a journey through time to discover Italy's immense artistic and cultural heritage, aiming to increase the cultural and aesthetic imagination of the general public and stimulate a renewed awareness of pleasure.
This is an ambitious goal that allows OVS S.p.A. to pay homage to lesser known Italian art with a limited edition collection and to devote financial resources to breathing new life into monuments of inestimable historical value. A limited edition capsule collection with a strong visual impact has been created by OVS S.p.A.'s creative team, which drew inspiration from major Italian art treasures. OVS Arts of Italy is a bold, ambitious project that sets an important goal: to increase the cultural and aesthetic imagination of the general public, stimulating a renewed awareness of pleasure.
The aim of OVS Arts of Italy is to celebrate the enormous value of this fantastic heritage by talking about the excellence of the works and Italy's extraordinary ability and skills, both past and present. In 2018, Arts of Italy celebrated the art of lyrical music.
Italy is still universally regarded as the home of lyrical opera and there is no classical music fan who does not dream of entering, at least once, one of our wonderful theatres, magical places with an irresistible appeal. Italian opera has not only made opera famous beyond the country's borders, but has also helped disseminate our language everywhere and raise awareness of some of the masterpieces of our vast architectural heritage.

BULLISNO

In 2018, the third edition of "BullisNO - Chi bulla perde" ("Bullies always lose") took place. This is a social project against bullying and cyberbullying in partnership with FARE X BENE Onlus, an association that supports, promotes and protects inviolable human rights. The project, promoted by **Safer Internet Centre Italiano - Generazioni Connesse**, aims to provide useful tools to prevent bullying and cyberbullying and is aimed not only at young people and parents, but also at teachers, through a distance training course with completely new content and usage, to involve teachers even more: on ovs.it and farexbene.it there are videos and content available for download that can be viewed in class by teachers and educators at any time of the day, including on mobile devices.

Since 2016, the project has also led to the creation of an internet netiquette, i.e. rules for online behaviour created by children for children based on the models and universal values of respect and positive sharing, and a handbook to help parents recognise and deal with bullying and difficult situations.

Awareness and education courses, activated through the FAD platform, are then supported by training sessions in Italian schools with the psychologists of FARE X BENE Onlus.

BULLISNO
CHI BULLA PERDE

OVS KIDS. Biocotton polo. Spring/Summer 2019

Tables of indicators

Supply chain indicators

Table 23 - Materials breakdown

Material	2018	% 2018	2017	% 2017
COTTON	27,042	65.3%	28,732	68.7%
POLYESTER	6,855	16.6%	6,268	15.0%
POLYAMIDE	1,277	3.1%	1,895	4.5%
VISCOSE	2,021	4.9%	1,813	4.3%
ACRYLIC	1,181	2.9%	1,580	3.8%
ELASTANE	447	1.1%	465	1.1%
POLYURETHANE	240	0.6%	414	1.0%
LINEN	274	0.7%	1645	0.4%
WOOL	58	0.1%	1196	0.3%
OTHER RENEWABLE	1,584	3.8%	359[21]	0.9%
OTHER NON-RENEWABLE	434	1.0%		

Table 24 - Number of new suppliers screen using environmental and social parameters

Suppliers assessed by environmental and social performance	2018	2017
TOTAL NUMBER OF NEW SUPPLIERS	82	83
TOTAL NUMBER OF NEW SUPPLIERS SCREENED USING SOCIAL CRITERIA	82	83
% OF NEW SUPPLIERS SCREENED USING SOCIAL CRITERIA	100%	100%
TOTAL NUMBER OF NEW SUPPLIERS SCREENED USING ENVIRONMENTAL CRITERIA	82	-
% OF NEW SUPPLIERS SCREENED USING ENVIRONMENTAL CRITERIA	100%	100%

Human resources indicators

Table 25 - Distribution of permanent workforce by geographical area

	2018			2017		
Employees	Men	Women	Total	Men	Women	Total
ITALY	1,384	5,056	6,440	1,340	4,980	6,320
BANGLADESH	106	5	111	99	3	102
CHINA	12	10	22	12	10	22
HONG KONG	8	88	97	8	89	97
INDIA	44	10	54	42	10	52
PAKISTAN[22]	8	0	8	n.a.	n.a.	n.a.
TURKEY	1	6	7	1	8	9
SPAIN	14	74	88	6	82	88
CROATIA	3	100	103	4	83	87
SERBIA	18	45	63	14	24	38
TOTAL	**1,597**	**5,396**	**6,993**	**1,526**	**5,289**	**6,815**

21 In 2018, we introduced a "Renewable/Non-Renewable" distinction for materials, which was not shown in 2017.
22 In 2018, OVS opened a representative office in Pakistan.

Table 26 - Hires in Italy by gender and incoming turnover

	2018			2017		
	Men	Women	Total	Men	Women	Total
OVS S.p.A. OFFICE	14	10	24	40	109	149
OVS S.p.A. STORES	356	1,744	2,100	384	2,019	2,403
TOTAL	**370**	**1,754**	**2,124**	**424**	**2,128**	**2,552**
% of total hires	17%	83%		17%	83%	
Incoming turnover rate	**23%**	**29%**	**28%**	**25%**	**33%**	**31%**

Table 27 - Hires in Italy by age bracket

	<30		30-50		>50		Total		%
	Men	Women	Men	Women	Men	Women	Men	Women	Total
OVS SPA HEAD OFFICE	5	3	6	5	3	2	14	10	24
OVS SPA STORES	252	1,357	99	370	5	17	356	1,744	2,100
TOTAL	**257**	**1,360**	**105**	**375**	**8**	**19**	**370**	**1,754**	**2,124**
% of total hires	**12%**	**64%**	**5%**	**18%**	**0.4%**	**1%**	**17%**	**83%**	

Table 28 - Terminations in Italy by gender and outgoing turnover

	2018			2017		
	Men	Women	Total	Men	Women	Total
OVS SPA HEAD OFFICE	39	72	111	27	29	56
OVS SPA STORES	391	2,072	2,463	326	1,712	2,038
TOTAL	**430**	**2,144**	**2,574**	**353**	**1,741**	**2,094**
% of total terminations	17%	83%		17%	83%	
Outgoing turnover rate	**31%**	**42%**	**40%**	**21%**	**27%**	**26%**

Table 29 - Terminations in Italy by age bracket

	<30		30-50		>50		Total		
	Men	Women	Men	Women	Men	Women	Men	Women	Total
OVS SPA HEAD OFFICE	7	34	22	30	10	8	39	72	111
OVS SPA STORES	264	1,521	113	502	14	49	391	2,072	2,463
Total	**271**	**1,555**	**135**	**532**	**24**	**57**	**430**	**2,144**	**2,574**
% of total termination	**11%**	**60%**	**5%**	**21%**	**1%**	**2%**	**17%**	**83%**	**100%**

Table 30 - Breakdown of workforce in Italy by full-time/part-time

	2018			2017		
Type of contract	Men	Women	Total	Men	Women	Total
FULL TIME	1,557	3,829	5,386	1,603	4,037	5,640
PART TIME	62	2,251	2,313	75	2,431	2,506
TOTAL	**1,619**	**6,080**	**7,699**	**1,678**	**6,468**	**8,146**

Table 31 - Breakdown of qualifications

Qualification	2018 Men	2018 Women	2018 Total	2017 Men	2017 Women	2017 Total
BACHELOR'S DEGREE AND EQUIVALENT	278	533	811	276	528	804
HIGH SCHOOL DIPLOMA	776	2,845	3,621	779	2,940	3,719
COMPULSORY SCHOOLING	291	1,294	1,585	243	1,115	1,358
UNDOCUMENTED	39	384	423	42	397	439
TOTAL	**1,384**	**5,056**	**6,440**	**1,340**	**4,980**	**6,320**

Table 32 - Breakdown of permanent workforce by full-time/part-time

Type of contract	2018 Men	2018 Women	2018 Total	2017 Men	2017 Women	2017 Total
FULL TIME	1,342	3,166	4,508	1,299	3,143	4,442
PART TIME	42	1,890	1,932	41	1,837	1,878
TOTAL	**1,384**	**5,056**	**6,440**	**1,340**	**4,980**	**6,320**

Table 33 - Breakdown of fixed-term workforce by full-time/part-time

Type of contract	2018 Men	2018 Women	2018 Total	2017 Men	2017 Women	2017 Total
FULL TIME	215	663	878	304	894	1,198
PART TIME	20	361	381	34	594	628
TOTAL	**235**	**1,024**	**1,259**	**338**	**1,488**	**1,826**

Table 34 - Return to work after parental leave

		2018	2017
EMPLOYEES ENTITLED TO PARENTAL LEAVE (NO.)		**247**	**275**
	of which women	207	238
	of which men	40	37
EMPLOYEES WHO HAVE TAKEN PARENTAL LEAVE (NO.)		**179**	**198**
	of which women	174	197
	of which men	5	1
EMPLOYEES WHO COMPLETED THE PERIOD OF PARENTAL LEAVE DURING THE YEAR (NO.)		**173**	**149**
	of which women	168	148
	of which men	5	1
EMPLOYEES WHO COMPLETED THE PERIOD OF PARENTAL LEAVE DURING THE YEAR AND WHO HAVE RETURNED TO WORK (NO.)		**166**	**145**
	of which women	162	144
	of which men	4	1
TOTAL RETURN RATE (%)		**97%**	**97%**
FEMALE STAFF RETURN RATE (%)		**97%**	**97%**
MALE STAFF RETURN RATE (%)		**100%**	**100%**

Table 35 - Hours of training by type in Italy

	HOURS Men	HOURS Women	2018 HOURS	2017 HOURS
MANAGERIAL TRAINING	591	269	860	8,605
PROFESSIONAL TRAINING	8,270	13,036	21,306	16,447
LINGUISTIC TRAINING	1,867	3,246	5,112	8,320
TRAINING ON CODE OF ETHICS (ORGANISATIONAL MODEL 231, ETC.)	224	784	1,008	1,250
HEALTH & SAFETY TRAINING	6,624	28,193	34,817	19,265
OPERATION	719	2,382	3,101	3,360
SOFT SKILLS	4,682	8,101	12,783	5,616
TOTAL [23]	**22,977**	**56,010**	**78,987**	**62,863**

Table 36 - Hours of training by professional category to permanent and fixed-term employees

Hours of training	Men	Women	Total [24]	Hours/ person
Managers	1,758	345	2,103	28.8
Professionals	817	1,379	2,196	13.4
Clerical workers	2,344	4,863	7,207	11.5
Store managers	10,275	11,458	21,733	37.8
Other store roles	7,783	37,965	45,749	7.3
Total	**22,976**[25]	**56,010**	**78,987**	**10.3**

Table 37 - Accident indices

	2018	2017
Total hours worked	11,483,139	11,754,386
NO. OF ACCIDENTS TO EMPLOYEES (> 1 days of absence, including accidents on the way to/from work)	173	201
Of which involving serious injuries	*0*	*0*
ACCIDENT FREQUENCY INDEX (no. of accidents x 1,000,000/no. of hours worked)	15.1	17.1
SERIOUS INJURY FREQUENCY INDEX	0	0

Table 38 - Comparison of minimum starting salary for men and women

	2018		2017	
	Men	Women	Men	Women
MINIMUM STANDARD SALARY BY GENDER (Euro)	21,198	21,198	20,955.34	20,955.34
MINIMUM SALARY AT SIGNIFICANT OPERATING SITES (Euro)	21,198	21,198	20,955.34	20,955.34
RATIO OF MINIMUM STANDARD SALARY BY GENDER TO MINIMUM WAGE IN ITALY	1	1	1	1

23 The totals may show errors of rounding to the nearest unit
24 See previous note
25 See previous note

Table 39 - Number of office staff who receive performance appraisals[26]

Head office	Men	Women	Total
MANAGERS - DIRIGENTI	52	18	70
PROFESSIONALS - QUADRI	92	73	165
EMPLOYEES - IMPIEGATI	165	519	684
WORKERS - OPERAI	4	1	5
TOTAL	**313**	**611**	**924**

Table 40 - Number of people at stores receiving performance appraisals

Stores	Men	Women	Total
Store managers	300	244	544
Other roles	16	18	34
TOTAL	**316**	**262**	**578**

Environmental Indicators

Table 41 - Production of non-hazardous waste in Italy

Values in Kg	2018			2017		
Non-hazardous waste	Warehouses	Head office	Store network	Warehouses	Head office	Store network
PAPER AND CARDBOARD	3,573,000	63,540	533,971	4,009,500	56,520	1,738,470
MIXED PACKAGING	871,000	15,240	4,607,488	764,360	12,930	4,894,297
WOOD	0	0	418,301	101,770	0	170,654
PLASTIC	0	0	50,121	0	0	273,676
METAL-IRON AND STEEL	17,300	0	85,368	39,170	0	122,696
NON-HAZARDOUS BATTERIES	0	103	288	0	0	0
TONER	0	2	4,500	0	0	0
BULKY WASTE	0		180,482	0	0	202,232
END-OF-LIFE EQUIPMENT	0	105	1,823	0	0	0
GLASS	0	100	0	0	0	11,381
UNDIFFERENTIATED	0	18,200	0	0	24,500	0
ORGANIC	0	14,560	0	0	37,000	0
CLOTHING	0	0	70	0	0	0
TOTAL NON-HAZARDOUS WASTE	**4,461,300**	**111,850**	**5,882,412**	**4,914,800**	**130,950**[27]	**7,413,405**[28]

26 The table also shows personnel who were terminated during the year.
27 The 2017 figures for undifferentiated and organic waste have been adjusted
28 The 2017 figures for store network waste have been adjusted following the adoption, as of this year, of a more accurate estimation criterion

Table 42 - Production of hazardous waste in Italy

Values in Kg	2018			2017		
Hazardous waste	Warehouses	Head office	Store network	Warehouses	Head office	Store network
HAZARDOUS BATTERIES	0	0	2	0	0	61
FLUORESCENT TUBES	0	130	3,541	0	280	3,161
GLASS	0	0	0	0	170	0
PACKAGING CONTAINING HAZARDOUS SUBSTANCES	0	0	0	0	0	5
END-OF-LIFE EQUIPMENT	0	0	270	0	0	0
TOTAL HAZARDOUS WASTE	**0**	**130**	**3,813**	**0**	**450**	**3,227**

Table 43 - Fossil fuel consumption of warehouses

	METHANE (MC)	
	2018	2017
WAREHOUSES	177,210	100,298

Table 44 - Electricity consumption of warehouses

Values in GJ	2018	2017
WAREHOUSES	22,808	21,543

OVS. Trench coat. Urban cult.
Spring/Summer 2019

Gri standards correlation table (Content Index)

The indicators used refer to the 2016 standard, with the exception of GRI 403 (Health and Safety) indicators, which transpose the 2018 standard.

General content standards

Organizational profile		Paragraph, Note
GRI 102-1	Name of the organization	Profile and main activities of OVS
GRI 102-2	Activities, brands, products, and services	Brands
GRI 102-3	Location of headquarters	Methodological note and reading guide
GRI 102-4	Location of operations	Profile and main activities of OVS
GRI 102-5	Ownership and legal form	The structure of the Group
GRI 102-6	Markets served	Profile and main activities of OVS
GRI 102-7	Scale of the organization	The history of the OVS Group Composition and distribution of personnel Economic value generated and distributed
GRI 102-8	Information on employees and other workers	Composition and distribution of personnel
GRI 102-9	Supply chain	Supply chain management
GRI 102-10	Significant changes to the organization and its supply chain	Profile and main activities of OVS
GRI 102-11	Precautionary Principle or approach	Risk supervision and management OVS adopts a prudential approach for reducing the environmental impacts of production processes and products, in accordance with Principle No. 15 of the UN Declaration of Rio de Janeiro
GRI 102-12	External initiatives	Internal control and risk management system
GRI 102-13	Membership of associations	OVS does not have a position on the governing bodies of any national or international trade association

Strategy		Paragraph, Note
GRI 102-14	Statement from senior decision-maker	Letter to the stakeholders

Ethics and integrity		Paragraph, Note
GRI 102-16	Values, principles, standards, and norms of behavior	Mission and values

Governance		Paragraph, Note
GRI 102-18	Governance structure	The structure of the Group Organisational structure
GRI 102-21	Consulting stakeholders on economic, environmental, and social topics	Mapping of stakeholders
GRI 102-22	Composition of the highest governance body and its committees	Composition of the Board of Directors and the Board of Statutory Auditors
GRI 102-32	Highest governance body's role in sustainability reporting	Sustainability strategy and governance

Stakeholder engagement		Paragraph, Note
GRI 102-40	List of stakeholder groups	Mapping of stakeholders
GRI 102-41	Collective bargaining agreements	OVS complies with the provisions on collective bargaining agreements by applying the relevant National Collective Bargaining Agreement
GRI 102-42	Identifying and selecting stakeholders	Mapping of stakeholders
GRI 102-43	Approach to stakeholder engagement	Mapping of stakeholders
GRI 102-44	Key topics and concerns raised	Materiality matrix

Reporting practice		Paragraph, Note
GRI 102-45	Entities included in the consolidated financial statements	Methodological note and reading guide
GRI 102-46	Defining report content and topic Boundaries	Methodological note and reading guide
GRI 102-47	List of material topics	Methodological note and reading guide
GRI 102-48	Restatements of information	Methodological note and reading guide
GRI 102-49	Changes in reporting	Methodological note and reading guide
GRI 102-50	Reporting period	Methodological note and reading guide
GRI 102-51	Date of most recent report	Methodological note and reading guide
GRI 102-52	Reporting cycle	Methodological note and reading guide
GRI 102-53	Contact point for questions regarding the report	Methodological note and reading guide
GRI 102-54	Claims of reporting in accordance with the GRI Standards	Methodological note and reading guide
GRI 102-55	GRI 101 contents index	GRI STANDARDS CORRELATION TABLE
GRI 102-56	External assurance	INDEPENDENT AUDITOR'S REPORT

Economic standards

Material aspect – Sustainability Marketing, Community Development, Development of Human Capital		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	PEOPLE AND CORPORATE CULTURE COMMUNITY Analysis and management of non-financial risks
GRI 201-1	Direct economic value generated and distributed	Economic value generated and distributed
GRI 201-3	Defined benefit plan obligations and other retirement plans	Development and assessment Remuneration
GRI 201-4	Financial assistance received from government	OVS received no financial assistance from government in 2018

Material aspect - Development of Human Capital		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	PEOPLE AND CORPORATE CULTURE Analysis and management of non-financial risks
GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Remuneration

Material aspect – Community Development		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	COMMUNITY Analysis and management of non-financial risks
GRI 203-1	Infrastructure investments and services supported	COMMUNITY

Material aspect – Sustainable Supply Chain		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	SUPPLY CHAIN MANAGEMENT Analysis and management of non-financial risks
GRI 204-1	Proportion of spending on local suppliers	Suppliers

Material aspect - Business Integrity and Ethics		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	Internal control and risk management system Analysis and management of non-financial risks
GRI 205-2	Communication and training about anti-corruption policies and procedures	Internal control and risk management system Training and development
GRI 205-3	Confirmed incidents of corruption and actions taken	No incidents of corruption were registered in 2018

Material aspect - Business Integrity and Ethics		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	Internal control and risk management system Analysis and management of non-financial risks
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No legal actions were registered for anti-competitive behaviour, anti-trust and monopoly practices in 2018

Environmental standards

Material aspect - Direct Environmental Impacts, Circular Economy		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	RESPECT FOR THE ENVIRONMENT Analysis and management of non-financial risks
GRI 301-1	Materials used by weight or volume	Materials Table 23 - Materials breakdown
GRI 301-3	Reclaimed products and their packaging materials	Packaging

Material aspect - Direct Environmental Impacts, Circular Economy		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	RESPECT FOR THE ENVIRONMENT Analysis and management of non-financial risks
GRI 302-1	Energy consumption within the organization	Energy consumption
GRI 302-4	Reduction of energy consumption	Energy consumption

Material aspect - Direct Environmental Impacts, Circular Economy		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	RESPECT FOR THE ENVIRONMENT Analysis and management of non-financial risks
GRI 303-1	Water withdrawal by source	Water

Material aspect - Direct Environmental Impacts, Circular Economy		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	RESPECT FOR THE ENVIRONMENT Analysis and management of non-financial risks
GRI 305-1	Direct (Scope 1) GHG emissions	CO_2 emissions
GRI 305-2	Energy indirect (Scope 2) GHG emissions	CO_2 emissions
GRI 305-5	Reduction of GHG emissions	CO_2 emissions
GRI 305-6	Emissions of ozone-depleting substances (ODS)	There were no ODS emissions in 2018

Material aspect - Direct Environmental Impacts, Circular Economy		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	RESPECT FOR THE ENVIRONMENT Analysis and management of non-financial risks
GRI 306-2	Waste by type and disposal method	Waste Table 41 - Production of non-hazardous waste in Italy and Table 42 - Production of hazardous waste in Italy The amount of waste by disposal type is not available. OVS undertakes to report on the missing information by 2020

Material aspect - Direct Environmental Impacts, Circular Economy		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	RESPECT FOR THE ENVIRONMENT Analysis and management of non-financial risks
GRI 307-1	Non-compliance with environmental laws and regulations	In 2018 OVS was not fined or sanctioned for failing to comply with environmental laws and regulations

Material aspect – Sustainable Supply Chain, Circular Economy		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	SUPPLY CHAIN MANAGEMENT Analysis and management of non-financial risks
GRI 308-1	New suppliers that were screened using environmental criteria	Supply chain management Table 24
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	Supply chain management PRODUCT SUSTAINABILITY

Social standards

Material aspect - Development of Human Capital		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	PEOPLE AND CORPORATE CULTURE Analysis and management of non-financial risks
GRI 401-1	New employee hires and employee turnover	Composition and distribution of personnel Human resources indicators
GRI 401-3	Parental leave	Composition and distribution of personnel Human resources indicators

Material aspect - Occupational Health and Safety		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	PEOPLE AND CORPORATE CULTURE Analysis and management of non-financial risks
GRI 403-1	Occupational health and safety management system	Analysis and management of non-financial risks Health and safety
GRI 403-2	Hazard identification, risk assessment, and incident investigation	Risk assessment and identification of health and safety measures
GRI 403-3	Occupational health services	Health supervision
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	Periodic safety meetings
GRI 403-5	Worker training on occupational health and safety	Training and information activities
GRI 403-6	Promotion of worker health	Training and information activities The training programme

Material aspect - Occupational Health and Safety		Paragraph, Note
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Risk assessment and identification of health and safety measures Emergency and first aid management
GRI 403-9	Work-related injuries	Occupational safety statistics Table 37
GRI 403-10	Work-related ill health	Occupational safety statistics

Material aspect - Development of Human Capital		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	PEOPLE AND CORPORATE CULTURE Analysis and management of non-financial risks
GRI 404-1	Average hours of training per year per employee	Training and development
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Training and development
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	Development and assessment The percentage of employees measured against performance is available for office professionals (100%) and for the store managers at the stores.

Material aspect - Diversity and Equal Opportunity		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	PEOPLE AND CORPORATE CULTURE Analysis and management of non-financial risks
GRI 405-1	Diversity of governance bodies and employees	Composition of the Board of Directors and the Board of Statutory Auditors Composition and distribution of personnel

Material aspect - Business Integrity and Ethics		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	Organisation, management and control model (Legislative Decree 231/01) Analysis and management of non-financial risks
GRI 406-1	Incidents of discrimination and corrective actions taken	OVS did not register any incidents of discrimination in 2018

Material aspect - Business Integrity and Ethics		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	Organisation, management and control model (Legislative Decree 231/01) Analysis and management of non-financial risks
GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	There are no suppliers considered to be at significant risk for incidents of child labour and/or young people exposed to hazardous work.

Material aspect - Business Integrity and Ethics		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	Supply chain management Analysis and management of non-financial risks
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Supply chain management There are no suppliersregarded as being at significant risk for incidents of forced or compulsory labour

Material aspect – Community Development		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	Analysis and management of non-financial risks COMMUNITY
GRI 411-1	Incidents of violations involving rights of indigenous peoples	OVS did not register any incidents of human rights violations in 2018

Material aspect - Business Integrity and Ethics		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	Organisation, management and control model (Legislative Decree 231/01) Analysis and management of non-financial risks
GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	100% of new suppliers are screened for their human rights impact. The existing supplier base is re-evaluated annually at the level of approximately 50% of the production volume generated.

Material aspect – Community Development		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	COMMUNITY Analysis and management of non-financial risks
GRI 413-2	Operations with significant actual and potential negative impacts on local communities	In 2018, there were no activities with negative impacts on the local community.

Material aspect – Sustainable Supply Chain		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	Supply chain management Analysis and management of non-financial risks
GRI 414-1	New suppliers that were screened using social criteria	Suppliers

Material aspect – Community Development		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	COMMUNITY Analysis and management of non-financial risks
GRI 415-1	Political contributions	OVS did not receive political contributions in 2018

Material aspect - Product Sustainability and Safety		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	PRODUCT SUSTAINABILITY Analysis and management of non-financial risks
GRI 416-1	Assessment of the health and safety impacts of product and service categories	PRODUCT SUSTAINABILITY
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	OVS did not register any incidents of non-compliance concerning the health and safety impacts of products and services in 2018

Material aspect – Sustainability Marketing, Packaging		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	Quality and safety Analysis and management of non-financial risks
GRI 417-2	Incidents of non-compliance concerning product and service information and labeling	OVS did not register any incidents of non-compliance concerning product and service information and labelling in 2018
GRI 417-3	Incidents of non-compliance concerning marketing communications	OVS did not register any incidents of non-compliance concerning marketing communications in 2018

Material aspect - Business Integrity and Ethics		Paragraph, Note
GRI 103-1; 103-2; 103-3	Management approach	Organisation, management and control model (Legislative Decree 231/01) Analysis and management of non-financial risks
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	OVS did not register any incidents of non-compliance with laws and regulations in the social and economic area in 2018

OVS. Satin. Too stylish for bed.
Spring/Summer 2019

Independent auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree n° 254 of 30 December 2016 and article 5 of Consob Regulation n° 20267/2018

To the Board of Directors of OVS SpA

Pursuant to article 3, paragraph 10, of Legislative Decree n° 254 of 30 December 2016 (the "Decree") and article 5 of Consob Regulation n° 20267, we have performed a limited assurance engagement on the consolidated non-financial statement of OVS SpA and its subsidiaries (hereafter the "OVS Group") for the year ended 31 January 2019 prepared in accordance with article 4 of the Decree and approved by the Board of Directors on 17 April 2019 (hereafter the "NFS").

Responsibility of the directors and of the board of statutory auditors for the NFS

Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by the GRI - *Global Reporting Initiative* (hereafter "GRI Standards"), identified by them as the reporting standard.

Directors are responsible, in the terms prescribed by law, for such internal control they deem to be necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the OVS Group and to the extent necessary to ensure an understanding of the OVS Group's activities, performance, results and related impacts.

Directors are responsible for defining the business and organisational model of the OVS Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the OVS Group and for the identification and management of risks generated and/or faced by the Group.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Auditor's independence and quality control

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italy 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards. We conducted our engagement in accordance with International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information (hereafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.
The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the company, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standard adopted;

2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;

3. comparison of the financial information reported in the NFS with the information reported in the OVS Group's consolidated financial statements;

4. understanding of the following matters:
   - business and organisational model of the OVS Group, with reference to the management of the matters specified by article 3 of the Decree;
   - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
   - main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.

   With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;

5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we held meetings and interviews with Management and personnel of OVS SpA, and we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

   Moreover, for material information, considering the activities and characteristics of the OVS Group:

   - at a group level,
     a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
     b) with reference to quantitative information, we performed analytical procedures as well as limited tests in order to assess, on a sample basis, the accuracy of consolidation of the information;
   - as to OVS SpA, at its headquarter office in Venice-Mestre, which was selected on the basis of its activities and contribution to the performance indicators at a consolidated level, we carried out site visits and walk through procedures during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the OVS Group as of 31 January 2019 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

Treviso, 10 May 2019

PricewaterhouseCoopers SpA

Signed by

Massimo Dal Lago (Partner)	Paolo Bersani (Authorised signatory)

This report has been translated from the original, which was issued in Italian, solely for the convenience of international readers. We have not performed any verification procedures on the English translation of the NFS of OVS SpA as of 31 January 2019.

OVS. Linen collection.
Spring/Summer 2019

Consolidated Financial Statements

Consolidated Financial Statements

Consolidated statement of financial position

(amounts in thousands of euros)

ASSETS	Note	31.01.2019	of which related parties	31.01.2018	of which related parties
Current assets					
Cash and cash equivalents	1	27,876		60,498	
Trade receivables	2	98,426	5,128	112,960	35,321
Inventories	3	410,955		387,943	
Financial assets	4	11,797		0	
Current tax assets	5	9,565		24,338	
Other receivables	6	33,968		34,259	
Total current assets		**592,587**		**619,998**	
Non-current assets					
Property, plant and equipment	7	273,874		276,513	
Intangible assets	8	632,987		636,639	
Goodwill	9	452,541		452,541	
Equity investments	10	136		136	
Financial assets	4	172		0	
Other receivables	6	4,425		5,080	
Total non-current assets		**1,364,135**		**1,370,909**	
TOTAL ASSETS		**1,956,722**		**1,990,907**	

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.01.2019	of which related parties	31.01.2018	of which related parties
Current liabilities					
Financial liabilities	11	30,569		57,190	
Trade payables	12	350,981	1,981	403,406	1,100
Current tax liabilities	13	0		1,296	
Other payables	14	129,787	371	108,499	1,808
Total current liabilities		**511,337**		**570,391**	
Non-current liabilities					
Financial liabilities	11	374,190		381,115	
Employee benefits	15	38,348		38,647	
Provisions for risks and charges	16	4,873		5,024	
Deferred tax liabilities	17	124,435		134,287	
Other payables	14	35,840		19,763	
Total non-current liabilities		**577,686**		**578,836**	
TOTAL LIABILITIES		**1,089,023**		**1,149,227**	
SHAREHOLDERS' EQUITY					
Share Capital	18	227,000		227,000	
Treasury shares	18	(1,496)		0	
Other reserves	18	616,934		609,613	
Net result for the year		25,540		5,135	
GROUP SHAREHOLDERS' EQUITY		**867,978**		**841,748**	
MINORITY INTERESTS	18	(279)		(68)	
TOTAL SHAREHOLDERS' EQUITY		**867,699**		**841,680**	
TOTAL LIABILITIES AND SHAREHOLERS' EQUITY		**1,956,722**		**1,990,907**	

Consolidated income statement
(amounts in thousands of euros)

	Note	31.01.2019	of which non-recurring	of which related parties	31.01.2018	of which non-recurring	of which related parties
Revenues	19	1,457,154	0	61,061	1,525,686		113,701
Other operating income and revenues	20	68,913	989	2,042	73,445		4,566
Total revenues		**1,526,067**	**989**		**1,599,131**	**0**	
Purchase of raw materials, consumables and goods	21	667,494	11,485	33,988	701,423		3,620
Staff costs	22	292,588	2,710	4,130	292,990	560	3,362
Depreciation, amortisation and write-downs of assets	23	67,189			62,735		
Other operating expenses							
Service costs	24	197,949	3,154	13,915	191,777	37	12,911
Costs for the use of third-party assets	25	201,658	115	(743)	198,736	98	(320)
Write-downs and provisions	26	28,026	23,867	23,867	15,220		14,500
Other operating charges	27	63,925	38,675	28,588	24,224		(163)
Result before net financial expenses and taxes		**7,238**	**(79,017)**		**112,026**	**(695)**	
Financial income	28	1,162	1,114	1,114	1,153		1,121
Financial expenses		(17,788)			(15,737)		
Exchange rate gains and losses		43,493			(66,778)		
Gains (losses) from equity investments		(1,260)	(1,260)	(1,249)	(21,137)	(21,065)	(21,065)
Net result for the year before tax		**32,845**	**(79,163)**		**9,527**	**(21,760)**	
Taxes	29	(7,516)	18,964		(4,463)	167	
Net result for the year		**25,329**	**(60,199)**		**5,064**	**(21,593)**	
Net result for the year attributable to the Group		**25,540**			**5,135**		
Net result for the period attributable to minority interests		**(211)**			**(71)**		
Earnings per share (in euros)							
- basic		0.11			0.02		
- diluted		0.11			0.02		

Consolidated statement of comprehensive income
(amounts in thousands of euros)

	Note	31.01.2019	31.01.2018
Net result for the year (A)		**25,329**	**5,064**
Other gains (losses) that will not be subsequently reclassified in the income statement:			
- Actuarial gains (losses) for employee benefits	15-18	(1,241)	(302)
- Tax on items recognised in the reserve for actuarial gains (losses)	17-18	298	73
Total other comprehensive gains (losses) that will not be subsequently reclassified in the income statement		**(943)**	**(229)**
Other gains (losses) that will be subsequently reclassified in the income statement:			
- Change in translation reserve	18	3,466	(3,888)
Total other comprehensive gains (losses) that will be subsequently reclassified in the income statement		**3,466**	**(3,888)**
Total other items of comprehensive income (B)		**2,523**	**(4,117)**
Total comprehensive income for the year (A) + (B)		**27,852**	**947**
Total comprehensive income attributable to the Group		28,063	1,018
Total comprehensive income attributable to minority interests		(211)	(71)

Consolidated statement of cash flows

(amounts in thousands of euros)

	Note	31.01.2019	31.01.2018
Operating activities			
Net result for the year		25,329	5,064
Provision for taxes	29	7,516	4,463
Adjustments for:			
Net depreciation, amortisation and write-downs of fixed assets	23	67,189	62,735
Net capital losses (gains) on fixed assets		1,482	328
Write-down of equity investments	28	0	8,284
Losses (gains) from equity investments	28	0	72
Net financial expenses (income)	28	17,885	27,365
Expenses (income) from foreign exchange differences and currency derivatives	28	27,145	(10,492)
Loss (gain) on derivatives due to change in fair value	28	(70,637)	77,270
Allocations to provisions	15-16	0	250
Utilisation of provisions	15-16	(2,326)	(5,151)
Cash flows from operating activities before changes in working capital		**73,583**	**170,188**
Cash flow generated by change in working capital	2-3-5-6-12-13-14-17	(38,819)	(37,731)
Taxes paid		(3,151)	(46,930)
Net interest received (paid)		(14,901)	(14,203)
Realised foreign exchange differences and cash flows from currency derivatives		(25,185)	5,287
Other changes		2,924	(923)
Cash flow generated (absorbed) by operating activities		**(5,549)**	**75,688**
Investment activities			
(Investments) in fixed assets	7-8-9	(62,797)	(69,386)
Disposals of fixed assets	7-8-9	19,505	78
(Increase) decrease in equity investments	10	0	0
Cash out due to business combination during the year		(3,393)	0
Cash flow generated (absorbed) by investment activities		**(46,685)**	**(69,308)**
Financing activities			
Net change in financial assets and liabilities	4-11	21,108	(1,545)
(Purchase)/Sale of treasury shares	18	(1,496)	0
Dividends distribution		0	(34,050)
Cash flow generated (absorbed) by financing activities		**19,612**	**(35,595)**
Increase (decrease) in cash and cash equivalents		**(32,622)**	**(29,215)**
Cash and cash equivalents at beginning of the year		**60,498**	**89,713**
Cash and cash equivalents at end of the year		**27,876**	**60,498**

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

(amounts in thousands of euros)

	Share capital	Share premium reserve	Legal reserve	Treasury shares	Reserve for actuarial gains (losses)	Translation reserve	IFRS 2 reserve	Other reserves	Retained earnings	Net result for the year	Total shareholders' equity attributable to the OVS Group	Minority interests	Total shareholders' equity
Balance at 01 February 2017	**227,000**	**511,995**	**4,092**	**0**	**(1,360)**	**971**	**3,882**	**2,456**	**44,693**	**78,015**	**871,744**	**0**	**871,744**
Allocation of earnings for financial year 2016	-	-	3,825	-	-	-	-	-	74,190	(78,015)	0	-	0
Dividend distribution (Euro 0.15 per share)	-	-	-	-	-	-	-	-	(34,050)	-	(34,050)	-	(34,050)
Changes in the scope of consolidation	-	-	-	-	-	-	-	72	-	-	72	3	75
Management incentive plan	-	-	-	-	-	-	2,964	-	-	-	2,964	-	2,964
Relations with Shareholders	**-**	**-**	**3,825**	**-**	**-**	**-**	**2,964**	**72**	**40,140**	**(78,015)**	**(31,014)**	**3**	**(31,011)**
Net result for the period	-	-	-	-	-	-	-	-	-	5,135	5,135	(71)	5,064
Other items of comprehensive income	-	-	-	-	(229)	(3,888)	-	-	-	-	(4,117)	-	(4,117)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(229)**	**(3,888)**	**-**	**-**	**-**	**5,135**	**1,018**	**(71)**	**947**
Balance at 31 January 2018	**227,000**	**511,995**	**7,917**	**0**	**(1,589)**	**(2,917)**	**6,846**	**2,528**	**84,833**	**5,135**	**841,748**	**(68)**	**841,680**
Balance at 01 February 2018	**227,000**	**511,995**	**7,917**	**0**	**(1,589)**	**(2,917)**	**6,846**	**2,528**	**84,833**	**5,135**	**841,748**	**(68)**	**841,680**
Allocation of earnings for financial year 2017	-	-	-	-	-	-	-	-	5,135	(5,135)	0	-	0
Treasury shares	-	-	-	(1,496)	-	-	-	-	-	-	(1,496)	-	(1,496)
Management incentive plan	-	-	-	-	-	-	249	-	60	-	309	-	309
Relations with Shareholders	**-**	**-**	**-**	**(1,496)**	**-**	**-**	**249**	**-**	**5,195**	**(5,135)**	**(1,187)**	**-**	**(1,187)**
Impact from adoption of IFRS 9	-	-	-	-	-	-	-	(646)	-	-	(646)	-	(646)
Net result for the period	-	-	-	-	-	-	-	-	-	25,540	25,540	(211)	25,329
Other items of comprehensive income	-	-	-	-	(943)	3,466	-	-	-	-	2,523	-	2,523
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(943)**	**3,466**	**-**	**-**	**-**	**25,540**	**28,063**	**(211)**	**27,852**
Balance at 31 January 2019	**227,000**	**511,995**	**7,917**	**(1,496)**	**(2,532)**	**549**	**7,095**	**1,882**	**90,028**	**25,540**	**867,978**	**(279)**	**867,699**

Notes to the financial statements

GENERAL INFORMATION

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

Borsa Italiana, with Provision 8006 of 10 February 2015, approved the admission to trading of the Company's shares on the Mercato Telematico Azionario (MTA), organised and managed by OVS S.p.A..
The start of trading on the MTA was set by Borsa Italiana for Monday, 2 March 2015. The subscription operation entailed a capital increase of €87,000,000, increasing the share capital from €140,000,000 to €227,000,000, divided into 227,000,000 ordinary shares with no par value.

STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the OVS Group at 31 January 2019 were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. "IFRS" 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 approved 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 euros 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.

With regard to procedures for the presentation of the consolidated accounts, in the context of the options provided for by IAS 1, OVS S.p.A. 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 separately the net result for the year and each item of income and expense not posted to the income statement but recognised directly in equity pursuant to specific IFRSs.

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 have been prepared using the conventional historical cost method, altered as required for the valuation of some derivatives.
Please see the Report on Operations for detailed information on the nature of the Group's activity.

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

SCOPE OF CONSOLIDATION

The consolidated financial statements include, as well as the Parent Company's financial statements, the financial statements of all the subsidiaries from the date at which control is assumed until the date at which this control ceases.
The following is a list of companies included within the scope of consolidation on a line-by-line basis:

Company	Registered office	Share capital		% Investment
Italian companies				
OVS S.p.A.	Venice - Mestre	227,000,000	EUR	Parent Company
82 S.r.l.	Venice - Mestre	10,000	EUR	70%
Foreign companies				
OVS Department Stores D.O.O.	Belgrade - Serbia	875,783,798	RSD	100%
OVS Maloprodaja D.O.O.	Zagreb - Croatia	20,000	HRK	100%
OVS Hong Kong Sourcing Limited	Hong Kong	585,000	HKD	100%
OVS India Sourcing Private Ltd	Delhi - India	15,000,000	INR	100%
OBS Sales Private Ltd	Delhi - India	15,000,000	INR	100%
COSI International Ltd	Hong Kong	10,000	HKD	100%
COSI International (Shanghai) Ltd	Shanghai - China	1,000,000	RMB	100%
OVS Fashion España S.L.	Madrid - Spain	3,100	EUR	100%
OVS France Sas	Paris - France	30,000	EUR	100%
Serenissima Retail GmbH	Wien - Austria	35,000	EUR	100%

List of equity investments measured using the equity method:

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

OVS France SAS was incorporated in 2018 and Serenissima Retail GmbH was acquired in order to develop directly operated stores in France (two stores planned in 2019) and Austria (seven stores planned in 2019).

It should also be noted that on 6 November 2018, Sempione Retail AG, a company in which a stake of 35% was held, filed for bankruptcy.

ACCOUNTING POLICIES AND 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 approved 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 share 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.

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.

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 scope of consolidation.
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:

		Final exchange rate at		Average exchange rate	
Currency	**Code**	**31.01.2019**	**31.01.2018**	**FY 2018**	**FY 2017**
US dollar	USD	1.15	1.25	1.17	1.14
Hong Kong dollar	HKD	9.01	9.74	9.21	8.92
Chinese renminbi	RMB	7.70	7.83	7.80	7.67
Croatian kuna	HRK	7.42	7.43	7.42	7.46
Serbian dinar	RSD	118.54	119.08	118.20	120.93
Indian rupee	INR	81.69	79.18	81.00	74.00

ACCOUNTING POLICIES AND VALUATION CRITERIA

The main accounting policies and valuation criteria used by the Group are described below.

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.

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.

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 8 "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.

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	25%
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.
Assets assumed through finance leases, through which all the risks and rewards of ownership are substantially transferred to the Group, are recognised under tangible assets at their current value, or, if lower, the present value of the minimum lease payments, with a contra-entry of financial debt to the lessor.
This debt is progressively reduced according to the plan for repayment of principal amounts included in the contractually established payments, while the value of the asset recognised under tangible assets is systematically depreciated according to the economic and technical life of the asset.

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 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 OVS and UPIM 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 impairment cannot be reversed.

In order to provide complete information, it should be noted that in February 2019 the Group approved an update of this policy (the "IAS 36 Policy on Impairment and Impairment Testing"), making several revisions, particularly with regard to the internal formalisation of existing controls, the definition of the impairment indicators periodically monitored, the procedures for outsourcing external experts and the definition of the roles and responsibilities of all actors involved in the presence of a listed issuer and the relevant timescales. However, no significant changes were made to the methodology used and summarised above.
When preparing the financial statements for the year ended 31 January 2019, the Group decided to use 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.

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.

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".

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.

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.

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).

Cash and cash equivalents

Cash and cash equivalents include available cash and credit balances of bank current accounts with no limits or restrictions, recognised at nominal value. Cash and cash equivalents 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.

Provision 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.

Employee benefits

A) 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.

B) 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 contra-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 contra-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.

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.

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;
- 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.

Segment information

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 value segment of the Italian market, as well as products relating to the homeware and fragrance segments.

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.
For further details on the impacts of adoption of IFRS 15, please see the "New accounting standards" section below.
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.

Income and costs deriving from leases

Income and costs deriving from operating leases are recognised on a straight-line basis over the duration of the agreements to which they relate.

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.

Foreign exchange gains and 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.

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.

Dividends

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

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, useful life, 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.

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 evaluation techniques are applied to intangible and tangible assets with a definite useful life 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.

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.

INVENTORY OBSOLESCENCE OR 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.

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.

DEFERRED TAX ASSETS

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.

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 15.

The costs recognised in the income statement in relation to incentive plans for managers (please see the explanations in note 22 "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.

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.

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.

ASSESSMENT OF THE IMPACTS OF APPLICATION OF THE NEW ACCOUNTING STANDARD IFRS 16 – LEASES

The "New accounting standards" section below provides a report on the expected impacts of the application, as of 1 February 2019, of the new IFRS 16 – Leases accounting standard. The determination of impacts required the use of assumptions mainly relating to the discount rates applied, the duration of leases and the classification of the leases themselves.

New accounting standards

New and amended standards, if not adopted in advance, must be adopted in the first financial statements after their date of first application.

Accounting standards, amendments and interpretations with effect from 2018

The OVS Group adopted IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments as of 1 February 2018. There are no other new standards, amendments or interpretations that became effective as of 1 January 2018 with material effects on the Group's consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and introduces a new five-step model that applies to revenue from contracts with customers. It replaces all current requirements in IFRSs relating to recognition of revenue (IAS 18, IAS 11, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31). IFRS 15 requires the recognition of revenue in an amount reflecting the consideration to which the entity believes it is entitled in exchange for the transfer of goods or services to the customer. The standard will be effective for annual reporting periods starting on or after 1 January 2018, with full or modified retrospective application. Early application was permitted but not adopted by the Group.
The Group applied IFRS 15 retroactively with cumulative effect on the date of first application (i.e. 1 February 2018). Therefore, the information relating to 2017 has not been restated, i.e. it has been presented in accordance with IAS 18, IAS 11 and the related interpretations.

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

A) SALES WITH A RIGHT OF RETURN
Previously, the Group recognised the margin related to expected returns from the sale of products as a reduction in revenues and, in a special provision recognised as a credit adjustment, recorded a liability for the same margin (equal to €5,500 thousand at 31 January 2018). In accordance with IFRS 15, the Group records expected returns from the sale of products (€13,518 thousand at 31 January 2019) as a reduction in revenues, and records a reduction in the cost of goods sold relating to these returns (€7,518 thousand at 31 January 2019); correspondingly, the reduction in the sale value of expected returns is recorded under other payables, while the amount corresponding to the cost of goods is recognised under inventories. At the date of first application of the standard (1 February 2018), the opening provision was re-presented at gross values, i.e. inventories of €8,222 thousand and other payables of €13,722 thousand.

B) RIGHTS NOT EXERCISED BY THE CUSTOMER – BREAKAGE AMOUNTS
On receiving an advance payment made by the customer, the Group recognises under "Other current liabilities" the amount of the advance payment for the obligation to transfer assets in the future, and derecognises this liability, recognising the revenue, when it transfers the assets.
This accounting treatment is the same as the approach adopted by the Group in previous years.

IFRS 9 - Financial Instruments

On 22 November 2016, the European Union issued Regulation 2016/2067, which approved IFRS 9 - Financial Instruments, replacing IAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all aspects relating to the accounting of financial instruments, including classification and measurement, impairment and hedge accounting. The standard is effective for annual reporting periods starting on or after 1 January 2018. With the exception of hedge accounting (which is applied prospectively, with some exceptions), retrospective application of the principle is required, but the provision of comparative information is not mandatory. The OVS Group has made use of this option, provided for by the standard, and has not re-presented comparative information.
IFRS 9 has introduced new rules for the accounting classification and valuation of financial instruments, which mainly affect financial assets.
In particular, for financial assets, the new standard uses a single approach based on methods of managing financial instruments and on the characteristics of the contractual cash flows of the financial assets themselves in order to determine the valuation criterion, replacing the different rules envisaged by IAS 39. For financial liabilities, however, the main change introduced concerns the accounting treatment of changes in the fair value of a financial liability designated as measured at fair value through profit or loss, if these are due to changes in the creditworthiness of said financial liability. According to the new standard, these changes must be recognised as other comprehensive income and no longer pass through the income statement. Based on the type of financial assets and liabilities present in the Group, the new classification model for financial instruments has not presented any particular problems.
The following is a reconciliation of the classes of financial assets and liabilities introduced by IFRS 9 with respect to the disclosures in the financial statements as at 31 January 2018 based on the requirements of IFRS 7 - Financial Instruments: Disclosures.

IAS 39 / IFRS 9	Financial assets / liabilities at fair value through profit or loss	Loans and receivables	Held to maturity investments	Available for sale financial assets	Liabilities at amortised cost	Liabilities according to IAS 17	Total
Financial assets at fair value through profit or loss	4,046						4,046
Financial liabilities at fair value through profit or loss							-
Financial assets and liabilities at fair value through other comprehensive income							-
Financial assets at amortised cost		208,887					208,887
Financial liabilities at amortised cost					907,992	2,083	910,075
Hedging derivatives	59,898						59,898

The new document includes a single model for the impairment of financial assets based on expected credit losses. In this regard, the area of greatest impact was precisely the determination of a new impairment model, particularly for trade receivables. To this end, a simplified impairment model was adopted, in which the value of the financial assets also reflects a theoretical forecast of default by the counterparty and the ability to recover the asset in the event that said default occurs. The adoption of this model did not, however, have any significant effects on the Group's consolidated financial statements, confirming the impairment provision policy already applied by the OVS Group, which adequately incorporates expected credit losses.
Please also refer to the following note 2 "Trade receivables".
Lastly, as regards hedge accounting, it should be noted that the Group does not currently identify hedging relationships designated as effective.
Please refer to the valuation criteria described in the previous section, which were appropriately amended with respect to the consolidated financial statements as at 31 January 2018 following the adoption of IFRS 9.

IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting of transactions that include the collection or payment of foreign currency advances. The interpretation was approved by the European Union in March 2018 and applies to the preparation of the financial statements of the OVS Group for annual reporting periods starting on or after 1 February 2018.
The adoption of the interpretation by the Group did not entail any changes in accounting policies or retrospective adjustments.

Annual Improvements to IFRS Standards 2014-2016 Cycle

The objective of the annual improvements is to resolve non-urgent issues relating to inconsistencies in IFRSs or to terminology clarifications that have been discussed by the IASB during the drafting cycle. The provisions issued relate to:

- IAS 28 - Investments in Associates and Joint Ventures: the valuation of associates or joint ventures at fair value in the presence of investment entities;
- IFRS 1 - First-time Adoption of International Financial Reporting Standards: elimination of short-term exemptions for first-time adopters;
- IFRS 12 Disclosure of Interests in Other Entities: clarification of the scope of application of the standard.

The provisions were approved by the European Union in February 2018 and apply to the preparation of the financial statements for annual reporting periods starting on or after 1 January 2018, in the case of the amendments to IAS 28 and IFRS 1, and on or after 1 January 2017, in the case of the amendments to IFRS 12. The adoption of the provisions by the OVS Group did not entail any changes in accounting policies or retrospective adjustments.

Amendments to IAS 40 - Transfers of Investment Property

These amendments clarify when a company is authorised to make changes that lead to the designation of a property that was not considered an "investment property" as such, or vice versa. The interpretation was approved by the European Union in March 2018 and applies to the preparation of the financial statements for annual reporting periods starting on or after 1 January 2018. The adoption of the amendments by the Group did not entail any changes in accounting policies or retrospective adjustments.

Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions

The objective of these changes is to clarify the accounting treatment of certain types of share-based payments. The interpretation was approved by the European Union in February 2018 and applies to the preparation of the financial statements of the OVS Group for annual reporting periods starting on or after 1 February 2018. The adoption of the amendments by the OVS Group did not entail any changes in accounting policies or retrospective adjustments.

Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments introduced aim to better define the accounting treatment in relation to insurance contracts in light of the new provisions introduced by IFRS 9. The amendments were approved by the European Union in November 2017 and apply to the preparation of the financial statements for annual reporting periods starting on or after 1 January 2018. The adoption of the amendments by the Group did not entail any changes in accounting policies or retrospective adjustments.

New accounting standards and interpretations approved by the European Union and effective for annual reporting periods starting on or after 31 January 2019 and not yet adopted by the Group

IFRS 16 - Leases

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

IFRS 16 was approved by the European Union in October 2017 and applies to the preparation of financial statements for annual reporting periods starting on or after 1 January 2019. Early application is permitted, but not before the entity has adopted IFRS 15.

The principle allows a choice of applying the new provisions using a fully retrospective approach (i.e. for each comparative period presented) or a modified retrospective approach (i.e. recognising the cumulative effect of first application in an equity reserve).
The OVS Group will apply the new standard as of the mandatory effective date (the "date of first application" will therefore be 1 February 2019), using the modified retrospective method, option b) (paragraph C5 (b) of IFRS 16), without restatements of leases already in place as at 1 February 2019 and not applying the standard to low-value, short-term assets (therefore recognising the cumulative effect of first application as an equity adjustment at 1 February 2019 without re-presenting the comparative balances).

In addition, the OVS Group will apply some of the simplifications associated with the modified retrospective approach. The most significant are:
- the exclusion of the initial direct costs of measuring the right of use at the date of first application;
- the application of a single discount rate for each similar lease portfolio (broken down by country and by term);
- the determination of the term of the lease using information known at the transition date;
- the non-application of IAS 36 at the date of first application (paragraph C8 (c) of IFRS 16).

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

The application of IFRS 16 requires significant judgements on certain key estimates, such as the determination of lease terms and the discount rate.
In determining the term of the lease, it must be assessed whether the lessee is reasonably certain to exercise any options for extending the lease, rather than not exercising any options for early termination of the lease agreement. The Group will determine the term of the lease as the sum of the non-revocable lease period plus the unilateral options for the extension of the period, where there is reasonable certainty that the option will be exercised. To this end, the following aspects are considered:
- the costs relating to the termination of the contract;
- the importance of the leased asset for the Group's activities;
- the conditions that must be met in order for the options to be exercised or not;
- historical experience and any business plans approved by the Group.

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

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

The new standard will therefore have a material impact on the OVS Group's financial statements in terms of recognition of right of use assets (adjusted for prepaid expenses, accrued expenses and payables for linearisation carried in the financial statements at the date of first application) and lease liabilities, the values of which will be recognised in the statement of financial position, allocating any differences existing at the transition date to equity reserves. In 2017 and 2018, various company functions were involved in the implementation project (finance, IT, property development, management control, etc.) and at present the Group has essentially completed its analysis of the population of existing leases, which mainly relate to stores, equipment, warehouses and offices. The Group estimates that on 1 February 2019, a lease liability totalling approximately €900 million and a right of use asset of approximately €910 million will be recognised, with an impact on shareholders' equity of approximately €0.3 million.

According to current estimates, the expected impact on the Group's net result for 2019 is not material. However, it should be noted that the Group is undertaking an in-depth review of leases, which will entail a large number of amendments, modifications and contractual changes. For this reason, the impact that IFRS 16 will have on the net result for 2019 cannot yet be precisely determined.

Finally, these estimates must be read in light of the commitments reported in the "Other commitments" section of the "Other information" note, considering, however, that the differences between the amount reported in that note and the estimated IFRS 16 lease liability are justified by the following factors:

- in contrast to commitments, the estimated lease liability does not include liabilities associated with leases in which the underlying asset is of low value (low-value leases);
- the contractual terms defined in accordance with IFRS 16 differ from the contractual terms used to calculate the commitments (either due to the effect of renewal options, which are not included in the calculation of commitments, or because almost all rental agreements include a termination clause which entails a commitment for the Group not exceeding 12 months); and
- the value of the commitments does not reflect the impact of discounting incorporated into the calculation of the lease liability.

Amendments to IFRS 9 - Prepayment Features with Negative Compensation

These amendments clarify the classification of certain financial assets that can be prepaid when IFRS 9 applies. The interpretation was approved by the European Union in March 2018 and applies to the preparation of financial statements for annual reporting periods starting on or after 1 January 2019. No significant impact is expected from the adoption of these amendments.

IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments

The interpretation provides information on how to reflect in the accounting of income taxes uncertainties regarding the tax treatment of certain phenomena. The interpretation will be effective for the preparation of financial statements for annual reporting periods starting on or after 1 January 2019.

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

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

Description	Approved at the date of this document	Effective date under the standard
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28 'Investments in associates and joint ventures': Sale or contribution of assets between an investor and its associate/joint venture	No	Suspended
Amendment to IAS 19 'Plan amendment, Curtailment or Settlement'	No	"Years starting on or after 01 January 2019"
Amendment to IAS 28 'Long-term interests in associates and joint ventures'	No	"Years starting on or after 01 January 2019"
Amendment to IAS 1 and IAS 8: Definition of Material	No	"Years starting on or after 01 January 2020"
Amendment to IFRS 3 'Business combinations'	No	"Years starting on or after 01 January 2020"
Amendment to References to the Conceptual Framework in IFRS Standards	No	"Years starting on or after 01 January 2020"
IFRS 17 Insurance Contracts	No	"Years starting on or after 01 January 2021"
Annual improvements cycles 2015-2017	No	"Years starting on or after 01 January 2019"

No accounting standards and/or interpretations for which application is mandatory for periods beginning on or after 1 February 2019 have been applied early.

Information on financial risks

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

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

The OVS Group aims to maintain the balanced management of its financial exposure over time, ensuring that the liability structure is in balance with the asset breakdown in the financial statements, and that the Group has operational flexibility it needs, through the use of cash generated from 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 loans to cover investments in non-current assets;
- short-term loans and use of credit lines on current accounts to fund working capital.

The OVS Group has also signed derivatives in order to reduce US dollar foreign exchange risks.
The following section provides qualitative and quantitative information on the impact of these risks on the OVS Group's business.

Credit risk

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

At the end of the period under review, there were no significant concentrations of credit risk; it should be noted that, as a result of the insolvency procedures which Sempione Fashion AG and Charles Vögele Austria GmbH have undergone, the OVS Group has derecognised the receivables from these companies.
In addition, the residual balance of receivables from Vidrea Deutschland GmbH (formerly Charles Vögele Deutschland GmbH) of €9.3 million was fully written down as the Group, on 16 April 2019, learned that a bankruptcy order relating to this company had been issued by the court of Hechingen. During the year, receivables totalling €13.6 million from the German counterparty had already been written down.

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 2019, the total guarantee amount was €62.0 million, including €19.0 million in overdue receivables (€50.9 million at 31 January 2018, including €16.3 million in overdue receivables).
Trade receivables are recognised net of write-downs calculated on the basis of the risk of counterparty default, determined by using available information on the solvency of the customer and, also taking historical data into account, prospective losses to the extent reasonably expected. Positions that are particularly significant, and that are objectively partially or totally irrecoverable, are written down individually.
Trade receivables totalled €98.4 million at 31 January 2019 (€113.0 million at 31 January 2018).
Written-down receivables (partial or total) came in at €38.8 million at 31 January 2019 (€23.8 million at 31 January 2018).
Overdue receivables amounted to €36.9 million (€43.7 million at 31 January 2018).
The following tables provide a breakdown of trade receivables at 31 January 2019 and at 31 January 2018, grouped according to maturity and net of the provision for doubtful accounts:

(amounts in millions of euros)	At 31 January 2019	Not yet matured	Matured within 90 days	Matured between 90 and 180 days	Matured beyond 180 days
Trade receivables	137.2	61.6	27.3	6.5	41.8
Provision for doubtful accounts	(38.8)	(0.4)	(0.3)	(0.1)	(38.0)
Net value	98.4	61.2	27.0	6.4	3.8

(amounts in millions of euros)	At 31 January 2018	Not yet matured	Matured within 90 days	Matured between 90 and 180 days	Matured beyond 180 days
Trade receivables	136.8	64.1	40.3	21.8	10.6
Provision for doubtful accounts	(23.8)	-	-	(14.5)	(9.3)
Net value	113.0	64.1	40.3	7.3	1.3

Liquidity risk

Liquidity risk can arise through an inability to access, under economically viable conditions, the financial resources necessary for the OVS Group to operate. The two main factors influencing the OVS Group's liquidity levels are:

- the financial resources generated or absorbed by operating and investment activities;
- the expiry and renewal of financial debt.

The OVS Group's liquidity requirements are monitored by the treasury function, in order to guarantee effective access to financial resources and adequate liquidity investment/yield levels.
Management believes that the funds and credit lines currently available, in addition to those generated by operating and financing activities, will enable the OVS Group to meet its requirements in respect of investment activities, management of working capital and the repayment of debt when it is contractually due.
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)	At 31 January 2019	< 1 year	1-5 years	> 5 years	Total
Trade payables	363.6	351.0	12.6	-	363.6
Payables to banks (*)	403.8	28.8	375.0	-	403.8
Other financial payables	1.1	0.5	0.6	-	1.1
Financial expenses payable to banks (**)	13.5	12.4	1.1	-	13.5
Total	**782.0**	**392.7**	**389.3**	**-**	**782.0**

(*) The amount includes interest accrued but not yet paid at 31 January 2019.
(**) The amount was calculated by applying the forward curve recorded at 31 January 2019 to the loan repayment plan. For the Revolving Line, an average utilisation level of 50% was assumed. The aggregate also includes the nominal value of interest on lease agreements until maturity and the value arising from future cash flows generated for derivative contracts that had a negative fair value at the reporting date.

The same breakdown for 31 January 2018 is as follows:

(amounts in millions of euros)	At 31 January 2018	< 1 year	1-5 years	> 5 years	Total
Trade payables	403.4	403.0	0.4	-	403.4
Payables to banks (*)	378.9	3.9	375.0	-	378.9
Other financial payables	2.1	1.1	1.0	-	2.1
Financial expenses payable to banks (**)	23.8	10.8	13.0	-	23.8
Total	**808.2**	**418.8**	**389.4**	**-**	**808.2**

(*) The amount includes interest accrued but not yet paid at 31 January 2018.
(**) The amount was calculated by applying the forward curve recorded at 31 January 2018 to the loan repayment plan. For the Revolving Line, an average utilisation level of 50% was assumed. The aggregate also includes the nominal value of interest on lease agreements until maturity and the value arising from future cash flows generated for derivative contracts that had a negative fair value at the reporting date.

Derivatives

The following tables show the breakdown of the derivatives entered into by the OVS Group:

(amounts in millions of euros)	2018 Assets	2018 Liabilities	2017 Assets	2017 Liabilities
Forward contracts - trading	12.0	1.2	-	59.9
Total	**12.0**	**1.2**	**-**	**59.9**
Current portion:				
Forward contracts - trading	11.8	1.2	-	52.2
Total current portion	**11.8**	**1.2**	**-**	**52.2**
Non-current portion				
Forward contracts - trading	0.2	-	-	7.7
Total non-current portion	**0.2**	**-**	**-**	**7.7**

Market risk

INTEREST RATE RISK

The OVS Group uses external financial resources in the form of debt and employs liquidity available in bank deposits. Fluctuations in market interest rates affect the cost and returns of various forms of financing and investment, thus affecting the OVS Group's level of financial expenses and income. The loan agreement signed on 23 January 2015, which came into effect on 2 March 2015, does not include an obligation to hedge interest rate risk.
To manage these risks, OVS used interest rate derivatives ("caps") in previous years with the aim of mitigating, under economically acceptable conditions, the potential impact of changes in interest rates on the income statement.
Given the projections for the 6-month Euribor rate until the expiry of the loan agreement (March 2020), it was decided not to take further action to hedge the risk of interest rate fluctuations.

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 shareholders' equity of a hypothetical change in market interest rates of plus and minus 40 bps compared with the assumed forward interest rate curve at 31 January 2019. This analysis is based on the assumption of a general and instantaneous change in benchmark interest rates.
Excluding the effect of derivatives on interest rates and the amortised cost of loans, the results of this hypothetical, instant and favourable (unfavourable) change in the short-term interest rates applied to the OVS Group's variable-rate financial liabilities 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 2019	**0.0**	**1.0**

The same figure at 31 January 2018 is shown below:

Effect of change on financial expenses - income statement (amounts in millions of euros)	- 40 bps	+ 40 bps
At 31 January 2018	**0.0**	**1.0**

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 positive or negative foreign exchange differences. The OVS Group also hedges orders that are highly probable although not acquired, pursuing the management aim of minimising the risks to which the Group is exposed.

The OVS Group purchases most of its products for sale from foreign suppliers for which the reference currency is the US Dollar (USD). In order to ensure reliability in the planning of sales prices and the relative industrial margin (understood as the difference between sales prices in EUR and the purchase costs of products in USD), the OVS Group routinely enters into 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 2019 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 2019, this measurement was positive for €10.7 million, relating to the fair value of the contracts in place at year-end, as the average forward exchange rate for the portfolio at 31 January 2019 was 1.1988, while the average exchange rate for Euro/USD at period-end was 1.1488. To this figure is added the release to the income statement with a positive effect of the negative fair value of €59.9 million recorded at 31 January 2018, primarily due to the realisation in 2018 of almost all of the contracts in place at the end of the previous year, due to an overall positive effect arising in the income statement of €70.6 million, completely recorded on exchange rate 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 2019	from 01 Dec 2017 to 10 Jan 2019	from 04 Feb 2019 to 13 Jul 2020	480,700	from 1.1182 to 1.2928	400,976	10,740

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 2019	**13.4**	**(12.1)**

The same analysis at 31 January 2018 is as follows:

Effect of change on result and shareholders' equity (amounts in millions of euros)	- 5%	+ 5%
At 31 January 2018	**23.9**	**(21.7)**

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 2019, the translation reserve in equity reserves would have been subject to a positive/negative change of €1.0 million and €0.9 million, respectively.

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.
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 2019:

	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Hedging derivatives	Total
Cash and banks			27,876			27,876
Trade receivables			98,426			98,426
Current financial assets					11,797	11,797
Other current receivables			33,968			33,968
Equity investments	136					136
Non-current financial assets					172	172
Other non-current receivables	4,357		68			4,425
Current financial liabilities				29,340	1,229	30,569
Trade payables				350,981		350,981
Other current payables				129,787		129,787
Non-current financial liabilities				374,190		374,190
Other non-current payables				35,840		35,840

The same reconciliation for 31 January 2018 is provided below.

	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Hedging derivatives	Total
Cash and banks			60,498			60,498
Trade receivables			112,960			112,960
Current financial assets						-
Other current receivables			34,259			34,259
Equity investments	136					136
Non-current financial assets						-
Other non-current receivables	3,910		1,170			5,080
Current financial liabilities				4,979	52,211	57,190
Trade payables				403,406		403,406
Other current payables				108,499		108,499
Non-current financial liabilities				373,428	7,687	381,115
Other non-current payables				19,763		19,763

Information on operating segments

Pursuant to IFRS 8, management has identified the following operating segments:

- OVS, active in the value fashion market, offering stylish and high-quality clothing at competitive prices, with a focus on the latest trends and fashions; and
- UPIM, active in the value segment of the Italian market, offering women's, men's and children's clothing products, homeware and fragrance, with particularly competitive price positioning and a key focus on the family.

The results of the operating segments are measured by analysing revenues and adjusted EBITDA, defined respectively as earnings before depreciation and amortisation, asset write-downs, financial income and expenses and tax, and EBITDA after non-recurring income and expenses and other non-cash accounting effects.
Specifically, management believes that revenues and adjusted EBITDA provide a good performance indicator as they are not affected by tax legislation or depreciation/amortisation policy.
In the table below, sales of goods by the OVS and UPIM brands to the companies of the Sempione Fashion Group, which, however, do not represent an independent operating segment pursuant to IFRS 8, are shown separately.

	31 January 2019				31 January 2018			
(thousands of euros)	OVS	UPIM	Sempione Fashion	Total	OVS	UPIM	Sempione Fashion	Total
Revenues by segment	**1,151,117**	**240,530**	**65,507**	**1,457,154**	**1,186,318**	**228,771**	**110,597**	**1,525,686**
EBITDA	**118,926**	**25,301**		**144,227**	**169,950**	**26,557**		**196,507**
% of revenues	10.3%	10.5%		9.9%	14.3%	11.6%		12.9%
Non-recurring expenses				(79,017)				(14,195)
Forex reclassification				9,527				(4,586)
Stock Option plan				(310)				(2,965)
EBITDA Adjusted				**74,427**				**174,761**
Depreciation, amortisation and write-downs of assets (B)				(67,189)				(62,735)
Profit before net financial expenses and taxes (A-B)				**7,238**				**112,026**
Financial income				1,162				1,153
Financial expenses				(17,788)				(15,737)
Foreign exchange gains and losses				43,493				(66,778)
Gains (losses) from equity investments				(1,260)				(21,137)
Net result before tax				**32,845**				**9,527**
Taxes				(7,516)				(4,463)
Net result				**25,329**				**5,064**


Upim. Light shades.
Spring/Summer 2019


BluKids

UPIM store - IPER Le Corti Venete, Verona

Notes to the Consolidated Statement of Financial Position

Details of the content of and changes in the most significant items are provided below (unless otherwise specified, amounts are in thousands of euros).

	31.01.2019	31.01.2018	change
1 Cash and banks	**27,876**	**60,498**	**(32,622)**

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

	31.01.2019	31.01.2018	change
1) Bank and post office deposits	21,929	54,318	(32,389)
2) Cheques	6	8	(2)
3) Cash and cash equivalents on hand	5,941	6,172	(231)
Total	**27,876**	**60,498**	**(32,622)**

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.

In addition, at 31 January 2019, ordinary current accounts were set up as pledges (last updated on 1 January 2019) to secure the Loan Agreement (described in note 11 below), in the amount of €38,919 thousand, and foreign currency current accounts in the amount of USD8,096 thousand, corresponding to €7,074 thousand, the balance of which is still fully available to the OVS Group.

	31.01.2019	31.01.2018	change
2 Trade receivables	**98,426**	**112,960**	**(14,534)**

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

	31.01.2019	31.01.2018	change
Trade receivables			
Receivables for retail sales	762	834	(72)
Receivables for wholesale sales	113,110	65,748	47,362
Receivables for services rendered	11,098	14,003	(2,905)
Disputed receivables	7,143	6,363	780
Trade receivables from related parties	5,128	49,821	(44,693)
Subtotal	**137,241**	**136,769**	**472**
(Provision for doubtful accounts)	(38,815)	(23,809)	(15,006)
Total	**98,426**	**112,960**	**(14,534)**

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, for whom collection is presumed to be difficult, or for disputes, or, in the majority of cases, for legal proceedings in progress against customers.
Trade receivables from Sempione Fashion AG (Switzerland) of €24.7 million and from Charles Vögele Austria GmbH of €4.5 million, mainly relating to the sale of goods, were derecognised following insolvency proceedings against the companies.
In addition, the residual balance of receivables from Vidrea Deutschland GmbH (formerly Charles Vögele Deutschland GmbH) of €9.3 million was fully written down as the Group, on 16 April 2019, learned that a bankruptcy order relating to this company had been filed.
Lastly, receivables from Charles Vögele Slovenia doo of €1.0 million were also fully written down, as they were considered difficult to recover.

The balance also includes receivables from Coin S.p.A. of €4.9 million, related to brokerage fees for purchasing goods (€0.2 million) and receivables from services (€4.7 million).
Also note that trade receivables (mainly for the provision of products to the franchising affiliates) amounting to €97.3 million were also transferred to secure the Loan Agreement at 31 January 2019.

The provision for doubtful accounts amounted to €38,815 thousand at 31 January 2019. During the year, €13,872 thousand was used and the provision amounted to €28,026 thousand.
Changes in the provision for doubtful accounts are shown below:

(amounts in thousands of euros)	
Balance at 31 January 2018	**23,809**
Transition to IFRS 9 - effects	850
Allocations in the period	28,026
Utilisations in the period	(13,872)
Effect of exchange rate adjustment	2
Balance at 31 January 2019	**38,815**

The allocation to the "Provision for doubtful accounts" expresses the presumed realisable amount of receivables that are still collectable at the closing date of the year. The draw-downs for the period relate to receivable positions for which elements of certainty and accuracy, or the presence of insolvency procedures, determine the derecognition of the position itself.
Given the types of products and services sold by the OVS Group, there is no significant concentration of revenues and trade receivables with individual customers, considering that, as already mentioned, the accrued receivables from the former Sempione Fashion Group have been derecognised or fully written down.

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

(amounts in thousands of euros)	
Balance at 31 January 2017	**8,312**
Allocations in the period	16,170
Utilisations in the period	(667)
Effect of exchange rate adjustment	(6)
Balance at 31 January 2018	**23,809**

	31.01.2019	31.01.2018	change
3 Inventories	**410,955**	**387,943**	**23,012**

The breakdown of inventories is shown in the following table:

(amounts in thousands of euros)	31.01.2019	31.01.2018
Goods	444,786	417,910
Gross stock	**444,786**	**417,910**
Provision for depreciation	(20,946)	(17,134)
Provision for inventory differences	(12,885)	(12,833)
Total provision for stock write-downs	**(33,831)**	**(29,967)**
Total	**410,955**	**387,943**

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

of each year. These provisions are based on the management best estimate and are therefore believed by management to be consistent with their respective purposes.
Changes in the provision for depreciation and the provision for inventory differences for the year ended 31 January 2019 are shown below:

(amounts in thousands of euros)	Provision for depreciation	Provision for inventory differences	Total
Balance at 31 January 2018	**17,134**	**12,833**	**29,967**
Allocation	37,834	13,503	51,337
Utilisation	(34,022)	(13,451)	(47,473)
Balance at 31 January 2019	**20,946**	**12,885**	**33,831**

The change in the same provisions for the previous period is as follows:

(amounts in thousands of euros)	Provision for depreciation	Provision for inventory differences	Total
Balance at 31 January 2017	**17,249**	**8,880**	**26,129**
Allocation	15,880	15,136	31,016
Utilisation	(15,995)	(11,183)	(27,178)
Balance at 31 January 2018	**17,134**	**12,833**	**29,967**

	31.01.2019	31.01.2018	change
4 Current financial assets	**11,797**	**0**	**11,797**
4 Non-current financial assets	**172**	**0**	**172**

The breakdown of the "Financial assets" item into current and non-current at 31 January 2019 and at 31 January 2018 is shown below:

(amounts in thousands of euros)	31.01.2019	31.01.2018
Derivatives (current portion)	11,797	0
Total current financial assets	**11,797**	**0**
Derivatives (non-current portion)	172	0
Financial loan to related company	0	12,781
(Provision for doubtful financial accounts)	0	(12,781)
Total non-current financial assets	**172**	**0**
Total	**11,969**	**0**

Derivatives include the fair value of forward hedges on purchases of goods in currencies other than the euro.
The amount of **non-current financial assets** at 31 January 2018 relates to the loan granted in several tranches to Sempione Retail AG. This loan (the "Shareholders' Loan Agreement") was a shareholders' loan subordinated to all the liabilities of Sempione Retail AG and all of its subsidiaries, including Sempione Fashion AG.
On 6 November 2018, bankruptcy proceedings began for Sempione Retail AG. Accordingly, the financial receivable from Sempione Retail AG, amounting to 16,079 thousand Swiss francs (including the interest accrued on that date), was derecognised.

	31.01.2019	31.01.2018	change
5 Current tax assets	**9,565**	**24,338**	**(14,773)**

The balance mainly consists of receivables for excess IRES and IRAP payments on account (€7,407 thousand and €383 thousand respectively) paid on a historical basis, already net of the payable for taxes accrued during the year, receivables for withholding taxes on fees (€949 thousand) and for taxes withheld at source.

	31.01.2019	31.01.2018	change
6 Other current receivables	**33,968**	**34,259**	**(291)**
6 Other non-current receivables	**4,425**	**5,080**	**(655)**

Other receivables break down as follows:

	31.01.2019	31.01.2018	change
Other receivables	1,455	1,223	232
Receivables from insurance companies for claims reimbursment	745	172	573
Receivables from employees	1,361	2,225	(864)
Accrued income and prepaid expenses - rents and service charges	24,062	23,557	505
Accrued income and prepaid expenses - insurance	70	223	(153)
Accrued income and prepaid expenses - interest on security deposits	21	27	(6)
Accrued income and prepaid expenses - other	6,254	6,832	(578)
Total current receivables	**33,968**	**34,259**	**(291)**
Tax receivables	0	714	(714)
Security deposits	4,357	3,910	447
Minor investments	20	20	0
Other receivables	48	436	(388)
Total non-current receivables	**4,425**	**5,080**	**(655)**

The "Other current receivables" item relates to guarantee deposits made for new leases amounting to €151 thousand and receivables for business unit acquisitions amounting to €399 thousand, while the remainder refers to social security receivables and advances to suppliers and shippers.
Receivables from insurance companies mainly comprise the scheduled reimbursement for fire damage to the Pantigliate store in November 2018 (€450 thousand) and damage to goods in transit (€286 thousand).
The item "Accrued income and prepaid expenses - other" primarily includes prepayments for advertising and marketing services of €1,458 thousand and the share of deferred financial fees (€295 thousand) incurred to obtain medium/long-term revolving lines of credit and to obtain lines of credit described in more detail in the "Financial liabilities" section below.
The remaining impact mainly refers to prepaid expenses on utilities costs, costs for services and reimbursement of training costs.
Also note that insurance receivables amounting to €0.7 million were transferred to secure the Loan Agreement at 31 January 2019.
"Other non-current receivables" include security deposits that relate mainly to securities paid under leases, utilities and deposits with customs to guarantee goods imports.
The "Minor investments" item mainly includes equity investments in consortia recognised at cost.
The "Other non-current receivables" item includes receivables from affiliates due beyond 12 months for €21 thousand and the medium-/long-term portion of deferred financial fees for €25 thousand.

	31.01.2019	31.01.2018	change
7 Property, plant and equipment	**273,874**	**276,513**	**(2,639)**

Appendix 1 shows the historical cost for each item, the accumulated depreciation and amortisation, changes during the year and the final balances.
Investments in the period mainly related to:
- expenses for modernising, renovating and upgrading stores in the commercial network;
- purchases of furniture and fittings for the commercial network to furnish both newly opened and renovated branches.

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

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 did not show any impairment during the year.

In addition, pursuant to the Loan Agreement, at 31 January 2019 a lien was created on property in the amount of €184.1 million.

	31.01.2019	31.01.2018	change
8 Intangible assets	**632,987**	**636,639**	**(3,652)**

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

Intangible assets at 31 January 2019 mainly include the amounts allocated to the OVS Group deriving from the previous acquisition of Gruppo Coin by Icon, which was then transferred in July 2014 to the current OVS S.p.A..

At 31 January 2019, these amounts included:
- The OVS brand for €377.5 million, with an indefinite life (included under "Concessions, licences and brands");
- The UPIM brand for €13.3 million, with an indefinite life (included under "Concessions, licences and brands");
- The OVS franchising network for €68.5 million, amortised over 20 years (included under "Other intangible assets");
- The UPIM franchising network for €27.2 million, amortised over 20 years (included under "Other intangible assets");
- Licences relating to OVS stores for €88.5 million, amortised over 40 years (included under "Concessions, licences and brands");
- Licences relating to UPIM stores for €21.2 million, amortised over 40 years (included under "Concessions, licences and brands").

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

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. Please see the following section, "Impairment testing", for the outcome of the assessments carried out.

Note that the useful life of 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.

Also note that, pursuant to the Loan Agreement, at 31 January 2019 a lien was created on OVS Group brands in the amount of €390.8 million.

	31.01.2019	31.01.2018	change
9 Goodwill	452,541	452,541	0

The goodwill mainly relates to the acquisition of Gruppo Coin by Icon on 30 June 2011 (€451,778 thousand, allocated to the OVS CGU).
Goodwill was tested for impairment: the results are shown in the "Impairment testing" section below.

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, UPIM and PIOMBO operating segments (the latter was not relevant at 31 January 2019) which include all services and products provided to customers.

A) OVS CGU

Impairment testing entailed the comparison of the carrying amount of the cash generating unit (CGU) and its value in use (VIU). Note that the carrying amount of the OVS CGU includes goodwill, entirely allocated to the CGU, of €452.5 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 2019 Budget and the business plan for the three years from 2019 to 2021 (the "Plan"), both drawn up by management and 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;
- future cash flows, standardised to use for the terminal value, were constructed by consistently applying a growth rate "g" for EBITDA of 1.60% annually, applied to EBITDA in the final year of the Plan. Annual investments were estimated consistently on the basis of the last year of the Plan (€32 million): this amount is believed to be representative of the normalised investments needed to maintain existing fixed assets.
- the discount rate (WACC) used to estimate the present value of cash flows was 7.3% and was determined based on the following assumptions: i) the risk-free rate used was 2.7%, corresponding to the return on ten-year government bonds issued by the Italian government; ii) the equity risk premium used was 5.5%, 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; iv) borrowing costs (2.2%) were estimated as the one-month average of the ten-year EurIRS rate, plus a spread of 200 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 2019 was €1,500 million. The comparison between the VIU (€1,500 million) and the carrying amount (net invested capital) of the OVS CGU (€1,141 million) 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;
- 25 bps decrease in the growth rate;
- a reduction in future cash flows of the OVS CGU due to a combined reduction of 200 bps in the like-for-like performance compared with the Plan and a reduction in the new DOS openings envisaged in the Plan.

These sensitivity analyses performed separately for each of the above assumptions would not, however, result in write-downs to be recorded in 2018 in relation to the OVS CGU.

B) UPIM CGU

Although no 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 2019 Budget and the business plan for the three years from 2019 to 2021 (the "Plan"), both drawn up by management and approved by the Board of Directors. Provisional cash flows for the UPIM CGU were determined according to levels of turnover growth and EBITDA, based on both past operating and profit performance and on future projections;
- future cash flows, standardised to use for the terminal value, were constructed by consistently applying a growth rate "g" for EBITDA of 1.60% annually, applied to EBITDA in the final year of the Plan. Annual investments were estimated consistently on the basis of the last year of the Plan (€13 million): this amount is believed to be representative of the normalised investments needed to maintain existing fixed assets.
- the discount rate (WACC) used to estimate the present value of cash flows was 7.3% and was determined based on the following assumptions: i) the risk-free rate used was 2.7%, corresponding to the return on ten-year government bonds issued by the Italian government; ii) the equity risk premium used was 5.5%, 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; iv) borrowing costs (2.2%) were estimated as the one-month average of the ten-year EurIRS rate, plus a spread of 200 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 2019 was €295 million. The comparison between the VIU (€295 million) and the carrying amount (net invested capital) of the UPIM CGU (€118 million) 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;
- 25 bps decrease in the growth rate;
- a reduction in future cash flows of the UPIM CGU due to a combined reduction of 200 bps in the like-for-like performance compared with the Plan and a reduction in the new DOS openings envisaged in the Plan.

These sensitivity analyses performed separately for each of the above assumptions would not, however, result in write-downs to be recorded in 2018 in relation to the UPIM CGU.

Impairment testing of store licences

Licences relating to OVS and UPIM stores indicating impairment were tested for impairment by calculating 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) used was 7.30% and no growth rate was predicted for the period following the 2019 Budget.

Based on the analysis performed, in the current year the store licences for three stores in the Coin segment and one store in the UPIM segment were written down for a total amount of €1,899 thousand.

	31.01.2019	31.01.2018	change
10 Equity investments	**136**	**136**	**0**

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

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

	31.01.2019	31.01.2018	change
11 Current financial liabilities	**30,569**	**57,190**	**(26,621)**
11 Non-current financial liabilities	**374,190**	**381,115**	**(6,925)**

The breakdown of the "Current financial liabilities" and "Non-current financial liabilities" items at 31 January 2019 and 31 January 2018 is shown below:

(amounts in thousands of euros)	31.01.2019	31.01.2018
Current bank payables	28,793	3,936
Other current financial payables	1,776	53,254
Current financial liabilities	**30,569**	**57,190**
Non-current bank payables	373,621	372,388
Other non-current financial payables	569	8,727
Non-current financial liabilities	**374,190**	**381,115**

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

The OVS Group's current and non-current bank payables at 31 January 2019 are shown below:

			At 31 January 2019		
(amounts in thousands of euros)	Maturity date	Interest rate	Total	of which non-current portion	of which current portion
Facility Revolving	2020	Euribor + 2.50%	19,842	-	19,842
Deutsche Bank	2019	Euribor + 0.60%	5,000	-	5,000
Due for financial expenses			3,951	-	3,951
Current bank payables			**28,793**	**-**	**28,793**
Facility B	2020	Euribor + 2.50%	375,000	375,000	-
Loan ancillary costs			(1,379)	(1,379)	-
Non-current bank payables			**373,621**	**373,621**	**-**

The lines of credit available to the Group at 31 January 2019 mainly refer to the loan agreement signed on 23 January 2015 and disbursed on 2 March 2015 (the Loan Agreement) totalling €475,000,000. This agreement provides for the granting of a medium-/long-term line of credit of €375,000,000, which, together with the income from the capital increase servicing the global offer, was intended to repay the pre-existing debt of the Issuer and to pay costs associated with the listing process (the "Senior Loan"), and a revolving line of credit of €100,000,000 that may be drawn down in different currencies (the "Revolving Line of Credit").

The Senior Loan was disbursed as trading of the Company's shares began on the MTA. On the date when trading in the shares started on the MTA, the previous loan agreement was therefore fully repaid (and therefore ceased to be effective).

The applicable interest rate for both the Senior Loan and the Revolving Line of Credit, at 31 January 2019, is now equal to the sum of (i) the margin of 2.5% per annum (the "Margin") and (ii) the Euribor or, if the currency used is not the euro, the Libor (the "Interest"). The Interest is calculated on a quarterly or half-yearly basis for the Senior Loan, and on a monthly or quarterly or half-yearly basis for the Revolving Line of Credit (unless otherwise agreed between the parties).

The Margin may be reduced or increased further according to the ratio of average total net debt to EBITDA (as contractually specified), calculated on the basis, depending on the case, of the consolidated financial statements (audited) at 31 January and the consolidated half-year report (not audited) at 31 July, drawn up pursuant to IFRS. Specifically, the Loan Agreement stipulates that:
- if the ratio is greater than or equal to 3.00:1, the applicable Margin is 3.50%;
- if the ratio is less than 3.00:1 but greater than or equal to 2.00:1, the applicable Margin is 3.00%;
- if the ratio is less than 2.00:1 but greater than or equal to 1.50:1, the applicable Margin is 2.50%; and
- if the ratio is less than 1.50:1, the applicable Margin is 2.00%.

At 31 January 2019, the ratio of average financial debt to EBITDA was 2.97. The Margin will therefore increase by 0.5 percentage points from 1 February 2019 to 3.0%. The next test is scheduled for 31 July 2019.
The final due date of the Loan Agreement, which also coincides with the repayment date for the lines of credit, is fixed as the fifth anniversary of the date at which the Senior Loan was initially disbursed.
The Loan Agreement provides for mandatory early repayment if one of the following circumstances, inter alia, should occur:
- the lending banks are unable to maintain the commitments provided for under the Loan Agreement due to an illegal event; and
- there is a change in control of the Issuer (intended to mean the acquisition by one party (or several parties acting in concert) (i) of a percentage of voting rights that is sufficient, directly or indirectly, to result in a mandatory public tender offer for shares of the Issuer and/or (ii) of the power to appoint or dismiss all, or the majority, of the Issuer's directors.

Under the existing Loan Agreement, it should be noted that the new corporate structure and the new Board of Directors (as described in the Report on Operations in the paragraph "Significant events after the reporting period") did not constitute a "change of control".

The Loan Agreement provides that, to ensure that the relative obligations are met, the following guarantees are made in favour of the banking syndicate on its movable property, inter-company loans, patents, current accounts and trade and insurance receivables, and in particular:

1. the assignment as collateral of receivables arising from any inter-company loan for which OVS S.p.A. is the lending party;
2. the assignment as collateral of trade and insurance receivables (mainly receivables for the provision of products to the franchising affiliates and insurance receivables);
3. a lien on some corporate assets (mainly furnishings and equipment related to the business of OVS) owned by the Group;
4. a pledge on 100% of the shares of OVS Hong Kong Sourcing Limited held by OVS S.p.A.;
5. a pledge on 100% of the shares of the other subsidiaries of OVS S.p.A. that will fall under the definition of "Material Company" pursuant to the Loan Agreement. A Material Company is intended to mean any new company that will be controlled by OVS S.p.A. in the future and which proves to be material, pursuant to the Loan Agreement, based on the revenues it generates in proportion to Group EBITDA;
6. a pledge on some brands owned by OVS S.p.A. (in particular on the OVS and UPIM brands);
7. a pledge on some current accounts held by OVS S.p.A..

OVS S.p.A. undertakes to announce the occurrence of any significant adverse events or default events that could restrict and/or impede the ability of OVS S.p.A. or any guarantor to meet its contractual obligations under the Loan Agreement.

In terms of financial obligations, the only parameter that OVS S.p.A. is committed to comply with is the leverage ratio, i.e. the OVS Group's ratio of net debt to EBITDA, on a consolidated basis. From 31 July 2015, this ratio must be equal to or less than 3.50:1 for each 12-month period ending in a reporting date (i.e. 31 January and 31 July of each year), according to a calculation based on the consolidated financial statements and consolidated half-year reports of the OVS Group, except for the test of July 2015 and January 2016, in which average net debt was calculated based on the final value of each month that had actually passed since the disbursement date. As previously mentioned, at 31 January 2019, the ratio of average financial debt to EBITDA was 2.97. The obligation is therefore completely fulfilled.

The Loan Agreement is governed by UK law and any disputes relating thereto are under the exclusive jurisdiction of the UK courts.

Any breach of the contractual covenants is a default event that the Group has the power to rectify within 15 working days from the expiry of the obligation to send the compliance certificate relating to the calculation period. However, default may be prevented by an intervention by shareholders to ensure that the new calculation of the covenant complies with the contractual limits at the reporting date, if the shareholder intervention takes place before this date. The shareholder intervention might take the form, for example, of a subordinated loan or a new issue of OVS shares.

If the default is not rectified, Banca IMI as the Agent Bank may (but is not obliged to) demand early payment of the loan, including by activating the guarantees granted.

For further information on recent developments relating to the said Loan Agreement, please refer to the information already provided in the Report on Operations. In particular, it should be noted that, as the Loan Agreement will end in March 2020, the Group has continued its discussions with the various banks in the pool.

Specifically, a first phase has been concluded with minor changes obtained that did not require the consent of the entire pool, such as: i) the elimination of certain guarantees related to pledges on trade receivables, provided that certain financial parameters have been met, and the elimination of special liens on certain unregistered movable assets; ii) the possibility of issuing capital market instruments; and iii) the expansion of the factoring basket provided for in the agreement from €20 to €30 million. At the date hereof, the aforementioned changes are being formalised.

Meanwhile, the broader process of refinancing the entire financial package is still ongoing. In this regard, it should be noted that: i) a financial advisor was identified to support the process; ii) the various legal teams have been identified; and iii) the timetable for the process has been more clearly defined.

It should be noted that, on 26 February 2018, a loan agreement was signed with Deutsche Bank S.p.A. for 18 months minus one day, falling due on 25 August 2019, for a total amount of €10 million. The rate applied is equal to the 3-month Euribor plus a margin of 0.60%. If the 3-month Euribor were to be less than 0, the applicable rate would remain equal to the Margin.
The agreement provides for quarterly repayments of €1.6 million in six instalments.
At the end of 2018, this loan amounted to €5 million.

The breakdown of the consolidated net financial debt of the OVS Group at 31 January 2019 and 31 January 2018, determined according to the provisions of the Consob Communication of 28 July 2006 and pursuant to the ESMA/2013/319 Recommendations, is shown below:

(amounts in thousands of euros)	**31.01.2019**	**31.01.2018**
Net debt		
A. Cash	27,876	60,498
B. Cash equivalents	-	-
C. Securities held for trading	-	-
D. Liquid assets (A)+(B)+(C)	**27,876**	**60,498**
E. Current financial receivables	**11,797**	**-**
F. Current bank payables	(28,793)	(3,936)
G. Current portion of non-current debt	-	-
H. Other current financial payables	(1,776)	(53,254)
I. Current debt (F)+(G)+(H)	**(30,569)**	**(57,190)**
J. Net current debt (I)+(E)+(D)	**9,104**	**3,308**
K. Non-current bank payables	(373,621)	(372,388)
L. Bonds issued	-	-
M. Other non-current financial payables	(569)	(8,727)
N. Non-current debt (K)+(L)+(M)	**(374,190)**	**(381,115)**
O. Net debt (J)+(N)	**(365,086)**	**(377,807)**
Non-current financial receivables	**172**	**0**
Net financial position	**(364,914)**	**(377,807)**

Other current and non-current financial payables

The following table shows the breakdown of other current and non-current financial payables at 31 January 2019 and at 31 January 2018.

(amounts in thousands of euros)	31.01.2019	31.01.2018
Derivatives	1,229	52,211
Payables for finance leases	547	1,043
Other loans and minor financial payables	-	-
Other current financial payables	**1,776**	**53,254**
Derivatives	-	7,687
Payables for finance leases	569	1,040
Other loans and minor financial payables	-	-
Other non-current financial payables	**569**	**8,727**

The breakdown by maturity of minimum payments and principal amounts on finance leases is shown below:

	Minimum payments owed for finance leases		Principal amount	
	31.01.2019	31.01.2018	31.01.2019	31.01.2018
Within 1 year	550	1,196	547	1,043
From 1 to 5 years	571	1,042	569	1,040
Beyond 5 years	0	0	0	0
Total	**1,121**	**2,238**	**1,116**	**2,083**

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

	31.01.2019	31.01.2018
Minimum payments owed for finance leases	1,121	2,238
(Future financial expenses)	(5)	(155)
Present value of payables for finance leases	1,116	2,083

The Group has fittings, machinery and vehicles under finance leases. The weighted average duration of the leases is around four years.
The interest rates are set at the date on which the agreement is entered into and are pegged to the 3-month Euribor. All lease agreements are repayable in equal instalments, and no restructuring of the original repayment plan is provided for contractually.
All the agreements are denominated in the accounting currency (euro).
Payables to leasing companies are guaranteed to the lessor by means of rights over the leased assets.

	31.01.2019	31.01.2018	change
12 Trade payables	**350,981**	**403,406**	**(52,425)**

The breakdown of the "Trade payables" item at 31 January 2019 and 31 January 2018 is provided below:

(amounts in thousands of euros)	31.01.2019	31.01.2018	change
Payables to third-party suppliers	349,000	402,306	(53,306)
Payables to related parties	1,981	1,100	881
Trade payables	**350,981**	**403,406**	**(52,425)**

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 €183,824 thousand; it also includes exposure in foreign currency (mainly USD) amounting to USD187,111 thousand.
Also note that at these dates there were no payables with a residual life of more than five years in the statement of financial position.

	31.01.2019	31.01.2018	change
13 Current tax liabilities	**0**	**1,296**	**(1,296)**

Current taxes accrued during the year for IRAP (€5,510 thousand) and IRES (€15,382 thousand) are fully offset with excess payments on account.

	31.01.2019	31.01.2018	change
14 Other current payables	**129,787**	**108,499**	**21,288**
14 Other non-current payables	**35,840**	**19,763**	**16,077**

The breakdown of the "Other payables" item into current and non-current at 31 January 2019 and at 31 January 2018 is shown below:

	31.01.2019	31.01.2018	change
Payables to employees for unused leave and related contributions	8,130	8,777	(647)
Payables to employees for deferred salaries, overtime, bonuses and related contributions	22,421	24,881	(2,460)
Payables to Directors and Auditors for emoluments	438	355	83
Other payables	24,257	7,887	16,370
Payables to pension and social security institutions	7,420	7,156	264
VAT payables	39,642	32,584	7,058
Other tax payables	3,519	3,459	60
Other payables - to customers	205	163	42
Accrued expenses and deferred income - rents and leasing	6,624	6,920	(296)
Accrued expenses and deferred income - utilities	3,057	3,880	(823)
Accrued expenses and deferred income - insurance	763	574	189
Accrued expenses and deferred income - other	13,311	11,863	1,448
Total current payables	**129,787**	**108,499**	**21,288**
Linearisation of rents	11,765	12,469	(704)
Trade payables	12,643	0	12,643
Accrued expenses and deferred income - other	11,432	7,294	4,138
Total non-current payables	**35,840**	**19,763**	**16,077**

"Payables to employees" relates to benefits accrued and not paid out at 31 January 2019.
"Other payables" mainly relates to the recognition of €13,518 thousand for the sales value of expected returns in relation to sales made, pursuant to IFRS 15.
The balance also mainly includes customer advances to pre-order goods and purchases of goods vouchers for €4,969 thousand, payables for deposits received from customers as guarantees for an affiliation agreement for €5,206 thousand.
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 €6,044 thousand in accrued expenses for local taxes, €1,072 thousand for travel expenses, €333 thousand for bank charges, €2,129 thousand of deferred

income for contributions payable by partners and lessors and €1,610 thousand in unredeemed reward points relating to customer loyalty programmes.
It also includes €120 thousand relating to the remaining portion of the extension of the software usage rights granted to Gruppo Coin S.p.A. for a period of five years.

Non-current payables refer, in the amount of €11,765 thousand, to the recognition of the payable due to the linearisation of leases with payment instalments that increase throughout the life of the lease. The same item includes €695 thousand relating to the deferral of the contribution deriving from investments in new capital goods, which benefited from the "Tremonti-quater" exemption. Note that investments were booked including the contribution amount, which was spread throughout the period of depreciation of the goods concerned.
This item also includes €10,596 thousand as the non-current portion of deferred income for contributions recognised by lessors after store restructurings and conversions. These contributions were discounted based on the term of the lease.
Lastly, supplier payables of €12,643 thousand due beyond 12 months are shown, which relate to the restructurings carried out during the year through the use of a vendor financing instrument, the cash out of which is expected to be in line with the growth in EBITDA at the store level in the next three years.

	31.01.2019	31.01.2018	change
15 Employee benefits	**38,348**	**38,647**	**(299)**

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)	31.01.2019	31.01.2018
Balance at beginning of year	**38,647**	**39,906**
Increase in period	634	579
Actuarial (gains)/losses	1,242	302
Benefits paid	(2,175)	(2,140)
Balance at end of year	**38,348**	**38,647**

The item also includes €72 thousand relating to the pension provision, which is disbursed when employees retire. Like the employee severance benefits, the provision is calculated on an actuarial basis using the projected unit credit method.

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	0.94%
Annual inflation rate	1.50%
Annual increase in employee severance indemnities	2.63%

The iBoxx Eurozone Corporates AA 7-10 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.

Sensitivity analysis

As required by 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 by one half, one quarter and two percentage points respectively. The results obtained are summarised in the following table:

	Annual discount rate		Annual inflation rate		Annual turnover rate	
(amounts in millions of euros)	**+0.50%**	**-0.50%**	**+0.25%**	**-0.25%**	**+2.00%**	**-2.00%**
OVS	**36.8**	**39.9**	**38.7**	**37.8**	**37.9**	**38.8**

Future cash flows

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

years	Cash Flow
0 - 1	2.7
1 - 2	2.8
2 - 3	3.2
3 - 4	2.9
4 - 5	2.5
5 - beyond	27.3

The average number of personnel during the year just ended was 100 managers, 6,515 white-collar workers and 272 blue-collar workers.
At 31 January 2019, the Group had 98 managers, 6,598 white-collar workers and 274 blue-collar workers in its employ.

	31.01.2019	31.01.2018	change
16 Provisions for risks and charges	**4,873**	**5,024**	**(151)**

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

(amounts in thousands of euros)	31.01.2019	31.01.2018
Balance at beginning of year	**5,024**	**7,785**
Allocations in the period	0	250
Utilisations in the period	(151)	(3,011)
Balance at end of year	**4,873**	**5,024**

The provision is made for the risk of disputes with former employees, public bodies 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 decrease of €151 thousand refers to utilisations of previous provisions made for disputes with former employees and various legal reasons.

	31.01.2019	31.01.2018	change
17 Deferred tax liabilities	**124,435**	**134,287**	**(9,852)**

The change in the "Deferred tax liabilities" item is shown below.

(amounts in thousands of euros)	Balance at 31.01.2018	Allocated/ released to income statement	Allocated/ released to statement of comprehensive income	Balance at 31.01.2019
Provision for stock write-downs	7,187	890		8,077
Appropriation for local taxes	1,095	305		1,400
Provisions for risks and charges	1,206	(37)		1,169
Doubtful accounts	5,500	3,391		8,891
Tangible and intangible assets	(151,201)	3,852		(147,349)
Doubtful accounts - IFRS 9	0	0	204	204
Rights of return - IFRS 15	0	1,674		1,674
Employee severance benefits calculated according to IAS 19	502	0	298	800
Provision for Collective Agreements	1,013	(1,013)		0
Other minor	411	288		699
Total net prepaid (deferred)	**(134,287)**	**9,350**	**502**	**(124,435)**

The same details are shown for the previous year:

(amounts in thousands of euros)	Balance at 31.01.2017	Allocated/ released to income statement	Allocated/ released to statement of comprehensive income	Balance at 31.01.2018
Provision for stock write-downs	6,258	929		7,187
Appropriation for local taxes	880	215		1,095
Provisions for risks and charges	1,868	(662)		1,206
Doubtful accounts	2,526	2,974		5,500
Tangible and intangible assets	(155,808)	4,607		(151,201)
Employee severance benefits calculated according to IAS 19	429	0	73	502
Provision for Collective Agreements	419	594		1,013
Other minor	2,489	(2,078)		411
Total net prepaid (deferred)	**(140,939)**	**6,579**	**73**	**(134,287)**

Deferred tax liabilities related to the higher value of intangible assets in the financial statements were mainly due to their recognition at fair value according to the acquisition method at the time of the business combination of previous years.

Shareholders' equity

Shareholders' equity was €867.7 million.
Details of changes in the items included in shareholders' equity are provided in the relative accounting schedule.

18 Share capital

At 31 January 2019, the share capital of OVS S.p.A. amounted to €227,000,000, comprising 227,000,000 ordinary shares with no par value.
OVS was incorporated on 14 May 2014 with share capital of €10,000.
The Transferral of the OVS-UPIM Business Unit by the then sole shareholder Gruppo Coin S.p.A., which took effect from 31 July 2014, entailed a share capital increase from €10,000 to €140,000,000, with a premium of €249,885,000.
Lastly, on 24 February 2015, the global offer for subscription and sale of ordinary shares of OVS S.p.A., with the aim of listing this company on the MTA, was successfully completed.
The subscription operation entailed a further capital increase of €87,000,000, increasing the share capital from €140,000,000 to €227,000,000, divided into 227,000,000 ordinary shares with no par value.

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

18 Other reserves

The breakdown of other reserves is as follows:

The **share premium reserve**, amounting to €512.0 million, derives from increases in the capital of OVS S.p.A., as previously mentioned, and is shown net of listing costs of €7,590 thousand (gross costs of €10,469 thousand and deferred tax of €2,879 thousand).
With regard to the accounting treatment applied to these costs, pursuant to IAS 32, following the positive outcome of the listing process, the ratio between the number of new shares/number of shares post-listing determined the percentage of charges registered as a direct reduction in shareholders' equity, while the remainder was recognised under costs in the income statement.
The **legal reserve** came to €7.9 million, and was created when earnings for previous years were allocated.
There are also **other reserves**, with a positive net balance of €97.0 million, which mainly include retained earnings of €90.0 million, the effects of the direct recognition in shareholders' equity of actuarial gains/(losses) relating to employee severance benefits, the translation reserve and the effects of booking management incentive plans in equity reserves in accordance with the provisions of IFRS 2 (see also note 22 ("Staff costs")) and the impacts of the application of IFRS 9 on the transition date.

18 Minority interest capital and reserves

Minority interests relate to the incorporation, during 2017, of 82 S.r.l., which is 70% owned by OVS S.p.A. and 30% owned by Massimo Piombo. The amount shown includes €3 thousand for share capital and a negative €282 thousand for losses accrued for start-up costs.

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

(amounts in thousands of euros)	2018	2017
Value at beginning of year	**(1,589)**	**(1,360)**
Change in provision for employee severance benefits under IAS 19	(1,241)	(302)
Deferred tax effect	298	73
Total changes	*(943)*	*(229)*
Value at end of year	**(2,532)**	**(1,589)**

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


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Notes to the Consolidated Income Statement

We will now provide details of some income statement items (values are expressed in thousands of euros).

19 Revenues

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

	31.01.2019	31.01.2018
Revenues from retail sales	1,417,195	1,470,394
VAT on retail sales	(256,080)	(265,682)
Net sales	**1,161,115**	**1,204,712**
Revenues from sales to affiliates, administered and wholesale	295,739	320,735
Subtotal net sales	**1,456,854**	**1,525,447**
Revenues from services	300	239
Total	**1,457,154**	**1,525,686**

20 Other operating income and revenues

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

	31.01.2019	31.01.2018
Revenues from services rendered	43,891	45,133
Rental and leasing revenues	18,623	19,100
Damages	844	513
Capital gains from asset disposals	40	4
Other revenues	5,515	8,695
Total	**68,913**	**73,445**

Revenues from services provided mainly relate to the recovery of transport expenses, the recovery of advertising expenses, promotional contributions and charges for staff costs and other services provided, including fees from commercial partners in concessions at the OVS Group's stores.
The item "Rental income and leases" mainly includes rent from concession partners at OVS and UPIM stores.
The "Other revenues" item mainly includes contributions from suppliers and lessors, repayment of start-up costs and various contingent assets.

21 Purchases of raw materials, consumables and goods

Purchases of raw materials, supplies, consumables and goods mainly consist of purchases of products for sale and amount to €667,494 thousand.
The item breaks down as follows:

	31.01.2019	31.01.2018
Purchase of raw materials, consumables and goods	691,089	748,991
Change in inventories	(23,595)	(47,568)
Total	**667,494**	**701,423**

The consideration in euros for purchases abroad, mainly in dollars, including ancillary costs, is €546,441 thousand.

22 Staff costs

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

	31.01.2019	31.01.2018
Wages and salaries	214,744	216,324
Social security charges	61,817	61,847
Employee severance benefits	13,257	13,186
Other staff costs	1,615	640
Directors' fees	1,155	994
Total	**292,588**	**292,990**

The number of employees, expressed as the "full-time equivalent" headcount, was 6,095 at the end of the year, compared with 5,938 at 31 January 2018.

SHARE BASED PAYMENTS

Since June 2015, key employees of the Company and its subsidiaries have been granted options to purchase OVS S.p.A. shares under the Company's stock option plans (hereinafter also "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 the 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.
The Shareholders' Meeting has delegated to the Board of Directors the widest powers to implement the capital increase in one or more tranches, granting employees options, as deemed appropriate by the Board, and thus, among other things:

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

In execution of the powers received from the Shareholders' Meeting, the Board of Directors granted a total of 9,036,375 options, none of which had been exercised by 31 January 2019.
In total, the Board of Directors, in execution of the powers granted to it, approved the following Plans:

Plan	Assignable	Assigned	Exercised
2015-2020	6,125	5,101,375	-
2017-2022	145,000	3,935,000	-
Total	**151,125**	**9,036,375**	**-**

On 8 June 2015, pursuant to the mandate granted by the Extraordinary Shareholders' Meeting of 26 May 2015, the Board of Directors resolved to carry out a paid share capital increase by the deadline of 8 June 2025, by issuing, in one or more tranches, up to 5,107,500 new ordinary shares of OVS, constituting 2.25% of the current share capital of OVS S.p.A., subscribed and paid up, with no par value, with the same characteristics as the ordinary shares outstanding on the issue date, with ordinary rights, excluding option rights pursuant to Article 2441, paragraph 8, of the Italian Civil Code, to be reserved for subscription by the beneficiaries of the stock option plan called the "Stock Option Plan 2015-2020".

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 "Stock Option Plan 2017-2022".

Both plans provide for the free allocation to each of the beneficiaries of options that confer the right to subscribe to or purchase the ordinary shares of OVS in the ratio of one ordinary share for each Option exercised at a price of €4.88 per share (for the 2015-2020 Plan) and €6.39 per share (for the 2017-2022 Plan).
The ordinary shares of the Company allocated to beneficiaries after the exercise of the Options will carry ordinary rights, the same as those of the ordinary shares of the Company outstanding on the allocation date, and will therefore carry the coupons in effect at that date.

Both 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 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.
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).

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 €7,156 thousand (already booked in the amount of €6,846 thousand at 31 January 2018), were recognised with a contra-entry in shareholders' equity. It should also be noted that during the year, 31,000 options lapsed that had accrued to Beneficiaries who left the Group as good leavers and did not exercise the right by the deadline established in the event of termination of the employment relationship. This entailed a reversal of the IFRS 2 reserve of €60 thousand.

The movements recorded in the various Stock Option Plans in 2018 are as follows:

Stock Option Plan	Price	Currency	Options at 31.01.2018	Options				Options at 31.01.2019
				Assigned	Cancelled	Exercised	Forfeited	
2015-2020 Plan	4.88	Eur	4,911,375	-	(1,122,275)	-	(18,000)	3,771,100
2017-2022 Plan	6.39	Eur	3,935,000	-	(1,522,500)	-	(13,000)	2,399,500

At 31 January 2019, 6,170,600 options were potentially exercisable (accrued or accruable).
No options were exercised in 2018.

23 Depreciation, amortisation and write-downs of assets

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

	31.01.2019	31.01.2018
Amortisation of intangible assets	17,886	15,703
Depreciation of tangible assets	46,316	44,117
Write-downs of tangible and intangible assets	2,987	2,915
Total	**67,189**	**62,735**

Note that the amount relating to write-downs of tangible and intangible assets in the appendices in question was included in the amounts shown in the "Disposals" and "Write-downs" columns.
Write-downs refer to assets written down due to store closures that have already taken place or are planned, and/or the results of impairment testing.

24 Other operating expenses: Service costs

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

	31.01.2019	31.01.2018
Advertising	24,386	25,222
Utilities	34,021	32,948
Miscellaneous sales costs	55,373	48,380
Service costs - professional and consulting services	29,395	26,978
Travel and other employee expenses	13,404	14,309
Insurance	3,010	3,411
Maintenance, cleaning and security	34,083	35,199
Service costs - other services	4,070	5,127
Board of Statutory Auditors' fees / Supervisory Body	207	203
Total	**197,949**	**191,777**

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

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

	31.01.2019	31.01.2018
Rental costs and ancillary charges	197,779	194,938
Leasing of plant, equipment and vehicles	3,879	3,798
Total	**201,658**	**198,736**

The item "Rental expenses and related charges" mainly includes rents and service charges generated by the sales network. The lease agreements were entered into under arm's length conditions.

26 Other operating expenses: Write-downs and provisions

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

	31.01.2019	31.01.2018
Doubtful accounts	28,026	16,170
Provisions for risks	0	250
Release for risks and charges	0	(1,200)
Total	**28,026**	**15,220**

For details of the amounts described above, see item 2 "Trade receivables" and item 16 "Provisions for risks and charges".

27 Other operating expenses: Other operating charges

Other operating charges break down as follows:

	31.01.2019	31.01.2018
Materials and equipment for offices and stores	8,301	7,859
Taxes	11,143	10,628
Capital losses	1,489	501
Donations	540	646
Corporate expenses	672	700
Other general and administrative expenses	3,075	1,273
Other operating expenses	38,706	2,617
Total	**63,925**	**24,224**

The "Other operating charges" item mainly comprises €861 thousand relating to rebates, fines and rounding liabilities and €71 thousand for discounts on partner goods distributed to customers during special events; the same item also includes transactional agreements with lessors and suppliers for €451 thousand, and miscellaneous reimbursements for expenses.
Non-recurring expenses also refer to the termination of relations with the Swiss partner relating to transactions (€9,088 thousand) and credit losses (€28,407 thousand). Finally, the sale of the property used as an operating headquarters resulted in a capital loss of €1,180 thousand.

28 Financial income (expenses)

FINANCIAL INCOME

	31.01.2019	31.01.2018
Financial income on bank current accounts	28	24
Financial income from miscellaneous sources	20	8
Income from related company	1,114	1,121
Total	**1,162**	**1,153**

FINANCIAL EXPENSES

	31.01.2019	31.01.2018
Financial expenses on bank current accounts	13	29
Financial expenses on loans	12,851	11,531
Financial expenses payable to other lenders	155	184
Interest cost on provision for employee severance benefits	506	583
Other financial expenses/fees	4,263	3,410
Total	**17,788**	**15,737**

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

FOREIGN EXCHANGE GAINS AND LOSSES

	31.01.2019	31.01.2018
Foreign exchange gains	2,539	26,051
Foreign exchange losses	(29,683)	(15,559)
Gains (losses) on the change in fair value of currency derivatives	70,637	(77,270)
Total	**43,493**	**(66,778)**

GAINS (LOSSES) FROM EQUITY INVESTMENTS

	31.01.2019	31.01.2018
Write-downs of equity investments	(1,260)	(21,137)
Total	**(1,260)**	**(21,137)**

As already indicated under item 4 “Non-current financial assets” and item 10 “Equity investments”, we report a write-down of €1,249 thousand in the financial receivable from Sempione Retail AG.

29 Taxes

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

	31.01.2019	31.01.2018
IRES tax	15,382	3,840
IRAP tax	5,510	6,338
Tax on foreign companies	478	1,016
Deferred tax (net change)	(13,854)	(6,731)
Total	**7,516**	**4,463**

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

(amounts in thousands of euros)	31.01.2019	%	31.01.2018	%
Net result for the year before tax	32,845		9,527	
Theoretical income tax (IRES)	(7,883)	(24.0)%	(2,286)	(24.0)%
IRAP	(5,510)	(16.8)%	(6,338)	(66.5)%
Tax effect of permanent differences and other differences	5,877	17.9%	4,161	43.7%
Taxes	**(7,516)**		**(4,463)**	
Effective tax rate		**(22.9)%**		**(46.9)%**

For the year ended 31 January 2019, it should be noted that in 2018 OVS S.p.A. signed a preliminary agreement with the Italian Revenue Agency for access to Patent Box tax relief. The optional Patent Box regime allows tax relief for five years (2015-2019). The tax benefit for OVS S.p.A. for the three-year period 2015-2017 was €2,796 thousand, fully reflected in the 2018 results.

It should also be noted that taxes for the year reflect the benefits arising from the costs incurred for "Research and development" activities, until January 2018.

The tax rate decreases significantly, due to both the benefits described above and the tax effect of the minor permanent differences.

On 9 July, at the conclusion of the tax audit of OVS S.p.A. by the Venice tax division of the Italian finance police (Guardia di Finanza), which began on 13 December 2017, the report on findings was notified by the auditors.
The audit related to:

- for IRAP and IRES purposes, the tax periods 2014, 2015 and 2016;
- for VAT purposes, the years 2014, 2015, 2016 and part of 2017, until 13 December 2017;
- for the purposes of substitute tax, the years 2014, 2015, 2016 and part of 2017, until 13 December 2017.

The report contains some findings, mainly on the subject of VAT, which the Parent Company has refuted in the document "Response to the Report on Findings", filed with the Major Taxpayers Office of the Venice Regional Revenue Department; the existence of significant liabilities is considered to be reasonably groundless.

Earnings per share

As previously indicated, due to the listing of the Parent Company, OVS S.p.A., in March 2015, the current share capital was divided into 227,000,000 shares with no par value.
The calculation of earnings per share at 31 January 2019 and 31 January 2018 is shown in the following table and is based on the ratio of earnings attributable to the Group to the weighted average number of shares of OVS S.p.A. outstanding during the year, net of treasury shares held (809,226 shares, equal to 0.356% of the share capital).

	31.01.2019	31.01.2018
Result for the year (in thousands of euros)	25,540	5,135
Number of ordinary shares at end of year	227,000,000	227,000,000
Average weighted number of shares outstanding for the calculation of basic earnings per share	226,785,241	227,000,000
Basic earnings per share (in euros)	**0.11**	**0.02**
Diluted earnings per share (in euros)	**0.11**	**0.02**

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


OVS

OVS store - Milano, Via Torino

Relations with related parties

OVS carries out, for its Parent Company, subsidiaries and associates, mainly commercial activities relating to the sale of goods, and provides logistics, IT and supply chain services.
The following table summarises the OVS Group's lending and borrowing relationships with related parties, as defined by IAS 24:

	Related parties														
(amounts in thousands of euros)	Gruppo Coin S.p.A.	Coin S.p.A.	Excelsior Milano S.r.l. in liquida-zione	COSI - Concept of Style Italy S.p.A.	GCF S.p.A. in liquida-zione	Gruppo Coin Inter-national S.A.	Centomi-lacandele S.c.p.a.	Sempione Fashion AG	Charles Vögele Austria GMBH	Charles Vögele Deut-schland GMBH	Charles Vögele Trgovina stekstilom DOO (Slovenia)	Direc-tors and managers with strategic responsi-bilities	Total	Total balance sheet item	Percen-tage of balance sheet item
Trade receivables															
At 31 January 2019	116	4,937	59	13	2	1	-	-	-	-	-	-	5,128	98,426	5.2%
At 31 January 2018	226	3,703	57	9	4	3	-	16,170	6,535	7,926	688	-	35,321	112,960	31.3%
Trade payables															
At 31 January 2019	-	(774)	-	-	-	-	(1,207)	-	-	-	-	-	(1,981)	(350,981)	0.6%
At 31 January 2018	(27)	(90)	-	-	-	-	-	(983)	-	-	-	-	(1,100)	(403,406)	0.3%
Other current payables															
At 31 January 2019	-	-	-	-	-	-	-	-	-	-	-	(371)	(371)	(129,787)	0.3%
At 31 January 2018	-	-	-	-	-	-	-	-	-	-	-	(1,808)	(1,808)	(108,499)	1.7%

Trade receivables from Coin S.p.A. amounted to €4.9 million at 31 January 2019, up from €3.7 million at 31 January 2018. Meanwhile, trade payables amounted to €0.8 million, compared with €0.1 million at the same date of the previous year. The net balance of receivables and payables increased slightly (receivables of €4.1 million compared with €3.6 million at 31 January 2018). At the date of approval of these financial statements, the net balance receivable from Coin S.p.A. was €1.8 million, down substantially on the reporting date; the overdue portion of this net balance was €1.3 million, for which recovery activity had begun.

It should also be noted that, as part of transactions with related parties, on 12 February 2018 OVS signed the following contracts with Coin S.p.A.:
- a contract relating to the sale of a business unit by Coin S.p.A. to OVS for the point of sale in Ferrara, for a consideration of €1,051 thousand;
- a contract relating to the sale of a business unit by Coin S.p.A. to OVS for the point of sale in Parma, for a consideration of €1,167 thousand and simultaneous signing of a contract of department management from OVS to Coin S.p.A. regarding perfumery and home departments;
- a contract relating to the sale of the rental contract of the business unit by Coin S.p.A. to OVS for the point of sale in Sanremo, for a consideration of €1,174 thousand.

Relations with the companies of the former Sempione Fashion Group shown in the previous year mainly relate to the provision of goods and associated services. In 2018, Sempione Fashion AG (Switzerland) and Charles Vögele Austria GmbH were subject to bankruptcy proceedings, and the relevant receivables were therefore derecognised.
In the case of Vidrea Deutschland GmbH (formerly Charles Vögele Deutschland GmbH) the receivable was fully written down, as on 16 April 2019 the Group learned that the bankruptcy order relating to this company had been issued by the court of Hechingen.
Lastly, receivables from Charles Vögele Slovenia doo of €1.0 million were fully written down, as they were considered unrecoverable.
Relations with Centomilacandele S.c.p.A. relate to the provision of services for the purchase of electricity. Centomilacandele S.c.p.A. is a non-profit consortium company, engaged in the supply of electricity and natural gas under the best possible conditions to the consortium entities.

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

(amounts in thousands of euros)	Related parties: Gruppo Coin S.p.A.	Coin S.p.A.	Excelsior Milano S.r.l. in liquidazione	Centomilacandele S.c.p.a.	Sempione Retail AG	Sempione Fashion AG	Charles Vögele Austria GmbH	Charles Vögele Deutschland GmbH	Charles Vögele Trgovina stekstilom DOO (Slovenia)	Charles Vögele Hungaria Kft	Directors and managers with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Year ended 31 January 2019														
Revenues	-	1,183	-	-	-	20,556	22,156	14,563	925	1,678	-	61,061	1,457,154	4.2%
Other operating income and revenues	366	1,669	7	-	-	-	-	-	-	-	-	2,042	68,913	3.0%
Purchases of raw materials, consumables and goods	-	-	-	-	-	(18,931)	(14,841)	-	(57)	(159)	-	(33,988)	(667,494)	5.1%
Staff costs	-	-	-	-	-	311	-	-	-	-	(4,441)	(4,130)	(292,588)	1.4%
Service costs	(5)	(489)	-	(13,428)	-	7	-	-	-	-	-	(13,915)	(197,949)	7.0%
Costs for the use of third-party assets	(1,215)	1,958	-	-	-	-	-	-	-	-	-	743	(201,658)	(0.4)%
Write-downs and provisions	-	-	-	-	-	-	-	(22,890)	(977)	-	-	(23,867)	(28,026)	85.2%
Other operating charges	-	(171)	(11)	-	-	(15,917)	(12,489)	-	-	-	-	(28,588)	(63,925)	44.7%
Financial income	-	-	-	-	1,114	-	-	-	-	-	-	1,114	1,162	95.8%
Gains (losses) from equity investments	-	-	-	-	(1,249)	-	-	-	-	-	-	(1,249)	(1,260)	99.2%
Year ended 31 January 2018														
Revenues	-	1,133	-	-	-	44,209	33,079	32,351	2,929	-	-	113,701	1,525,686	7.5%
Other operating income and revenues	408	2,449	39	-	-	1,611	15	10	34	-	-	4,566	73,445	6.2%
Purchases of raw materials, consumables and goods	-	(15)	-	-	-	(3,605)	-	-	-	-	-	(3,620)	(701,423)	0.5%
Staff costs	-	-	-	-	-	2,526	170	56	223	-	(6,337)	(3,362)	(292,990)	1.1%
Service costs	-	(386)	-	(14,467)	-	1,652	105	36	149	-	-	(12,911)	(191,777)	6.7%
Costs for the use of third-party assets	(1,617)	1,937	-	-	-	-	-	-	-	-	-	320	(198,736)	(0.2)%
Write-downs and provisions	-	-	-	-	-	(6,800)	(6,400)	(1,300)	-	-	-	(14,500)	(15,220)	95.3%
Other operating charges	-	-	-	-	-	121	9	4	29	-	-	163	(24,224)	(0.7)%
Financial income	-	-	-	-	1,121	-	-	-	-	-	-	1,121	1,153	97.2%
Gains (losses) from equity investments	-	-	-	-	(21,065)	-	-	-	-	-	-	(21,065)	(21,137)	99.7%

The main economic relations with related parties are as follows:
- goods brokerage fees for services provided by subsidiary OVS Hong Kong Sourcing Limited to Coin S.p.A., included in the "Revenues" item;
- transfers of goods to the companies of the former Sempione Fashion Group, 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;
- purchases of goods from the companies of the former Sempione Fashion Group after buy-back transactions, included in the item "Purchases of raw materials, consumables and goods";
- the provision of services relating to the purchase of electricity by Centomilacandele S.C.p.A., included in the "Service costs" item;

and
- the write-down of the financial receivable from Sempione Retail AG, included in the "Gains (losses) from equity investments" item;
- interest accrued on financial receivables from Sempione Retail AG, included in the item "Financial income".

The cash flows shown in the following table represent the actual payments and receipts registered with related parties, rather than changes during the year in the financial statement item to which they relate:

	Related parties															
(amounts in thousands of euros)	Gruppo Coin S.p.A.	Coin S.p.A.	Excelsior Verona S.r.l. in liquidazione	GCF S.p.A. in liquidazione	Centomilacandele S.c.p.a.	Sempione Retail AG	Sempione Fashion AG	Charles Vögele Austria GMBH	Charles Vögele Deutschland GMBH	Charles Vögele Trgovina tekstilom DOO (Slovenia)	Charles Vögele Hungaria Kft	Gruppo Coin International SA	Directors and managers with strategic responsibilities	Total	Total cash flow from the cash flow statement	Percentage of cash flow item
Year ended 31 January 2019																
Cash flow generated (absorbed) by operating activities	(951)	5,142	-	4	(16,311)	-	(932)	400	-	569	1,487	3	(5,926)	(16,515)	(5,549)	297.6%
Cash flow generated (absorbed) by investing activities	-	(3,393)	-	-	-	-	-	-	-	-	-	-	-	(3,393)	(46,685)	7.3%
Cash flow generated (absorbed) by financing activities	-	-	-	-	-	-	-	-	-	-	-	-	-	0	19,612	0.0%
Year ended 31 January 2018																
Cash flow generated (absorbed) by operating activities	(11,431)	5,512	2	5	(18,232)	-	28,023	20,440	23,385	2,676	-	-	(4,677)	45,703	75,688	60.4%
Cash flow generated (absorbed) by investing activities	-	-	-	-	-	-	-	-	-	-	-	-	-	0	(69,308)	0.0%
Cash flow generated (absorbed) by financing activities	-	-	-	-	-	(6,945)	-	-	-	-	-	-	-	(6,945)	(35,595)	19.5%

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

Other information

Contingent liabilities

It should be noted that, other than what is described in note 16, "Provisions for risks and charges", no other potential risks exist.

Sureties and guarantees relating to third parties

These came to €73,001 thousand (€70,075 thousand at 31 January 2018) and were granted on behalf of the Group by banks or insurance companies, mainly to guarantee Italian leases.

Other commitments

Commitments for lease payments on stores and warehouses to be settled within the contractual deadlines, with or without a termination clause, should be noted. In the vast majority of agreements, this clause is assumed to cover a period of 12 months. The consequent commitment relates to one year's rent and amounts to €172.2 million.

Directors' and Statutory Auditors' fees

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

(amounts in thousands of euros)	Directors	Auditors
Year ended 31 January 2019	959	152
Year ended 31 January 2018	830	152

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 thousands of euros)	Result for the year	Shareholders' equity
Financial statements of OVS S.p.A. at 31 January 2019, prepared according to the international reporting standards (IFRS)	**39,331**	**852,798**
Shareholders' equity and profit for the year of the fully consolidated subsidiaries, net of the carrying amount of the equity investments	17,112	10,293
Elimination of infra-group dividends	(35,168)	0
Elimination of unrealised infra-group results net of the relative tax effect	(424)	(969)
Exchange rate gains or losses from the translation of financial statements in foreign currencies	0	548
Elimination of intercompany write-downs	4,478	5,029
Consolidated financial statements of OVS Group at 31 January 2019, prepared according to the international reporting standards (IFRS)	**25,329**	**867,699**

Significant non-recurring events and operations

In accordance with the Consob Communication n. DEM/6064293 of 28 July 2006, note that the Group's results for 2018 were influenced by non-recurring net expenses of €60,199 thousand.

(amounts in thousands of euros)	31.01.2019	31.01.2018
Other operating income and revenues	(989)	0
Purchases of raw materials, consumables and goods	11,485	0
Staff costs	2,710	560
Service costs	3,154	37
Costs for the use of third-party assets	115	98
Write-downs and provisions	23,867	0
Other operating charges	38,675	0
Financial income	(1,114)	0
Write-downs of equity investments	1,260	21,065
Taxes	(18,964)	(167)
Total	**60,199**	**21,593**

Non-recurring charges mainly refer to:

- €11,485 thousand of write-downs relating to goods of the companies of the Sempione Fashion Group, recovery of which is difficult, recognised under "Purchases of raw materials, consumables and goods";
- €2,631 thousand for transactions with employees, recognised under "Staff costs";
- €2,830 thousand relating to legal costs and professional services attributable to relations with the Sempione Fashion Group, recognised under "Service costs";
- €23,867 thousand for write-downs of receivables from companies in the former Sempione Fashion Group in Germany and Slovenia, which proved to be unrecoverable, recognised under "Write-downs and provisions";
- €28,407 thousand for the derecognition of receivables from companies in the former Sempione Fashion Group located in Switzerland and Austria, already net of the use of the provision for doubtful accounts at 31 January 2018 of €13,200 thousand, recognised after insolvency proceedings were begun for these companies, under "Other operating expenses";
- €9,088 thousand relating to provisions for transactions connected to the change in the relationship with the Swiss partner, recognised under "Other operating expenses";
- €1,180 thousand relating to the capital loss generated by the sale of the operating headquarters, recognised under "Other operating expenses";
- €1,114 thousand relating to interest income accrued on the loan granted to Sempione Retail AG, recognised under "Financial income";
- €1,249 thousand relating to the write-down for cancelling the loan disbursed to Sempione Retail AG, recognised under "Gains (losses) on equity investments".

In accordance with the aforementioned Consob Communication, note that in 2018, no atypical and/or unusual transactions were entered into as defined by the Communication.

Anyway it should be noted that, in view of the emergence of financial difficulties for the Swiss and Austrian companies in the former Sempione Fashion Group (ex Charles Vögele Group), on 13 April 2018, Sempione Fashion AG and Charles Vögele Austria GmbH agreed to change the technical arrangement for their commercial relations according to the structure of the consignment stock and undertook a transaction that involved the buying back by OVS of goods previously sold, for payment of the relative price, partly in cash and partly by offsetting trade receivables from transferee companies (the "Consignment Agreement").

In particular, this transaction enabled: (i) the combined purchase of €32.3 million of goods, through two related acts, pursuant to which OVS paid €7.9 million in cash and settled the residual consideration for €24.4 million by offsetting; and (ii) the transition to the consignment stock model in Switzerland and Austria.

As insolvency proceedings have begun for the above companies, on 30 July 2018, OVS resolved to terminate the Cooperation Agreement entered into by the parties on 18 April 2017 and therefore to end all business relations between OVS and Sempione Fashion AG deriving from this agreement as amended.

After the signing of the Consignment Agreement on 13 April 2018, the financial situation of Sempione Fashion AG deteriorated further and, on 28 May 2018, an amendment to the payment terms established in the Consignment Agreement was therefore approved (the "Amendment Agreement").

Given the filing of the petition for bankruptcy by Sempione Fashion AG on 30 July 2018, OVS approved the termination of the Cooperation Agreement entered into between the parties on 18 April 2017, and therefore the termination of any commercial relationship between OVS and the same companies deriving from this agreement and from its subsequent amendments (for further information on the subsequent evolution of relations with the former Sempione Fashion Group, see what has already been extensively reported by the directors in the Report on Operations).

It should be noted, insofar as may be necessary, that the Cooperation Agreement between OVS and the Sempione Fashion Group (formerly the Charles Vögele Group), the Consignment Agreement and the Amendment Agreement were also extensively described during the year in the Information Document (prepared pursuant to the regulations adopted by Consob with Resolution 17221 of 12 March 2010 and the procedure on related-party transactions of OVS S.p.A.) made available to the public on 30 May 2018 (www.ovscorporate.it).

Significant events after the reporting date

No significant events took place after the reporting date.
Please also refer to the Report on Operations.

Information pursuant to Article 149-duodecies of Consob Issuers Regulation

The following table has been prepared in accordance with Art. 149 duodecies of Consob Issues Regulation, and presents the fees for 2018 and 2017 for audit and other services provided by the audit firm Pricewaterhousecoopers S.p.A. and its related network.

(amounts in thousands of euros)	2018		2017
a) Audit services			
- to OVS S.p.A.	308		270
- to Subsidiaries (network PwC)	55		47
b) Attestation services			
- Attestation services to OVS S.p.A. by PwC S.p.A.	-		-
- Attestation services to OVS S.p.A. (network PwC)	-		-
- Other services to OVS S.p.A.	23	(*)	6
c) Other services by network PwC			
- to OVS S.p.A.	-		501

(*) Fees for services "audit related" for the purposes of the limited examination of the Consolidated non-financial Statement.


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Appendices to the Consolidated Financial Statements

The following documents contain additional information on the consolidated financial statements for the year ended 31 January 2019.

Appendices:

1. Property, plant and equipment at 31 January 2019,
2. Intangible assets at 31 January 2019,
3. Property, plant and equipment at 31 January 2018,
4. Intangible assets at 31 January 2018.

Appendix 1

Property, plant and equipment

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

	Balance at 31.01.2018	Movements during the year: Purchases	Sales / disposals	Amortisation / write-downs	Reclassifications	Balance at 31.01.2019
Leasehold improvements						
initial cost	211,701	12,950	(11,954)	0	421	213,118
write-downs	0	0	0	0	0	0
amortisation	(156,780)	0	11,507	(9,003)	297	(153,979)
net	**54,921**	**12,950**	**(447)**	**(9,003)**	**718**	**59,139**
Land and buildings						
initial cost	34,782	151	(27,317)	0	(1,105)	6,511
write-downs	0	0	0	0	0	0
amortisation	(9,334)	0	7,638	(549)	387	(1,858)
net	**25,448**	**151**	**(19,679)**	**(549)**	**(718)**	**4,653**
Plant and machinery						
initial cost	301,623	13,133	(4,740)	0	0	310,016
write-downs	0	0	0	0	0	0
amortisation	(214,193)	0	4,384	(13,688)	0	(223,497)
net	**87,430**	**13,133**	**(356)**	**(13,688)**	**0**	**86,519**
Industrial and commercial equipment						
initial cost	339,969	32,791	(22,049)	0	0	350,711
write-downs	0	0	0	0	0	0
amortisation	(245,235)	0	21,294	(20,302)	0	(244,243)
net	**94,734**	**32,791**	**(755)**	**(20,302)**	**0**	**106,468**
Other assets						
initial cost	61,111	4,664	(3,501)	0	0	62,274
write-downs	0	0	0	0	0	0
amortisation	(53,032)	0	3,474	(2,774)	0	(52,332)
net	**8,079**	**4,664**	**(27)**	**(2,774)**	**0**	**9,942**
Assets under construction and payments on account						
initial cost	5,901	4,752	(3,500)	0	0	7,153
write-downs	0	0	0	0	0	0
amortisation	0	0	0	0	0	0
net	**5,901**	**4,752**	**(3,500)** (1)	**0**	**0**	**7,153**
Total						
initial cost	955,087	68,441	(73,061)	0	(684)	949,783
write-downs	0	0	0	0	0	0
amortisation	(678,574)	0	48,297	(46,316)	684	(675,909)
net	**276,513**	**68,441**	**(24,764)** (2)	**(46,316)**	**0**	**273,874**

(1) Of this amount, € 3,500 thousand represents assets under construction at 31/01/2018, reclassified to the specific asset categories in 2018.
(2) Includes € 1,197 thousand relating to fixed assets disposed of and written down in the period due to the closure of point of sale.

Appendix 2

Intangible assets

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

	Balance at 31.01.2018	Movements during the year			Balance at 31.01.2019
		Purchases	Sales / disposals	Amortisation / write-downs	
Rights to industrial patents and intellectual property rights					
initial cost	135,439	14,682	(870)	0	149,251
write-downs	0	0	0	0	0
amortisation	(113,442)	0	60	(8,537)	(121,919)
net	**21,997**	**14,682**	**(810)**	**(8,537)**	**27,332**
Concessions, licences and trademarks					
initial cost	520,051	1,356	(1,148)	0	520,259
write-downs	(5,439)	0	333	(1,100)	(6,206)
amortisation	(6,858)	0	15	(1,081)	(7,924)
net	**507,754**	**1,356**	**(800)**	**(2,181)**	**506,129**
Assets under construction and payments on account					
initial cost	1,363	639	(1,013)	0	989
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**1,363**	**639**	**(1,013)** (1)	**0**	**989**
Other intangible assets					
initial cost	164,284	1,280	0	0	165,564
write-downs	0	0	0	0	0
amortisation	(58,759)	0	0	(8,268)	(67,027)
net	**105,525**	**1,280**	**0**	**(8,268)**	**98,537**
Total					
initial cost	821,137	17,957	(3,031)	0	836,063
write-downs	(5,439)	0	333	(1,100) (3)	(6,206)
amortisation	(179,059)	0	75	(17,886)	(196,870)
net	**636,639**	**17,957**	**(2,623)** (2)	**(18,986)**	**632,987**
Goodwill					
initial cost	452,541	0	0	0	452,541
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**452,541**	**0**	**0**	**0**	**452,541**

(1) Of this amount, € 1,013 thousand represents assets under construction at 31/01/2018, reclassified to the specific asset categories in 2018.
(2) Includes € 690 thousand relating to intangible assets disposed of and written down in the period due to the closure of point of sale.
(3) Includes € 1,100 thousand relating to assets written down after impairment test of point of sale, already net of reversal of previous years for € 800 thousand.

Appendix 3

Property, plant and equipment

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

	Balance at 31.01.2017	Movements during the year: Purchases	Sales / disposals	Amortisation / write-downs	Balance at 31.01.2018
Leasehold improvements					
initial cost	207,158	8,875	(4,332)	0	211,701
write-downs	0	0	0	0	0
amortisation	(151,621)	0	3,868	(9,027)	(156,780)
net	**55,537**	**8,875**	**(464)**	**(9,027)**	**54,921**
Land and buildings					
initial cost	34,350	432	0	0	34,782
write-downs	0	0	0	0	0
amortisation	(8,627)	0	0	(707)	(9,334)
net	**25,723**	**432**	**0**	**(707)**	**25,448**
Plant and machinery					
initial cost	289,017	15,927	(3,321)	0	301,623
write-downs	0	0	0	0	0
amortisation	(203,807)	0	2,744	(13,130)	(214,193)
net	**85,210**	**15,927**	**(577)**	**(13,130)**	**87,430**
Industrial and commercial equipment					
initial cost	325,541	23,933	(9,505)	0	339,969
write-downs	0	0	0	0	0
amortisation	(234,782)	0	8,590	(19,043)	(245,235)
net	**90,759**	**23,933**	**(915)**	**(19,043)**	**94,734**
Other assets					
initial cost	57,263	3,891	(43)	0	61,111
write-downs	0	0	0	0	0
amortisation	(50,855)	0	33	(2,210)	(53,032)
net	**6,408**	**3,891**	**(10)**	**(2,210)**	**8,079**
Assets under construction and payments on account					
initial cost	3,722	3,733	(1,554)	0	5,901
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**3,722**	**3,733**	**(1,554)** (1)	**0**	**5,901**
Total					
initial cost	917,051	56,791	(18,755)	0	955,087
write-downs	0	0	0	0	0
amortisation	(649,692)	0	15,235	(44,117)	(678,574)
net	**267,359**	**56,791**	**(3,520)** (2)	**(44,117)**	**276,513**

(1) Of this amount, € 1,554 thousand represents assets under construction at 31/01/2017, reclassified to the specific asset categories in 2017.
(2) Includes € 1,560 thousand relating to fixed assets disposed of and written down in the period due to the closure of point of sale.

Appendix 4

Intangible assets

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

	Balance at 31.01.2017	Movements during the year Purchases	Sales / disposals	Amortisation / write-downs	Balance at 31.01.2018
Rights to industrial patents and intellectual property rights					
initial cost	125,084	10,355	0	0	135,439
write-downs	0	0	0	0	0
amortisation	(106,828)	0	0	(6,614)	(113,442)
net	**18,256**	**10,355**	**0**	**(6,614)**	**21,997**
Concessions, licences and trademarks					
initial cost	519,934	538	(421)	0	520,051
write-downs	(5,121)	0	413	(731)	(5,439)
amortisation	(5,788)	0	8	(1,078)	(6,858)
net	**509,025**	**538**	**0**	**(1,809)**	**507,754**
Assets under construction and payments on account					
initial cost	681	966	(284)	0	1,363
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**681**	**966**	**(284)** (1)	**0**	**1,363**
Other intangible assets					
initial cost	162,968	1,574	(258)	0	164,284
write-downs	0	0	0	0	0
amortisation	(51,006)	0	258	(8,011)	(58,759)
net	**111,962**	**1,574**	**0**	**(8,011)**	**105,525**
Total					
initial cost	808,667	13,433	(963)	0	821,137
write-downs	(5,121)	0	413	(731) (2)	(5,439)
amortisation	(163,622)	0	266	(15,703)	(179,059)
net	**639,924**	**13,433**	**(284)**	**(16,434)**	**636,639**
Goodwill					
initial cost	453,165	0	0	0	453,165
write-downs	0	0	0	(624) (3)	(624)
amortisation	0	0	0	0	0
net	**453,165**	**0**	**0**	**(624)**	**452,541**

(1) Of this amount, € 284 thousand represents assets under construction at 31/01/2017, reclassified to the specific asset categories in 2017.
(2) Includes € 731 thousand relating to assets written down after impairment testing of the point of sale.
(3) Includes € 624 thousand relating to activity of impairment test on goodwill of OVS Fashion España S.L..

Certification of the consolidated financial statements pursuant to Article 81-ter of Consob Regulation 11971 of 14 May 1999, as subsequently amended and supplemented.

1. We, the undersigned, Stefano Beraldo, the Chief Executive Officer, and Nicola Perin, the Director responsible for preparing the corporate accounting statements of OVS S.p.A., hereby declare, also taking account of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:
   - the adequacy with respect to the characteristics of the Company and
   - the effective application

   of the administrative and accounting procedures for the preparation of the consolidated financial statements in the period from 1 February 2018 to 31 January 2019.

2. The evaluation of the adequacy of the administrative and accounting procedures used in the preparation of the consolidated financial statements at 31 January 2019 was based on a process defined by OVS S.p.A. consistent with the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (CoSO), which is a generally accepted international framework.

3. Moreover:

   3.1 the consolidated financial statements:

   a. were prepared in compliance with the international accounting standards recognised by the European Community pursuant to (EC) Regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   b. correspond to the accounting books and records;
   c. are suitable to provide a true and fair view 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 performance and operating results, as well as 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.

Mestre, Venice, 17 April 2019

Stefano Beraldo
Chief Executive Officer

Nicola Perin
Director responsible for preparing
the corporate accounting statements

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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 2019, 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 2019, 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

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Key audit matters	***Auditing procedures performed in response to key audit matters***
Evaluation over the recoverability of the balances of 'Goodwill' and 'Intangible assets' *Notes 8 and 9 to the consolidated financial statements* The consolidated financial statements of OVS Group as of 31 January 2019 include goodwill for Euro 452,541 thousand and intangible assets for Euro 632,987 thousand, whereof indefinite-lived intangible assets for Euro 390,799 thousand and intangible assets with definite lives for Euro 242,188 thousand. Goodwill relates entirely to the OVS division. Indefinite-lived intangible assets include the OVS and UPIM brands, carried at Euro 377,492 thousand and Euro 13,307 thousand, respectively. The above amounts originated from the recognition of business combinations carried out in previous years. 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 value in use of the cash generating units to which the goodwill and intangible assets are allocated. The value in use is obtained by discounting the future cash flows estimated for the next three years and the terminal value ("impairment test"). The data used for the impairment test are derived from the business plan 2019-2021 and from the budget for the year 2019 approved by the Board of Directors of OVS SpA on December 2018 and January 2019 rispectively. Intangible assets with definite lives and tangible assets are tested only if specific indicators of impairment are identified. We assumed the measurement of goodwill and indefinite-lived intangible assets significant items in consideration of the magnitude of the balances	We obtained the business plan 2019-2021 and the budget for the year 2019 as well as the valuation models and documentary evidence used by management and approved by the board of directors of OVS SpA to determine the recoverable amount of the identified cash generating units. Also with the support of valuation experts belonging to the PwC network, we analysed the methodological approach used by management to determine the recoverable amounts and we verified the mathematical accuracy of the valuation models used and compared the determined value in use with the cash generating units carring value. We analysed the reasonableness of OVS Group management's assumptions about the cash generating units identification and the process of allocation to the latter of goodwill and indefinite-lived intangible assets, by verifying their consistency with the Group's structure and operating segments. We analysed the business plans of each cash generating unit identified to which the indefinite-lived intangible assets are allocated, and used to assess their recoverability, by verifying the consistency of the figures with the business plan 2019-2021 and from the budget for the year 2019 approved by the Board of Directors of OVS, and through a critical assessment of the reasonableness of the cash flows estimated by management for subsequent years.In fact, 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 management with external sources and other information normally available to analysts. We verified the method of calculation used to estimate the enterprise weighted average cost

Key audit matters	*Auditing procedures performed in response to key audit matters*
involved and the elements of estimation and uncertainty intrinsic to evaluation of their recoverability performed by management. 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 discount rate to be applied to the estimated future cash flows.	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 management and those charged with governance for the consolidated financial statements

Management is 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 management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is 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, management uses the going concern basis of accounting unless management either intends to liquidate OVS SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are 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 auditors' 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 an 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 management;
- we concluded on the appropriateness of management's 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.

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 those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on compliance with other laws and regulations

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

Management of OVS SpA is 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 2019, 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 2019 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 financial statements of the OVS Group as of 31 January 2019 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

Management of OVS SpA is responsible for the preparation of the non-financial statement pursuant to Legislative Decree n° 254 of 30 December 2016.

We have verified that management 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 2019

PricewaterhouseCoopers SpA

Signed by

Massimo Dal Lago
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

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RESPECT
THE OCEAN

Separate Financial Statement of OVS S.p.A. at 31 January 2019

Statement of financial position

(euro units)

ASSETS'	Note	31.01.2019	of which related parties	31.01.2018	of which related parties
Current assets					
Cash and banks	1	25,280,316		58,084,169	
Trade receivables	2	112,171,507	20,313,859	122,290,825	46,232,975
Inventories	3	405,642,196		384,020,067	
Financial assets	4	11,797,014		0	
Current tax assets	5	9,116,319		24,321,172	
Other receivables	6	33,610,221		33,604,875	
Total current assets		**597,617,573**		**622,321,108**	
Non-current assets					
Property, plant and equipment	7	269,101,389		272,630,950	
Intangible assets	8	632,906,150		636,608,095	
Goodwill	9	452,540,909		452,540,909	
Equity investments	10	8,888,419		9,121,995	
Financial assets	4	291,980	120,000	810,000	810,000
Other receivables	6	3,525,407		4,230,032	
Total non-current assets		**1,367,254,254**		**1,375,941,981**	
TOTAL ASSETS		**1,964,871,827**		**1,998,263,089**	

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.01.2019	of which related parties	31.01.2018	of which related parties
Current liabilities					
Financial liabilities	11	30,569,162		57,189,653	
Trade payables	12	373,406,703	24,726,992	436,322,189	34,918,755
Current tax liabilities	13	0		655,581	
Other payables	14	128,669,028	371,068	107,294,882	1,808,000
Total current liabilities		**532,644,893**		**601,462,305**	
Non-current liabilities					
Financial liabilities	11	374,190,075		381,115,135	
Employee benefits	15	38,313,667		38,613,762	
Provisions for risks and charges	16	6,416,732		6,568,023	
Deferred tax liabilities	17	124,809,664		134,497,350	
Other payables	14	35,698,690		19,762,591	
Total non-current liabilities		**579,428,828**		**580,556,861**	
TOTAL LIABILITIES		**1,112,073,721**		**1,182,019,166**	
SHAREHOLDERS' EQUITY					
Share capital	18	227,000,000		227,000,000	
Treasury shares	18	(1,496,475)		0	
Other reserves	18	587,963,700		596,959,852	
Net result for the year		39,330,881		(7,715,929)	
TOTAL SHAREHOLDERS' EQUITY		**852,798,106**		**816,243,923**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,964,871,827**		**1,998,263,089**	

Income statement
(euro units)

	Note	31.01.2019	of which non-recurring	of which related parties	31.01.2018	of which non-recurring	of which related parties
Revenues	19	1,458,079,535		82,090,782	1,519,452,564		124,963,235
Other operating income and revenues	20	67,933,674	988,555	1,999,521	72,423,531		4,523,752
Total revenues		**1,526,013,209**	**988,555**		**1,591,876,095**	**0**	
Purchases of raw materials, consumables and goods	21	703,602,698	4,824,381	69,394,773	743,576,025		45,801,025
Staff costs	22	280,446,746	2,709,980	3,854,282	282,219,141	560,245	3,144,338
Depreciation, amortisation and write-downs of assets	23	66,012,714			61,256,127		
Other operating expenses							
Service costs	24	193,709,566	3,108,800	14,371,641	187,928,992	36,550	13,106,431
Costs for the use of third-party assets	25	196,749,868	114,916	(743,218)	194,721,828	97,912	(320,160)
Write-downs and provisions	26	28,026,149	23,866,873	23,866,873	15,220,000		14,500,000
Other operating charges	27	50,228,599	26,184,928	15,930,064	23,124,127		(360,120)
Result before net financial expenses and taxes		**7,236,869**	**(59,821,323)**		**83,829,855**	**(694,707)**	
Financial income	28	1,173,813	1,113,984	1,139,759	1,153,253		1,126,924
Financial expenses		(17,734,097)			(15,676,645)		
Exchange rate gains and losses		46,963,514			(70,598,805)		
Gains (losses) from equity investments		8,892,392	(20,455,556)	8,892,392	(2,905,450)	(21,065,484)	(2,905,450)
Net result for the year before tax		**46,532,491**	**(79,162,895)**		**(4,197,792)**	**(21,760,191)**	
Taxes	29	(7,201,610)	14,357,118		(3,518,137)	166,730	
Net result for the year		**39,330,881**	**(64,805,777)**		**(7,715,929)**	**(21,593,461)**