OVS

Annual Report 2020

OVS
LOVE PEOPLE. NOT LABELS.

OVS
kids

upim

BluKids

CROFF

STEFANEL

OVS Group

Annual Report at 31 January 2021

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

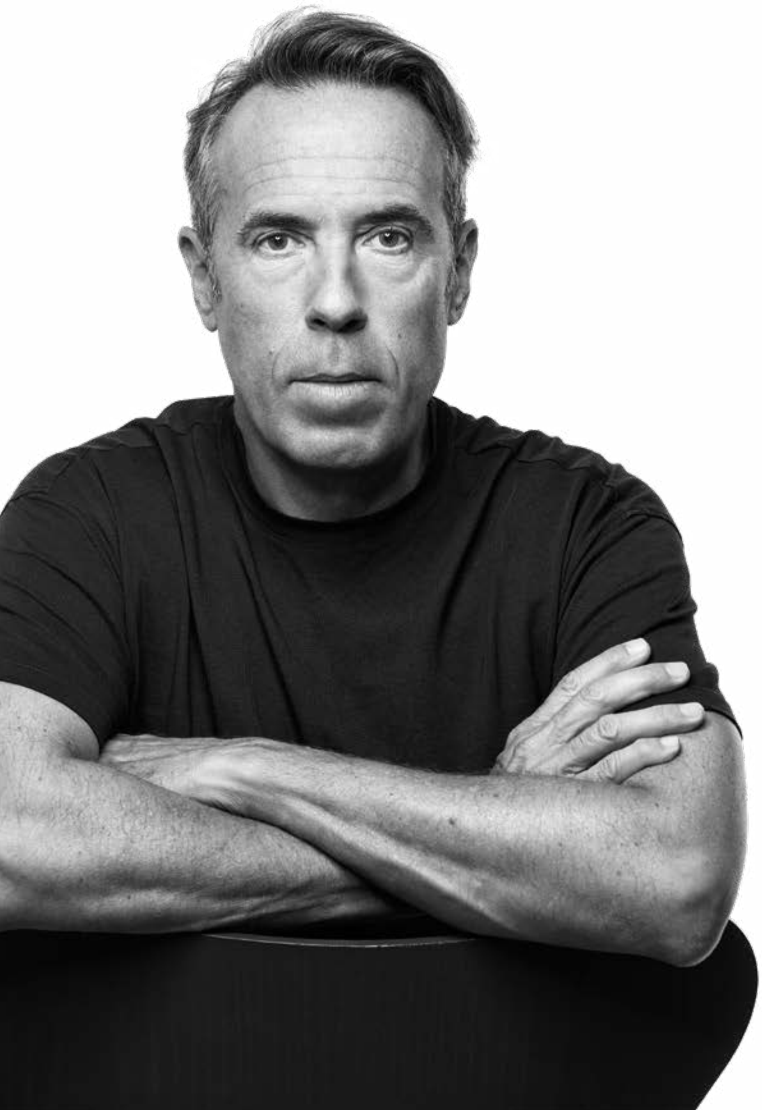
Venice Companies Register no. 04240010274
Tax and VAT code 04240010274
Corporate website: www.ovscorporate.it

Contents

Letter to shareholders

Dear Shareholders,

2020 was a tough and challenging year for much of humanity. The economy was also hit hard by the pandemic, which cut growth across the board and caused extremely difficult conditions for some industries, including our own. In this context our Group has been extremely resilient, showing a solid positioning with respect to the current dynamics, and an ability to react to events. We believe that the overall situation and our set-up provide a solid foundation for future growth. The events of last year have accelerated some existing trends, such as the increasing focus on sustainability, greater interest in clothing for domestic use or activewear, and transition from a "fast" fashion approach to one where more attention is paid to the quality and durability of clothing. All of these trends are perfectly aligned with our business model. We also consider ourselves very well equipped to make the most of the increasingly important role of digital channels, and in particular of omnichannel retail.



We significantly increased our market share despite not opening any new sales outlets, having reacted quickly to events and achieving excellent results. In 2020, we made significant improvements to our website, making it easier to use and increasing traffic to our online sales channels, which now see more than 4 million visitors per month on a constant basis. We successfully launched the PIOMBO label, which was rolled out in all the OVS stores and has enabled strong growth in the retail areas. We implemented a platform logic in which OVS is not only a brand, but also a physical and virtual space able meet the various lifestyle needs of our growing customer base. We did this also by introducing complementary labels, each with its own specific positioning, such as PIOMBO, Everlast and Grand&Hills. In addition to these labels, entirely manufactured in-house, we invited some well-known international brands, including Gap and Tally Weijl, to be part of our marketplace. Many other brands that work well with our own will follow. We embarked on a major re-development of our store portfolio, with the "Balanced Store" campaign. The pandemic accelerated the process of existing stores without adequate profitability metrics where negotiations with landlords did not lead to a successful agreement on rent restructuring. After years of hard work, our commitment to sustainability is showing tangible results, as demonstrated by the many goals reached during the year. These include implementation of the OVS "Ecovalore" project and further expansion of the use of organic or certified cotton, now present in 85% of our products. This has allowed an estimated saving of 25 billion litres of water. Finally, purchase of the Stefanel brand was completed in early 2021. This is another valuable component of our multibrand approach, which aims to exploit our sourcing synergies and to further diversify our positioning and optimise the use of our retail space.

We are confident that our future holds significant growth opportunities, which we will embrace by adopting a strategy that focuses on our specific characteristics, in line with structural trends in the market. We intend to address growth using an ecosystem approach, developing a variety of channels, whether physical, digital or B2B, with our own or third-party brands, licensed or as concessions. The Ovs.it website will gradually be transformed into a marketplace featuring a wide range of products we have developed and manufactured alongside a selection of well-known and emerging brands that complement our offering and are clearly positioned. Physical stores will be managed according to the same logic, in order to generate more interest and traffic.

We also still see opportunities to grow market share via the bricks-and-mortar channel, where penetration in Italy is still behind that of leading groups in their domestic markets in Europe. Growth will mainly take place by taking over from existing companies or market share, rather than through pure competition, in locations where the landlords have rationalised what is happening and understood that rent must be compatible with the new situation. The 2020 acquisition of retail spaces previously occupied by Auchan is one example of this approach. Spaces already used for clothing, with related goodwill, have been transformed mainly into Upim stores, a brand under which we are particularly well-suited to taking over clothing sales in the same retail space. Market consolidation may occur through agreements or acquisitions of companies interested in seeking synergies or in divesting their business. Small-format growth will also continue in less controlled, secondary retail areas, using the various formats available to us. The Upim brand fits perfectly into this context. Its functional, high-quality offering at the right price makes it correctly positioned to seize opportunities in nearby areas and small municipalities, where international brands are less suited to local customer needs and the many multi-brands are inefficient. We will also accelerate development of the Croff brand, which specializes in home decor products, for which we have developed a very interesting format that is popular with customers. Development will largely take place through franchises, given the extensive availability of small spaces left unoccupied by struggling businesses.

Our willingness to be wherever the customer is will lead us to further increase our commitment to multiple channels. As a platform that hosts various brands, sometimes in store and always online, OVS is moving in this direction. We want to highlight our distinctive feature of being the most widely distributed clothing group in Italy, capable of delivering the brands we will offer the chance of being present on our site not only to the home, but also for collection from one of our more than one thousand stores in Italy, leading to more efficient logistics and sustainability.

We believe our company is on the right path, allowing us to create value in the short and medium term. In this respect, we would like to thank our stakeholders, from our employees to our suppliers, all of whom, in a complex year like 2020, understood the situation and worked together to lay the foundations to be able to deliver greater benefits than others from the expected gradual return to normality.

Stefano Beraldo
CEO OVS S.p.A.

OVS Group main figures

€ 1,018.5 MLN
sales*

€ 35.1 MLN
net result

€ 72.9 MLN
EBITDA*

(*) adjusted values

975,000 sqm
selling area

1,822
stores

6,761
employees

Corporate officers

Board of Directors

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

(1) Member of the Control, Risks and Sustainability Committee
(2) Member of the Appointments and Remuneration Committee
(3) Member of the Related Party Transactions Committee

Board of Statutory Auditors

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

Independent auditor

PricewaterhouseCoopers S.p.A.

Financial Reporting Officer

Nicola Perin

Group structure at 31 January 2021

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

OVS S.p.A.

- Centomilacandele S.C.p.A. in liquidazione – 31.63%
- 82 S.r.l. – 70%
- Sempione Retail AG(2) – 35%
- OVS Department Stores d.o.o. (Serbia) – 100%
- OVS Maloprodaja d.o.o. (Croatia) – 100%
- OVS Fashion España S.L. – 100%
- OVS France SAS – 100%
- OVS Hong Kong Sourcing Ltd (Hong Kong) – 100%
  - OVS India Sourcing Private Ltd (India) – 100%
  - OBS Sales Private Ltd (India)(1) – 100%
  - COSI International Ltd (Hong Kong) – 100%
    - COSI International (Shanghai) Ltd – 100%

(1) Winded up on February 5, 2021.
(2) Declaration of bankruptcy dated November 06, 2018.


PIOMBO
PIOMBO

Mission and values

Our MISSION, to "make beautiful things affordable for everyone" is based on solid values, inspiring the conduct of all the people who take part in company processes, respecting the environment and the communities in which we work.

Working at OVS S.p.A. is a source of growth, value and well-being for everyone. Everyone works hard to improve everything we do so that our contributions can truly make a difference. We create value through our solid solutions-based approach, looking at needs and sustainability, as well as at what our mission, goals, resources and time frame impose. Every day we work led by a passion for this industry to create value for customers, stakeholders and shareholders.

IMAGINATION

We are a company that welcomes and encourages ideas from all sources, to devise and create new, possible scenarios. We develop and train creativity and the courage to do what others have yet to do.

VALUE CREATION

Our passion leads us to create, every day, value for customers, stakeholders and shareholders.

ITALIANNESS

Capitalising on everything that is good about being Italian, breaking it down into passion for work, creativity in identifying solutions, and sensitivity to everything beautiful and well made when it comes to the choices and actions we are called upon to make every day. Painstaking attention to detail, an innate attitude for creativity, and the natural ability to transform every day into something of solid value.

OPENNESS

We are a point of meeting, dialogue, exchange of ideas and action. Respecting everyone's character, individual qualities and needs. We are always attentive and ready to listen to a changing world, to the changing needs and the wishes and dreams of our customers, to respond to the expectations of all stakeholders, introducing the concept of making "beautiful things affordable for everyone", in all their associated forms.

TEAM WORK

One unique team made up of the value of every single individual.

RESPECT

Promoting conduct that recognises the value of individuals and their ideas, through large and small everyday actions in relations, actions and activities. Listening (which is not the same as hearing) and promoting attention towards people and to what they want. Promoting action and participation through recognition and celebration of merit, to spread and circulate virtuous behaviour. At work and in business relations and global relations with customers, stakeholders and the environment. These fundamental values guide what we do every day, and build positivity towards ourselves and our environment, influencing and adding to the lives of the people who work with us, and the consumers who experience our brand, every day.

INNOVATION

We are not scared to choose and implement change. We want to be recognised and acknowledged for our ability to lead and not follow the market.

Our brands

OVS is Italy's leading brand of clothing for men, women, and kids, with over 1,200 stores in Italy and abroad. OVS is about contemporary, essential Italian style at excellent value for money and with a good deal of attention to sustainability in the choice of materials and production processes.
The brand is evolving towards a logic of being both a physical and digital platform, thanks to the progressive introduction of complementary brands that are able to satisfy different lifestyles of its wide customer base.

OVS is the undisputed leading company on the Italian market for kids' clothes and can boast a double-digit market share with its OVS KIDS brand.

The brand is present in all OVS sales points as well as in 450 stand-alone stores in Italy and abroad. Its target consists of kids from 0 -14 years old, offering competitively priced clothing of the highest quality made with carefully selected raw materials, and developed to combine style and practical wear. From the Fagottino line, dedicated to babiesin their first 36 months, to kids' clothes for up to 8 years, and on to older kids from 9 to 14 years.

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

Upim, founded in Verona in 1928, is an Italian family store and a benchmark for value for money, convenient and affordable shopping dedicated to the daily needs of families. With over 500 stores, including sales points dedicated to kids' clothing, it offers a local-based service, with a wide variety of ranges, including clothing for the whole family, beauty care, and homeware.

Attention to contemporary style and people's real lives, taking into account the needs of families and the real needs of their customers, which make Upim an everyday presence, a tradition in the home and a genuine reference point for each store's local area.

Blukids is Upim's clothing brand specifically for kids. It has around 200 stand-alone stores in Italy and internationally, with an average retail area of 100-250 sq m, and it can also be found in 200 Upim stores.

It is a benchmark for accessible, affordable shopping to meet the everyday needs of mums and kids. Blukids accompanies kids as they grow, at any moment during the day, from school to special occasions. Blukids includes collections for baby (0-36 months), kids (2-8 years) and juniors (9-15 year), which stand out for their use of natural fibres as well as for being excellent value for money. The product range is completed by underwear, accessories, footwear and toys.

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

CROFF

A historic brand in home decoration, dedicated to those who love easy, informal contemporary design to experience every day.

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

Report on Operations at 31 January 2021

Report on Operations at 31 January 2021

Foreword on methodology

The Annual Report at 31 January 2021 has been prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board, and includes the following:

- Separate and consolidated statement of financial position
- Separate and consolidated income statement
- Separate and consolidated statement of comprehensive income
- Separate and consolidated statement of cash flows
- Statement of changes in shareholders' equity of the Parent Company and the Group
- Notes to the separated and consolidated financial statements at 31 January 2021.

In this Report on Operations at 31 January 2021, in addition to the indicators provided for in the financial statements and in compliance with the International Financial Reporting Standards (IFRSs), some alternative performance indicators used by management to monitor and assess the Group's performance are also presented. In particular, with the introduction of the new IFRS 16 international accounting standard, relating to the accounting treatment of leases, with effect from financial year 2019, in order to make the Group's data comparable with the years prior to 2019 and for a better understanding of performance in relation to other comparables in the sector, some adjustments have been introduced with regard to: EBITDA, operating result, profit before tax, net result for the year, net invested capital, net financial position and cash flow generated by operating activities, as detailed below. For this reason, the results are also commented on excluding IFRS 16 in order to maintain a consistent basis of comparison. As in the previous year, the impacts of the application of IFRS 16 have therefore been reported separately, and the reconciliation with the financial statements is further detailed in the section entitled "Impacts of the IFRS 16 accounting standard and performance indicators" on page 23 below.

Group operating performance

A year has ended that has led to exceptionally unfavourable conditions for our sector and the companies that operate in it. In this context, our company has shown strong resilience, demonstrating its positioning, determination and strategic vision, which are solid foundations for future growth.
We are aware that the events we have undergone have irreversibly accelerated trends that were already well under way. In particular: increasing consumer attention to issues of sustainability and the circular economy; greater importance of digital sales channels; more interest in clothing for domestic use or activewear to the detriment of office or formal clothes, as well as the transition from a "fast" fashion approach, aimed at frequently changing clothes, towards a greater focus on the quality and durability of one's wardrobe.
We believe that the attention given to natural fibres, such as certified organic cotton or Better Cotton Initiative, which now characterises 85% of our range (with our goal to reach 100% in 2021), low water consumption denim and the many other achievements relating to sustainability, together with our positioning for families, place us among the most credible brands in Italy in this field in terms of approach.
With regard to the digital evolution, many goals have been achieved, both where operations and customer services are concerned. We also believe that the "OVS platform" strategy, characterised by the introduction of new brands, particularly "international icons" or "unexpected discoveries", which will occupy an increasing part of our website, and sometimes stores, and effectively combine with our positioning, will allow us to be highly scalable. Just two weeks after GAP's inclusion in our site, early indications are very promising, both in terms of increased traffic and online sales.
Lastly, the emergence of "softer" dressing and a shift away from formal clothes towards simpler garments such as sweatshirts, t-shirts and jumpers, not to mention the explosion of pyjamas, reinterpreted as key homewear, has made us a natural first choice in Italy, and we have been able to capitalise on this.
These factors help to explain the significant growth in

market share in 2020, from 8.1% to 8.4%, surpassing the achievements of previous years, despite no increase in floor space but actually a reduction of 9 DOS in Italy. We believe that, given the external conditions, the results obtained in terms of both sales and profitability are satisfactory.
Our offline channel sales alone were down by 9 percentage points less than the figure for this channel. Ovs.it grew 63%, as anticipated, approximately twice the market rate.
With EBITDA of 72.9 million, we were able to meet the targets redefined in light of the first lockdown, albeit facing a fourth quarter characterised by further unexpected and severe restrictions, such as the closure of shopping centres at weekends and about 30% of opening hours lost compared with the same quarter of the previous year. Despite the unexpected restrictions, the fourth quarter contributed €32.8 million to EBITDA. Overall, these results have been achieved through immediate and effective cost containment measures, made possible also as a result of our Company's solidity and credibility, especially with regard to rents.
Further comforting the future outlook is that during periods of non-store closures, despite general consumer caution and travel restrictions, sales were at or above those of the previous year - a further sign of our strong positioning.
Sales lost during the first lockdown of goods already supplied and paid for resulted in a loss of cash flow greater than the decrease in profitability, causing an increase in working capital. However, the effective slowdown in purchases projected for the second half of the year, combined with the good sell-out recorded by those spring goods which, due to their weight and colour, we decided to display for sale in the autumn, enabled us to limit cash absorption compared with projections, thus enabling us to achieve a better financial position than expected.

1. PRIORITIES

We believe that there are significant growth opportunities ahead, involving a strategy that enhances our specific characteristics and is in line with structural trends in the market. We intend to address growth with an ecosystem approach, developing various channels including physical, digital and B2Bc with both own brands and new brands, some owned, others licensed and others granted in concession. The Ovs.it website will be gradually transformed into a marketplace, with a predominance of products developed and manufactured by us but also including selections of well-known or lesser-known brands, always complementing our offering and clearly positioned. The physical stores will also be based on the same approach, in order to generate more interest and traffic towards OVS.
We still see opportunities to grow market share in the brick-and-mortar channel, where penetration in Italy is still lower than that of leading groups in their domestic markets in Europe. Growth will mainly come from taking over existing companies or market share, rather than through pure competition to take new market share. The acquisition of 18 large commercial spaces previously owned by Auchan, for example, is in line with this approach. These spaces are already used for clothing, with related goodwill, and are mainly transformed into Upim stores, a brand that we see as particularly suited to replacing the clothing sales previously generated in these spaces, due to its characteristics. We are also taking over spaces already launched and previously owned by companies, including our competitors, in small towns, where their positioning (too young/fashionable) is incompatible with local consumer demand. Of course, bricks-and-mortar development will only take place in locations where real estate has rationalised what is happening and understands that the rent required must be compatible with the new equilibriums. This is what is happening in general. We are also fully determined to continue to cease trading in locations that have proven to be unprofitable owing to the rent or a change of commercial conditions. We expect that after 37 DOS closures in 2020, others will follow after the six terminations that are currently active. Many will be relocations, with moves to stores offering better commercial and rental conditions.
Market consolidation may occur through agreements

or acquisitions of companies interested in seeking synergies or interested in divesting their business. Small-format growth will also continue in secondary commercial areas with less coverage, using the various formats available to us. We believe that as a result of the various lockdowns, and the reduced appetite for mobility in the foreseeable future, these formats, which have already demonstrated better than average trends and, in some cases, even absolute growth compared to 2019 levels, will play an increasingly important role in the geography of clothing consumption. Upim is perfectly placed in this context: its functional offering of quality clothing, at the right price, makes it correctly positioned to capture opportunities in neighbouring areas and small municipalities, where international brands are less suited to the needs of local customers, and the numerous multi-brand retailers are inefficient.

Acquisitions will also cover brands that combine effectively with our strategy. The acquisition of Stefanel in March 2021 is in line with this approach. Although its position is above current ones, it is still a service product, able to meet the needs of different customers who, whilst often already shopping with us, are nevertheless willing to spend more on average. The brand will benefit from production synergies that will enable us to lower production costs substantially for the same quality, with a significant price reduction compared with the previous positioning.

Again with reference to our own brands, we want to enhance and accelerate the development of the Croff brand, specialised in home décor products, particularly on trend today and for which we have developed a very interesting format that is appreciated by customers. We expect multiple openings, largely in franchising, given the wide availability of small spaces left unoccupied by struggling sectors.

Our willingness to be wherever the customer is present will lead us to further increase our commitment to multiple channels. As a platform that hosts various brands, sometimes in store and always online, OVS is moving in this direction. We want to enhance our specific feature of being the most distributed clothing group in Italy, able to deliver any brand on our website not only to homes but also for collection from one of our more than one thousand stores in Italy, paving the way for more logistical efficiency and therefore environmental sustainability. Already, more than 50% of the products sold through Ovs.it are collected from stores.

2. THE DIGITAL EVOLUTION

The sales generated on the Ovs.it website have grown at twice the rate of the online market, and this trend is continuing to this day. In 2020, the engagement of our customers also increased: online visits grew by 41%, while our loyal customer base reached 4.5 million at year-end (+12% compared with 2019). We have reached 12 million unique customers per year - a considerable number, based on which we intend to scale up the concept of OVS open to external brands. Also worthy of note is the 70% growth in OVS customers who buy both online and in store, with an annual spend in the digital channel of twice the average, in the last two years.

During 2020, the company continued to expand its omnichannel services. These include: "chat and purchase" with the aim of enabling sales assistants to engage with customers and sell products via video chat; "choose and come", which allows visitors to the website to view the range in around 300 stores in the OVS network in real time, select garments and reserve them in store; the new customer support "chat service"; and the "pay after" interest-free payment service. Of particular importance, for the purposes of future developments that enhance our network, is the pilot project "The whole range in one click", successfully tested at the end of 2020. The service allows Franchisee stores to sell products, in store, through i-pads, that are not present in their range but available on the OVS e-commerce website. The project will gradually be extended to the network.

In 2020, OVS continued to support investments related to the Company's digital transformation programme: a multi-year programme, intensified in 2021, which aims to digitise the entire value chain and guide the Company to a real-time model of operations and decision-making processes, supported by the progressive adoption of new technologies (data, cloud and micro-services) and the evolution of enabling infrastructure. Investments in recent years have been particularly important for responding flexibly to the effects of Covid-19, particularly in terms of stock management. For example, approximately 20% of total e-commerce revenue growth in 2020 was possible thanks to integrated storeroom vision systems on the various distribution channels, which enabled stores' inventory to be used to meet growing online demand.

Again in terms of the company's digitalisation, 2020 saw the launch of a major project called "new buying and sourcing", which is of particular strategic importance as it opens the way to radical innovation in the sourcing processes and organisation. The main objectives are to increase the flexibility of processes ("buy better, buy later"), support for the implementation of the sustainability programme and the digitalisation of product construction phases, together with a change management programme involving more than 500 people. In January 2021, a digital collaboration platform was activated, based on interactive cameras and whiteboards, that remotely connects our headquarters to foreign offices and suppliers, enabling remote negotiation and quality control of samples. This will dramatically reduce business travel and increase digital interaction with our overseas offices and suppliers.

Further progress is expected in developing the customer experience and omnichannel sales during 2021. The projects include: (i) opening the Ovs.it website to new brands, such as GAP, as mentioned earlier, launched in early 2021, with more to follow; (ii) developing a digital community dedicated to future and new mothers; (iii) launching the new OVS app dedicated to loyal customers, with the aim of connecting bricks-and-mortar stores and the online channel and offering personalised services; (iii) launching a strategic project to digitise store sales systems and increasingly integrate online and offline; (iv) releasing an order management platform in the cloud, by the end of the year, directly linked to e-commerce, which will allow real-time access to all the stock available to OVS for sale, increasing the chances of fulfilment of online and store orders; and the "new picking model" logistics project, aiming to bring a "single piece" logistics management model up to speed, using the multichannel mode, making it possible to optimise costs and scale up the development of the digital business.

Key information on operations at 31 January 2021

The results for 2020 were inevitable affected by the arrival of the Covid-19 pandemic in Italy and worldwide. In a year heavily impacted by the pandemic, the clothing market in Italy, excluding e-commerce, fell by 36%. Sales generated by OVS through its network of stores contracted by 27%, which was a much better performance than that of the market. Sales generated through the Ovs.it website increased by 63% during the year, twice the growth of the Italian online market. These trends resulted in a significant increase in market share from 8.1% to 8.4%, with no increase in sales area. The Group has been able to become the preferred option of Italian consumers over its competitors, even in these particularly hard times for our country.

Adjusted net sales amounted to €1,018.5 million, down 25.7% compared with 2019. Sales through the Ovs.it website increased by 63%, approximately twice the growth of the Italian online market, with a 19% rise in the conversion rate. OVS' loyal customer base reached 4.5 million, up 12%.

Adjusted EBITDA amounted to €72.9 million, down €83.3 million compared with 2019: profitability was naturally affected by lower sales, with quarterly trends entirely attributable to lockdown periods. However, in the second and third quarters, it was less impacted by the closures and in line with the previous year.

The **Adjusted net result for the year** amounted to a loss of €4.8 million, down €62.5 million compared with the previous year. The reported figure, which was a profit of €35.1 million, benefited from tax effects of €95.1 million due to the realignment of the OVS and Upim brands and was affected by higher costs deriving from non-recurring expenses and "non-cash" costs totalling €24.5 million, and by the implementation of IFRS 16 in the amount of €30.7 million.

The **adjusted net financial position** was €401 million, reflecting cash absorption of €91.2 million during the year. This was limited in view of what was taking place, particularly thanks to timely action to contain costs and reduce goods orders. The reported net financial position, meanwhile, amounted to €1,315.5 million, mainly reflecting increased liabilities of €905.3 million due to IFRS 16.

The **number of stores** at the end of the year was 1,822, a net increase of 52 stores compared with the previous year, the result of a net increase of 67 franchised stores and a decrease of 15 DOS.

The **main business objectives** achieved during the year include:

I. improving the navigability of our website and increasing organic traffic in our online channels, which consistently exceeded 4 million visitors per month, and 12 million unique visitors (+43% vs 2019);
II. the successful launch of the Piombo brand, which was introduced to all OVS stores and enabled us to achieve strong productivity growth in the earmarked spaces;
III. the launch of a platform approach in which OVS acts as a brand but also as a physical and virtual location, increasingly able to satisfy the diverse lifestyles of its extensive customer base, including through the introduction of complementary brands, each with its own precise positioning: Grand & Hills, young men and boys, outdoor casual; Piombo men, Italian style upper casual; Everlast, men/women, sport casual. In addition to these brands, for which we manufacture the entire range, we invited some well-known international brands, such as GAP, to our website and to a number of stores, to form part of our marketplace. Many other brands that combine effectively with our own offer will follow;
IV. the upgrading of our portfolio of stores with the "Balanced Store" campaign which, partly due to the pandemic, has resulted in an acceleration in the process of exiting from stores without adequate profitability parameters; we have definitively withdrawn from 26 locations and repositioned or converted a further 4 into other Group brands, with significant advantages in terms of profitability. Of the 34 withdrawals in 2020, 85% of the ensuing negotiations concluded with the maintenance of positions thanks to average rent reductions of 35%;
V. thanks to the OVS "Ecovalue" project, the 2020 Report on the Circular Fashion System Commitment of Global Fashion Agenda named our Group as one of ten with the most relevant and innovative best practices for the implementation of the product circularity indicator. Commitment to sustainability is increasingly central, with many goals being achieved in 2020, including the use of organic or certified cotton in 85% of our offer, saving an estimated 25 billion litres of water, and the gradual increase in recycled materials such as polyester, avoiding the dispersion of more than 20 million plastic bottles;
VI. the purchase of the the Stefanel brand, which was completed in March 2021, further enriching the multi-brand approach in order to exploit our sourcing synergies with a view to further diversifying our positioning and optimising the use of commercial spaces.

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

Key performance indicators

€mln	31 January 21 Reported	31 January 21 Adjusted	31 January 20 Reported	31 January 20 Adjusted	chg. (Adjusted)	chg. % (Adjusted)
Net Sales	**1,017.8**	**1,018.5**	**1,374.8**	**1,370.1**	**(351.6)**	**(25.7%)**
Gross Profit	**563.4**	**565.3**	**758.0**	**778.2**	**(212.9)**	**(27.4%)**
% on net sales	*55.4%*	*55.5%*	*55.1%*	*56.8%*		
EBITDA	**205.1**	**72.9**	**293.0**	**156.3**	**(83.3)**	**(53.3%)**
% on net sales	*20.1%*	*7.2%*	*21.3%*	*11.4%*		
EBIT	**(1.7)**	**14.0**	**(84.0)**	**97.4**	**(83.3)**	**(85.6%)**
% on net sales	*-0.2%*	*1.4%*	*-6.1%*	*7.1%*		
EBT	**(78.7)**	**(8.0)**	**(134.4)**	**77.9**	**(85.8)**	**n.m.**
% on net sales	*-7.7%*	*-0.8%*	*-9.8%*	*5.7%*		
Net Profit	**35.1**	**(4.8)**	**(140.4)**	**57.7**	**(62.5)**	**n.m.**
% on net sales	*3.4%*	*-0.5%*	*-10.2%*	*4.2%*		
Net Financial Debt	**1,315.5**	**401.1**	**1,191.4**	**309.9**	**91.2**	**29%**
Market Share (%)		**8.4**		**8.1**		**4.1%**

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

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

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

EBITDA in 2020 was also adjusted, mainly as follows: (i) an extraordinary one-off premium of €0.7 million granted to a foreign partner; (ii) €1.2 million in net foreign exchange gains on forward hedging of purchases of goods in foreign currency sold in the year, reclassified from "Net financial expenses (income)" to "Purchases of raw materials, consumables and goods"; (iii) €9 million in non-recurring expenses directly attributable to the Covid-19 emergency; (iv) €2.1 million in costs relating to stock option plans (non-cash costs); and (v) other less significant net one-off costs.

Other adjustments that impacted EBIT and the result before tax concerned: (i) costs of €8.5 million related to the amortisation of intangible assets due to the purchase price allocation (PPA) of previous business combinations; and (ii) adjusted net costs of €8.3 million, mainly relating to foreign exchange differences arising from the valuation of items denominated in foreign currency, including with respect to forward derivatives, and realised foreign exchange differences.

Lastly, the adjusted net result for the period was affected (for €7.7 million) by the taxes recalculated following the above adjustments.

In 2019, the results were mainly adjusted to take account of the impact of impairment testing of €161.4 million on EBIT and €160.0 million on the reported net result for the year, as well as the impacts relating to IFRS 16: €170.5 million on EBITDA, €22.4 million on EBIT and €21.0 million on the reported net result for the year. Meanwhile, the net financial position had been stripped of €889.1 million in lower lease payables related to rents, again related to the impact of the application of IFRS 16, and €7.6 million in lower mark-to-market assets.

EBITDA for 2019 was also adjusted as follows: (i) €22.2 million in net foreign exchange gains for forward hedging on purchases of goods in foreign currency, reclassified from "Net financial expenses (income) to "Purchases of raw materials, consumables and goods", (ii) €4.1 million in one-off costs; (iii) €7.4 million relating to the Austrian company and (iv) €0.1 million in costs relating to stock option plans (non-cash costs).

Other adjustments that impacted EBIT and profit before tax concerned: (i) costs of €8.6 million related to the amortisation of intangible assets due to the purchase price allocation (PPA) of past business combinations; and (ii) adjusted financial income of €19.7 million, mainly relating to foreign exchange gains arising from the valuation of items denominated in foreign currency, including with respect to forward derivatives and realised foreign exchange gains (the latter reclassified to "Purchases of raw materials, consumables and goods").

Lastly, the adjusted net result for the period reflected taxes recalculated following the aforementioned adjustments, entailing an increase in expenses of €14.2 million.

Adjusted consolidated results

The following table shows the adjusted consolidated results for 2020, classified by nature, compared with the previous year (in millions of euro).

€mln	31 January 21 Reported	31 January 21 Adjusted	31 January 20 Reported	31 January 20 Adjusted	chg. (Adjusted)	chg. % (Adjusted)
Net Sales	**1,017.8**	**1,018.5**	**1,374.8**	**1,370.1**	**(351.6)**	**(25.7%)**
Purchases of consumables	454.4	453.2	616.7	591.9	(138.7)	(23.4%)
Gross Margin	**563.4**	**565.3**	**758.0**	**778.2**	**(212.9)**	**(27.4%)**
GM%	*55.4%*	*55.5%*	*55.1%*	*56.8%*		
Personnel costs	228.9	226.2	290.5	286.8	(60.7)	(21.2%)
Costs for services	159.8	151.8	179.1	178.1	(26.3)	(14.7%)
Rent costs	(55.2)	92.2	(38.1)	130.6	(38.4)	(29.4%)
Provisions	2.9	2.9	7.0	3.0	(0.1)	(3.1%)
Other operating costs	22.0	19.3	26.5	23.5	(4.2)	(17.8%)
Total operating costs	358.3	492.4	465.1	621.9	(129.6)	(20.8%)
Total operating costs on net sales %	*35.2%*	*48.3%*	*33.8%*	*45.4%*		
EBITDA	**205.1**	**72.9**	**293.0**	**156.3**	**(83.3)**	**(53.3%)**
EBITDA%	*20.1%*	*7.2%*	*21.3%*	*11.4%*		
Depreciation & Amortization	206.7	58.9	376.9	58.9	(0.0)	(0.0%)
EBIT	**(1.7)**	**14.0**	**(84.0)**	**97.4**	**(83.3)**	**(85.6%)**
EBIT %	*-0.2%*	*1.4%*	*-6.1%*	*7.1%*		
Net financial (income)/charges	77.1	22.0	50.5	19.5	2.5	12.8%
PBT	**(78.7)**	**(8.0)**	**(134.4)**	**77.9**	**(85.8)**	**n.m.**
Taxes	(113.8)	(3.1)	5.9	20.1	(23.3)	n.m.
Net Income	**35.1**	**(4.8)**	**(140.4)**	**57.7**	**(62.6)**	**n.m.**

The following table shows the consolidated results by business segment for 2020 compared with the same period of the previous year (in millions of euro).

€mln	**31 January 21 Adjusted**	**31 January 20 Adjusted**	**Chg %**
Net Sales			
OVS	815.6	1,117.4	(27.0%)
UPIM	202.8	252.7	(19.7%)
Total Net Sales	**1,018.5**	**1,370.1**	**(25.7%)**
EBITDA			
OVS	55.5	126.4	(56.1%)
EBITDA margin	*6.8%*	*11.3%*	
UPIM	17.5	29.9	(41.4%)
EBITDA margin	*8.6%*	*11.8%*	
Total EBITDA	**72.9**	**156.3**	**(53.3%)**
EBITDA margin	***7.2%***	***11.4%***	
Depreciation	(58.9)	(58.9)	(0.0%)
EBIT	**14.0**	**97.4**	**(85.6%)**
Net financial income/ (charges)	(22.0)	(19.5)	12.8%
PBT	**(8.0)**	**77.9**	**n.m.**
Taxes	(3.1)	(20.1)	n.m.
Net Result	**(4.8)**	**57.7**	**n.m.**

Comments on the main items in the adjusted consolidated income statement

Net sales (amounts in millions of euro)

€mln	FY20	FY19	Chg.	Chg. %
OVS	815.6	1,117.4	(301.8)	(27.0%)
upim	202.8	252.7	(49.9)	(19.7%)
Total	1,018.5	1,370.1	(351.6)	(25.7%)

€mln	FY20	FY19	Chg.	Chg. %
DOS & e-commerce	828.1	1,134.6	(306.5)	(27.0%)
Franchise & Marketplace	190.3	235.5	(45.1)	(19.2%)
Total	1,018.5	1,370.1	(351.6)	(25.7%)

Total sales for the year closed at €1,018.5 million, down 25.7% compared with 2019, with opening hours down 27%. The fall in sales was less than the fall in the clothing market in Italy, the latter down 28.6% or 35.9% excluding online sales, allowing the increase in market share to accelerate. Considering the actual hours during which stores opened, like-for-like sales were positive, as also shown by the performance recorded in the third quarter, characterised by months of reduced restrictions and a 6.1% increase in sales over the same quarter of 2019. Sales through the Ovs.it website grew by 63% in the twelve months, twice the growth of the online channel in Italy. This is a clear sign that our customers are seeking out our range, whatever the distribution channel used.
The Upim brand's sales fell to a lesser extent than those of the OVS brand, due to the greater weight of the franchise channel, mainly dedicated to the children's segment and therefore less subject to closure, and to fewer sites in shopping centres that were more restricted than other locations.

Gross margin

The gross margin on sales was down slightly compared with the previous year, at 55.5% of net sales, compared with 56.8% in 2019. Due to the pandemic that led, also for some months, to the closure of stores in the midst of full-price sales seasons, as happened in the early spring/summer of 2020, many players in the clothing market favoured marketing policies that, through the use of promotional leverage, enabled sales to recover rapidly, including at the expense of their margins. In this context, however, the Group implemented a strategy to limit promotions in order to reuse in 2021 some of the goods that were purchased during the year and remained unsold due to the closures: this resulted in a limited reduction in the growth margin in a completely exceptional year.

EBITDA (amounts in millions of euro)

	FY20		FY19		
€mln	EBITDA Adjusted	EBITDA%	EBITDA Adjusted	EBITDA%	Chg
OVS	55.5	6.8%	126.4	11.3%	(71.0)
upim	17.5	8.6%	29.9	11.8%	(12.4)
Total	72.9	7.2%	156.3	11.4%	(83.3)

Adjusted EBITDA came in at €72.9 million, down by €83.3 million compared with the €156.3 million recorded in 2019. The EBITDA loss was mainly concentrated in the first quarter of the year, with the initial, unexpected arrival of COVID-19 in Italy. The second and third quarters, also characterised by some periods of restrictions, albeit not as stringent, closed with EBITDA in line with that of 2019. The last quarter of the year, although affected by the second wave of the pandemic, which resulted in significant restrictions on the sales network, was positive thanks to prompt action on costs, closing at €32.8 million. In the full year, the prompt actions implemented, which resulted in a €130 million reduction in costs compared with 2019, enabled the decrease in EBITDA due to lower sales due to the lockdown periods to be reduced by approximately 60%.

EBIT

EBIT, adjusted to better reflect the Group's operating performance, amounted to €14.0 million, down €83.3 million compared with €97.4 million in 2019. The decrease is the same as that reported at the adjusted EBITDA level, with a balance of depreciation and amortisation for the year in line with 2019.

Net result for the year

The adjusted result for the year was slightly negative at -€4.8 million, down compared with 2019 (-€62,6 million), reflecting the fall in adjusted EBITDA, an increase of €2.5 million in financial expenses and a decrease of €23.3 million in taxes. Meanwhile, the reported result for the year was €35.1 million, mainly due to the profit deriving from the tax realignment of the OVS and Upim brands, provided for under Article 110 of Decree-Law 104/2020 (the "August Decree"), partially offset by the negative accounting effects deriving from the application of IFRS 16 (for around €30.7 million) and other higher non-recurring and/or non-cash expenses, amounting to €24.5 million (net of the related tax effects).

Non-recurring income and expenses

The adjusted consolidated results of the OVS Group included, at 31 January 2021, non-recurring and non-operating income and expenses totalling €12.2 million before tax. These include extraordinary expenses of €9 million directly attributable to the Covid-19 emergency and an extraordinary one-off premium of €0.7 million granted to one of our foreign partners, with the remainder attributable to other minor one-off expenses.

Net financial position

€mln	31 January '21	31 January '20
Net Debt	1,315.5	1,191.4
Net Debt MTM of Derivatives&IFRS16 excluded	**401.1**	**309.9**
EBITDA LTM Adjusted	**72.9**	**156.3**
Leverage on EBITDA	**5.5x**	**2.0x**

At 31 January 2021, the Group's adjusted net financial position was €401 million net of the positive mark-to-market impact of €9.1 million and the negative impact deriving from the adoption of IFRS 16, amounting to €905.3 million.
The Group's financial structure is solid: at 31 January 2021, the total lines available amounted to approximately €550 million, due to the new €100 million financing line obtained in 2020 and guaranteed by SACE.
Mainly due to the temporary contraction in EBITDA, recorded principally in the first quarter of 2020, leverage at 31 January 2021 was 5.5x. In 2020, an average interest rate of 3.4% + Euribor 3M was applied. In March 2021, an extension was obtained from the lending banks of the waiver providing for an extension of the covenant test suspension period up to and including 31 January 2022.

Summary statement of financial position

The table below shows the consolidated statement of financial position for 2020 compared with the end of the previous year (in millions of euros), with and without the effects of IFRS 16.

€mln	31 January 21 Reported	31 January 20 Reported	Chg
Trade Receivables	102.1	86.0	16.1
Inventory	420.1	393.1	27.0
Trade Payables	(264.0)	(321.1)	57.1
Net Operating Working Capital	**258.2**	**157.9**	**100.2**
Other assets/(liabilities)	(88.9)	(99.5)	10.7
Net Working Capital	**169.3**	**58.4**	**110.9**
Tangible and Intangible Assets	1,960.7	2,037.1	(76.4)
Net deferred taxes	(2.5)	(127.8)	125.3
Other long term assets/(liabilities)	(7.6)	(5.8)	(1.9)
Pension funds and other provisions	(40.1)	(41.7)	1.7
Net Capital Employed	**2,079.8**	**1,920.2**	**159.6**
Net Equity	764.3	728.8	35.5
Net Financial Debt	1,315.5	1,191.4	124.2
Total source of financing	**2,079.8**	**1,920.2**	**159.6**

€mln	31 January 21 Excluding IFRS 16	31 January 20 Excluding IFRS 16	Chg
Trade Receivables	102.1	86.0	16.1
Inventory	420.1	393.1	27.0
Trade Payables	(294.5)	(330.7)	36.3
Net Operating Working Capital	**227.7**	**148.4**	**79.4**
Other assets/(liabilities)	(72.5)	(85.7)	13.2
Net Working Capital	**155.2**	**62.7**	**92.6**
Tangible and Intangible Assets	1,138.7	1,173.8	(35.1)
Net deferred taxes	(10.6)	(127.6)	117.0
Other long term assets/(liabilities)	(19.3)	(17.5)	(1.8)
Pension funds and other provisions	(40.1)	(41.7)	1.7
Net Capital Employed	**1,224.0**	**1,049.7**	**174.3**
Net Equity	813.8	747.4	66.4
Net Financial Debt	410.2	302.3	108.0
Total source of financing	**1,224.0**	**1,049.7**	**174.3**

The reported net invested capital of the Group at 31 January 2021, which therefore also includes the impacts of IFRS 16, was €2,079.8 million , up €159.6 million compared with 31 January 2020, due to the exceptional nature of 2020, which resulted in an increase in net working capital of €110.9 million. This increase was partially offset by a €76.4 million decrease in net fixed assets, due to lower investments, fewer store openings and fewer renewals of existing leases. In addition, the decrease in net deferred taxes of €125.3 million was mainly due to the benefit of the release of deferred tax liabilities due to the realignment of the tax value with the statutory value of the OVS and Upim brands.

Shareholders' equity

Consolidated shareholders' equity stood at €764.3 million at 31 January 2021, up compared with the previous year, when it was €728.8 million.
The reconciliation table for the shareholders' equity and the net result for the year of the Parent Company with the consolidated shareholders' equity and the consolidated net result for the year is shown below in the notes to the consolidated financial statements.

Adjusted summary consolidated statement of cash flows

The following table shows the 2020 statement of cash flows, compared with the statement of cash flows for the previous year, both restated according to management criteria and adjusted to exclude the effects of IFRS 16 as it does not have an impact on Group cash flows.

€mln	31 January 21 Excluding IFRS 16	31 January 20 Excluding IFRS 16	Chg.
EBITDA Adjusted	**72.9**	**156.3**	**(83.3)**
Adjustments	(14.3)	(11.6)	(2.7)
EBITDA Reported	58.7	144.7	(86.0)
Change in Trade Working Capital	(79.4)	10.0	(89.4)
Other changes in Working Capital	(12.9)	(2.1)	(10.8)
Capex	(32.3)	(43.1)	10.7
Operating Cash Flow	**(65.9)**	**109.5**	**(175.5)**
Financial charges	(22.0)	(20.1)	(1.9)
Severance indemnity payment	(2.1)	(3.1)	1.0
Corporate taxes & Others	0.0	(6.9)	6.9
Others	(1.2)	(13.6)	12.4
Net Cash Flow (excl derivatives MtM and IFRS 16)	**(91.2)**	**65.9**	**(157.1)**

Operating cash flow

Cash absorption during the year was €91.2 million. This was better than expected considering the store closures, which resulted in lower sales of €351.6 million compared with 2019.
This absorption reflects the exceptional year faced by the Group, which resulted in EBITDA falling by €83.3 million compared with 2019 and an absorption of commercial working capital of €79.4 million.
In view of the significant decrease in sales during the first lockdown in relation to goods already supplied, the latter could have resulted in much greater cash absorption: the effective reduction in purchases projected for the second half of the year, together with good sales of spring goods that were put up for sale in the autumn, due to their weight and colour characteristics, significantly reduced cash absorption owing to the increase in inventory levels compared with that expected.
Finally, investments for the year decreased by €10.7 million compared with 2019, in order to preserve cash within a context that was very uncertain, especially in the first part of the year.

Dividends

On 15 April 2021, the Board of Directors resolved that no dividends would be paid out to shareholders, in the form of either distributions of earnings or of reserves, throughout 2021.

Reconciliation of consolidated results for 2020

The following table shows the Group's consolidated results for 2020, presenting separately the tax realignment of the brands, the application of IFRS 16, net non-recurring expenses before IFRS 16, stock option expenses, amortisation of intangible assets deriving from the purchase price allocation of previous business combinations, and income and expenses relating to foreign exchange gains or losses, both realised and from the valuation of items in foreign currencies (mainly USD) at the reporting date, including with respect to contractualised forward derivatives.

€mln	31 January 2021	of which realignment	of which IFRS 16	of which non-recurring	of which Stock Option plan; derivatives; PPA; foreign exchange differences		31 January 2021 adjusted
Net sales	1,017.8			(0.7)	0.0		1,018.5
Other income	51.8		(5.2)	0.5	0.0		56.5
Revenues and other income	**1,069.7**	**0.0**	**(5.2)**	**(0.2)**	**0.0**		**1,075.1**
Purchases of consumables	454.4			0.0	1.2	(a)	453.2
Personnel cost	228.9		(0.1)	0.7	2.1	(b)	226.2
Other operating costs	181.3		(152.7)	11.3	0.0		322.7
EBITDA	**205.1**	**0.0**	**147.6**	**(12.2)**	**(3.4)**		**72.9**
Depreciation & Amortization	206.7		139.3	0.0	8.5	(c)	58.9
EBIT	**(1.7)**	**0.0**	**8.4**	**(12.2)**	**(11.9)**		**14.0**
Net financial income/(charges)	(77.1)		(46.8)	0.0	(8.3)	(d)	(22.0)
PBT	**(78.7)**	**0.0**	**(38.4)**	**(12.2)**	**(20.2)**		**(8.0)**
Taxes	113.8	95.1	7.8	2.9	4.9		3.1
Net Profit	**35.1**	**95.1**	**(30.7)**	**(9.2)**	**(15.3)**		**(4.8)**

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

The following is the reconciliation table for the financial year 2019:

€mln	31 January 2020	of which IFRS 16	of which non-recurring	of which Stock Option plan; derivatives; PPA; foreign exchange differences		of which impairment IAS 36	31 January 2020 adjusted
Net sales	1,374.8		4.7	0.0			1,370.1
Other income	67.7	(2.0)	0.0	0.0			69.7
Revenues and other income	**1,442.4**	**(2.0)**	**4.7**	**0.0**		**0.0**	**1,439.7**
Purchases of consumables	616.7		2.7	22.2	(a)		591.8
Personnel cost	290.5	(0.1)	3.6	0.1	(b)		286.9
Other operating costs	242.2	(172.4)	9.9	0.0			404.7
EBITDA	**293.0**	**170.5**	**(11.5)**	**(22.3)**		**0.0**	**156.3**
Depreciation & Amortization	377.0	148.1	0.0	8.6	(c)	161.4	58.9
EBIT	**(84.0)**	**22.4**	**(11.5)**	**(30.9)**		**(161.4)**	**97.4**
Net financial income/(charges)	(50.4)	(50.8)	0.1	19.8	(d)	0.0	(19.5)
PBT	**(134.4)**	**(28.4)**	**(11.4)**	**(11.1)**		**(161.4)**	**77.9**
Taxes	(6.0)	7.4	2.8	2.7		1.3	(20.2)
Net Profit	**(140.4)**	**(21.0)**	**(8.6)**	**(8.4)**		**(160.1)**	**57.7**

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

With regard to the results at 31 January 2021, it should be noted that:

- Revenues and income, which came in at €1,069.7 million, mainly include the retail sales generated by the OVS and Upim brands.
- The gross operating margin or adjusted EBITDA, as the difference between revenues and operating costs, net of the effects of IFRS 16, excluding depreciation and amortisation (including amortisation of intangible assets deriving from the purchase price allocation of previous business combinations), non-recurring expenses and stock option plans, and adjusted to take account of foreign exchange gains or losses realised on forward instruments entered into by the Group and underlying goods already purchased and sold, amounted to €72.9 million, equal to 7.2% of sales.
- The reported and adjusted result before tax was a loss of €78.7 million and a loss of €8.0 million, respectively (net of the effects of IFRS 16, non-recurring costs and other costs shown in the fifth column of the table).
- Net taxes were positive at €113.8 million, mainly affected by the benefit of the tax realignment, considered as non-recurring on the table, of the OVS and Upim brands (pursuant to Article 110 of Decree-Law 104/2020) and the effect of the allocation of the tax benefit to the tax loss for financial year 2020 of the Parent Company, OVS S.p.A.
- The reported and adjusted net result for the year was, respectively, a profit of €35.1 million and a loss of €4.8 million, net of the above expenses.

Impacts of IFRS 16 and alternative performance indicators

The consolidated income statement for 2020 is shown below, including and excluding the effects of IFRS 16

€mln	31 January 21 Reported	IFRS16 effects	31 January 21 Excluding IFRS 16
Revenues	1,017.8	-	1,017.8
Other operating income and revenues	51.8	5.2	57.0
Total revenues	**1,069.7**	**5.2**	**1,074.8**
Purchase of raw materials, consumables and goods	454.4	-	454.4
Staff costs	228.9	0.1	229.0
Depreciation, amortisation and write-downs of assets	206.7	(139.3)	67.4
Other operating expenses			
Service costs	159.8	1.0	160.8
Costs for the use of third-party assets	(3.4)	152.1	148.7
Write-downs and provisions	2.9	-	2.9
Other operating charges	22.0	(0.4)	21.6
Result before net financial expenses and taxes	**(1.7)**	**(8.4)**	**(10.0)**
Financial income	0.7	(0.7)	0.0
Financial expenses	69.5	(47.5)	22.0
Exchange rate gains and losses	(8.1)	-	(8.1)
Gains (losses) from equity investments	(0.1)	-	(0.1)
Net result for the period before tax	**(78.7)**	**38.4**	**(40.3)**
Taxes	(113.8)	7.8	(106.0)
Net Result for the year	**35.1**	**30.7**	**65.8**

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

€mln	31 January 21 Reported	IFRS16 effects	31 January 21 Excluding IFRS 16
Net Sales	**1,017.8**		**1,017.8**
Gross Margin	**563.4**		**563.4**
% on net sales	*55.4%*		*55.4%*
EBITDA	**205.1**	**(147.6)**	**57.4**
% on net sales	*20.1%*		*5.6%*
EBIT	**(1.7)**	**(8.4)**	**(10.0)**
% on net sales	*-0.2%*		*-1.0%*
EBT	**(78.7)**	**38.4**	**(40.3)**
% on net sales	*-7.7%*		*-4.0%*
Net Profit	**35.1**	**30.7**	**65.8**
% on net sales	*3.4%*		*6.5%*

As already indicated in the introduction, with the adoption of the IFRS 16 accounting standard as of the previous year, the main economic and financial indicators have been significantly affected and are not comparable with data from periods prior to 2019. With regard to the income statement figures presented above, the recognition of €139.3 million of depreciation of right of use assets under tangible assets, together with €46.8 million of net interest expenses on net lease liabilities, replacing €152.1 million of net rental costs (for leases and sub-leases under the standard), resulted in an increase in the operating result and EBITDA.
The following table shows the reclassified consolidated statement of financial position at 31 January 2021, including and excluding the effects of IFRS 16.

€mln	31 January 21 Reported	IFRS16 effects	31 January 21 Excluding IFRS 16
Trade Receivables	102.1	0.0	102.1
Inventory	420.1	0.0	420.1
Trade Payables	(264.0)	(30.5)	(294.5)
Trade Working Capital	**258.2**	**(30.5)**	**227.7**
Other assets/(liabilities)	(88.9)	16.4	(72.5)
Net Working Capital	**169.3**	**(14.1)**	**155.2**
Tangible and Intangible Assets	1,960.7	(822.0)	1,138.7
Net deferred taxes	(2.5)	(8.0)	(10.5)
Other long term assets/(liabilities)	(7.6)	(11.7)	(19.3)
Pension funds and other provisions	(40.1)	0.0	(40.1)
Net Capital Employed	**2,079.8**	**(855.8)**	**1,224.0**
Net Equity	764.3	49.5	813.8
Net Financial Debt	1,315.5	(905.3)	410.2
Total source of financing	**2,079.8**	**(855.8)**	**1,224.0**

Alternative performance indicators

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

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

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

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

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

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

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

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

With regard to **reported EBITDA, adjusted EBITDA, the reported operating result, adjusted EBIT, adjusted profit before taxes (PBT) and the adjusted net result for the year,** please see the section entitled "Reconciliation of consolidated results for 2020" above.

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

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

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

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

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

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

The following table shows the consolidated results for 2020 of the Parent Company, OVS S.p.A., presenting separately the effects of the application of IFRS 16, impairment testing pursuant to IFRS 16, net non-recurring expenses before IFRS 16, stock option expenses, amortisation of intangible assets deriving from the purchase price allocation (PPA) of previous business combinations, and income and expenses relating to foreign exchange gains or losses, both realised and from the valuation of items in foreign currencies (mainly USD) at the reporting date, including with respect to contractualised forward derivatives.

€mln	31 January 2021	of which realignment	of which IFRS 16	of which non-recurring	of which Stock Option plan; derivatives; PPA; foreign exchange differences	31 January 2021 adjusted
Net sales	1,013.3	0.0	0.0	(0.7)	0.0	1,014.0
Other income	50.2	0.0	(5.3)	0.5	0.0	55.0
Revenues and other income	**1,063.5**	**0.0**	**(5.3)**	**(0.2)**	**0.0**	**1,069.0**
Purchases of consumables	481.2	0.0	0.0	0.0	1.2	480.0
Personnel cost	218.7	0.0	0.0	0.7	2.1	215.9
Other operating costs	177.6	0.0	(148.5)	10.9	0.0	315.2
EBITDA	**186.0**	**0.0**	**143.2**	**(11.8)**	**(3.3)**	**57.9**
Depreciation & Amortization	200.9	0.0	135.4	0.0	8.5	57.0
EBIT	**(14.9)**	**0.0**	**7.8**	**(11.8)**	**(11.8)**	**0.9**
Gains (losses) from equity investments	14.1	0.0	0.0	0.0	0.0	14.1
Net financial income/(charges) and exchange rate differences	(77.6)	0.0	(46.1)	0.0	(9.6)	(21.9)
PBT	**(78.4)**	**0.0**	**(38.3)**	**(11.8)**	**(21.4)**	**(6.9)**
Taxes	114.3	95.1	7.8	2.8	5.1	3.5
Net Profit	**35.9**	**95.1**	**(30.5)**	**(9.0)**	**(16.3)**	**(3.4)**

The following is the reconciliation table for the financial year 2019:

€mln	31 January 2020	of which IFRS 16	of which non-recurring	of which Stock Option plan; derivatives; PPA; foreign exchange differences	of which impairment IAS 36	31 January 2020 adjusted
Net sales	1,366.7	0.0	0.0	0.0	0.0	1,366.7
Other income	66.5	(2.0)	0.0	0.0	0.0	68.5
Revenues and other income	**1,433.2**	**(2.0)**	**0.0**	**0.0**	**0.0**	**1,435.2**
Purchases of consumables	650.4	0.0	0.0	22.2	0.0	628.2
Personnel cost	277.1	0.0	2.0	0.1	0.0	275.0
Other operating costs	235.3	(165.8)	6.8	0.0	0.0	394.3
EBITDA	**270.4**	**163.8**	**(8.8)**	**(22.3)**	**0.0**	**137.7**
Depreciation & Amortization	369.8	142.2	0.0	8.6	161.4	57.6
EBIT	**(99.4)**	**21.6**	**(8.8)**	**(30.9)**	**(161.4)**	**80.1**
Gains (losses) from equity investments	15.5	0.0	(1.5)	0.0	0.0	17.0
Net financial income/(charges) and exchange rate differences	(50.1)	(49.4)	(1.0)	19.8	0.0	(19.5)
PBT	**(134.0)**	**(27.8)**	**(11.3)**	**(11.1)**	**(161.4)**	**77.6**
Taxes	(5.4)	7.4	2.0	2.7	1.3	(18.8)
Net Profit	**(139.4)**	**(20.4)**	**(9.3)**	**(8.4)**	**(160.1)**	**58.8**

With regard to the results at 31 January 2021, it should be noted that:

- Revenues and income, which amounted to €1,063.5 million, include the retail sales generated by the OVS and Upim brands.
- Depreciation and amortisation of €200.9 million refers to right of use assets of €135.4 million, while the remainder essentially relates to store improvements and refits.
- Other operating expenses of €177.6 million, gross

of the effects of IFRS 16 (€148.5 million) and non-recurring expenses of €10.9 million, would have amounted to €315.2 million, and may be broken down as follows: costs for the use of third-party assets (€143.8 million), miscellaneous operating expenses (€18.3 million), service costs (€149.3 million) and write-downs and provisions (€3.8 million).

- Gains/(losses) on equity investments include income for dividends received from subsidiary OVS Hong Kong Sourcing Ltd of €20.1 million and expenses arising from the write-down of the Italian and foreign investee companies totalling €6.0 million.
- Net financial expenses of €77.6 million, gross of the effects of IFRS 16 of €46.1 million, would have amounted to €31.5 million, deriving from financial expenses of €21.9 million and foreign exchange losses and the fair value of forward derivatives in the income statement of €9.6 million.
- Taxes were positive for €114.3 million; without the adjustments in the columns on the table, they would also have been positive for €3.5 million.
- The reported and adjusted net result for the year was, respectively, a profit of €35.9 million and a loss of €3.4 million.

Financial performance

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

€mln	31 January 2021	31 January 2020
Working capital (A)	104.0	(133.2)
Net capital employed (B)	1,958.5	2,027.0
Net Financial position	1,309.8	1,179.0
Shareholders' equity	752.7	714.8

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

Financial management

Net debt stood at €1,309.8 million at 31 January 2021, compared with €1,179.0 million at 31 January 2020.
The breakdown is as follows (in millions of euro):

€mln	31 January 2021	31 January 2020
Cash and net financial assets	74.0	42.5
Credits/(Debts) on derivatives	(9.1)	7.6
Credits/(Debts) to subsidiaries	1.2	0.3
Credits/(Debts) to banks	(476.6)	(351.8)
Credits/(Debts) to other financial institutions	0.0	(0.8)
Credits/(Debts) for leases	(899.3)	(876.8)
Net financial position	**(1,309.8)**	**(1,179.0)**

Payables to banks are described later in this report.

Main subsidiaries

OVS HONG KONG SOURCING LTD

OVS Hong Kong Sourcing Ltd, which has its registered office in Hong Kong, operates in the Far East (mainly China, Bangladesh and India, and, more generally, in areas outside Europe), aiming to select suppliers, win orders, and manage the entire product development and quality control phase up to delivery. OVS Hong Kong Sourcing Ltd, which has facilities in various countries, is able to support production activities and monitor that the costs and quality of products are in line with Group standards. Specifically, the company focuses on strengthening existing supplier relationships in the Asia region, further boosting its presence in Bangladesh and China by increasing purchasing volumes. At the same time, purchasing has also increased in the India and Pakistan region, and the search has continued for more sources of supply in countries in that area that can meet the quality standards required by the Group in a context of lower costs (e.g. Cambodia and Vietnam).
The company recorded net profit of €19.1 million in 2020 (compared with €20.1 million in 2019).

OVS MALOPRODAJA D.O.O.

The company operates in the Croatian market, directly managing seven OVS stores.
There were no new store openings, and two store closures, in 2020.
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 seven OVS stores.
There were no store openings or closures in 2020.
It should be noted that two new directly operated stores will be opened in the first few months of 2021: one full-format store in Belgrade and one Kids format store in Niš.
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 69 stores in franchising and three directly operated stores (six in 2019). There were 19 new openings of stores in franchising in 2020. With regard to DOS, as part of the project to reorganise and refocus on the franchising business, the Madrid Parquesur, Huelva Holea and Barcelona La Maquinista stores were closed.
The company is not material for the purposes of the consolidated financial statements.

OVS FRANCE S.A.S.

OVS France S.A.S., which was established in 2018 for the direct operation of stores in France, became operational in 2019 with the first temporary opening of a full-format directly operated store in Paris. This store stopped selling to the public in December 2020, as the company is continuing its DOS development plan in the "Kids" format. The first store openings will take place in the second half of 2021. The company is not currently material for the purposes of the consolidated financial statements.

82 S.R.L.

82 S.r.l. was incorporated in 2017 and is a subsidiary of OVS S.p.A., which owns 70% of the company. Partner Massimo Piombo is a minority shareholder, holding the remaining 30%. The company was initially established to undertake the development through several stores of the PIOMBO brand, dedicated to upper casual men's wear. In 2018, 82 S.r.l., the licensee of the PIOMBO brand, granted OVS S.p.A. the sub-license of the brand after structured negotiations, for organisational reasons, and simultaneously revised its strategy of opening DOS and focusing its business on the operational management of the brand. As part of this strategy, it should finally be noted that on 9 March 2021 an agreement was signed for the sale of the PIOMBO brand with Ciro Paone S.p.A., as a result of which the latter became the owner of the brand. For further details, please see the section on "Significant events after the reporting period".
The company was not material in 2020 for the purposes of the consolidated financial statements.

Management of financial and operating risks

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

Credit risk

Credit risk represents the Group's exposure to the risk of potential losses arising from default by a counterparty.
The current macroeconomic context has made continual monitoring of credit increasingly important, so that situations in which there is a risk of insolvency and delayed payment deadlines can be anticipated.
There were no significant concentrations of credit risk in the year under review.
To reduce this risk generally, the Group also obtains guarantees in the form of sureties in respect of loans granted for the supply of goods.
Financial assets are recognised in the financial statements net of write-downs calculated on the basis of the risk of counterparty default, determined by using available information on the solvency of the customer and taking historical data into account.
For information on the assessment conducted by the Group of credit risks associated with the Covid-19 pandemic, please see the section below on "Significant events during the reporting period".

Liquidity risk

Liquidity risk is the risk that financial resources may be difficult to access.
As of the reporting date, the Group believes that it can access, through available sources of financing and lines of credit, sufficient funds to meet its foreseeable financial requirements.
With regard to the assessments conducted by the Group of liquidity risks associated with the Covid-19 pandemic, please see the section below entitled "Significant events during the reporting period".

Market risk

Market risk includes the effects that changes in the market might have on the Group's commercial activity that is sensitive to consumer spending choices.
Positive results can be influenced, inter alia, by the business environment, interest rates, taxation, local economic conditions, uncertainty over the economic outlook and shifts to other goods and services in consumer spending choices. Consumer preferences and economic circumstances may change from time to time in every market in which the Group operates.
For this reason, the ability to combat the deflationary price pressure associated with increased competition and changes in consumer choices, which could have adverse effects on the financial situation and results, has become strategically important.
With regard to the assessments conducted by the Group of the market risk associated with the Covid-19 pandemic, please see the section below entitled "Significant events during the reporting period".

RISK OF CHANGE IN PRICES AND CASH FLOWS

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

Objectives and policies for managing the risk of cash flow changes

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

Derivatives

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

INTEREST RATE RISK

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

FOREIGN EXCHANGE RISK

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

The derivatives described are recognised at 31 January 2021 at fair value, according to the methods of recognition and measurement established in the reference accounting standards (IFRS 9). Under this accounting standard (as was already the case under IAS 39), the entity may, under certain conditions, book derivatives using hedge accounting. In view of the operational complexity in managing the correspondence between the theoretical underlyings (the flows subject to the management hedging described) and the derivatives, the OVS Group has decided not to adopt hedge accounting. Consequently, the fair value of existing financial instruments and subsequent changes in such instruments are directly charged to the income statement on each reporting date. The fair value of derivatives is quantified using common valuation techniques and is mainly determined by the difference between the notional amount in USD converted into euro at the forward exchange rate at the time of entering into the contract and the notional amount in USD converted into euro at the exchange rate at the end of the reference period. This difference may be positive or negative depending on changes in the EUR/USD exchange rate, resulting in a certain level of volatility in the Group's results. This is appropriately taken into account in the presentation of adjusted figures in this document.

Investment and development

Gross investments of €32.1 million were made in 2020. The investments, which decreased markedly during the year, mainly related to (i) the restructuring of 11 stores in the existing network, extraordinary maintenance and other commercial activities relating to the existing network, amounting to around €12 million, (ii) new store openings (around €8.6 million) under the Group's brands, (iii) the development of IT and digital transformation systems (around €7.3 million), (iv) the upgrading of the logistics unit (around €3 million) in order to improve distribution efficiency, and (v) maintenance of the head office (around €1.5 million).

The investments made in 2019 amounted to €43.1 million, including around €17.8 million relating to extraordinary restructuring and maintenance and €8.3 million for new store openings.

At Group level, the sales network comprised a total of 1,822 stores at 31 January 2021 (including the small-format stores) including 760 DOS (18 abroad), 948 affiliated stores (303 abroad) and 114 administered stores (78 abroad).

In 2020 (01 February 2020 – 31 January 2021), the network consolidated the substantial expansion of the previous year and achieved further growth in terms of stores (net of closures) of 52 units, including 61 affiliated stores and 6 administered stores, while the number of DOS decreased by 15 units.

In 2019 (01 February 2019 – 31 January 2020), the network grew in terms of stores (net of closures) by 29 units, including 18 DOS and 16 affiliated stores, while the number of administered stores decreased by 5 units.

Research and development

The Group did not carry out any research and development activities during the year pursuant to the provisions of the reference accounting standards.
However, a number of people are continuously employed in creating and developing collections, to ensure an exclusive offering that is consistent with the positioning of the Group's various brands.
Specifically, the activities carried out by dedicated teams are classified as subject to the "Community framework" Directive 2006/c 323/01, which defines "industrial research" as:
"industrial research or planned research or critical investigation aimed at acquiring new knowledge and skills for developing new products, processes or services or bringing about a significant improvement in existing products, processes or services [...]."

Related party transactions

In accordance with the applicable laws and regulations, the Parent Company's Board of Directors approved the "Procedure governing related party transactions", first by resolution of 23 July 2014, effective from 2 March 2015, and subsequently, by resolution of 19 September 2018, approved a new updated version of this document, effective from 19 September 2018.
The Procedure was adopted by the Company in implementation of Article 2391-bis of the Italian Civil Code and the regulation on related party transactions adopted by Consob by Resolution no. 17221 of 12 March 2010 as amended, also taking into account the instructions and clarifications provided by Consob in Communication no. DEM/10078683 of 24 September 2010.
The Procedure identifies the rules governing the approval and execution of transactions with related parties entered into by OVS, directly or through subsidiaries, in order to define the relevant competencies and responsibilities and ensure the transparency and substantive and procedural correctness of such transactions.

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

Significant events during the reporting period

IMPACTS OF THE COVID-19 PANDEMIC ON GROUP PERFORMANCE AND ACTIONS TAKEN

The early months of 2020 were overshadowed by a very serious and unexpected event that hit the entire planet: the Covid-19 pandemic. The emergency situation was addressed immediately by the OVS Group, with the activation of exceptional measures to reduce the spread of the virus and ensure the safety of customers and employees. The Group has incurred (and continues to incur) direct costs to deal with this emergency, in particular expenses relating to measures adopted to protect the health of employees in both offices and in the DOS. It has benefited, where possible, from grants and reliefs from the Italian government, such as the various forms of support for employment. Further extraordinary measures were then required with country-wide store closures from the second week of March 2020, resulting in no sales through stores.

On the first day of March 2020, a dedicated team was set up to manage the emergency, putting in place all possible measures to prepare the Group for the situation. Five main areas were identified: rents, staff, operating costs, supplies of goods and finally investments.

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

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

All costs that are not strictly necessary have been minimised, both at the store level and in terms of corporate and sales support costs. Initial investment forecasts for 2020 were scaled back and the plan for autumn/winter goods inflows was reorganised, although these were reduced compared with the previous plan.

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

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

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

Alongside this process, the banks in the pre-existing loan agreement granted amendments/suspensions to the agreement, the most significant of which were: (i) the suspension of the instalments due in August 2020 and February 2021 and (ii) the suspension of covenant testing until April 2021. Given the continuation of the pandemic and the emergence of the second wave in late October 2020, with particularly negative effects on sales volumes (particularly in November and December 2020) due to new lockdowns more or less countrywide, as well as a third wave that has gradually intensified since the end of the 2020 financial year (since mid-March 2021). Always in March 2021, the Group obtained a further waiver in order to extend the suspension of covenant testing until the testing period that will end on 31 January 2022 (included).

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

Other significant events during the reporting period

On 9 July 2020, the Ordinary Shareholders' Meeting of the Parent Company, OVS S.p.A., approved the financial statements at 31 January 2020 and resolved to carry forward the losses for the year.
For further details, please see the consolidated statement of changes in shareholders' equity.
The Meeting also approved, as required by the applicable regulations, by binding resolution, the first section of the report on the remuneration policy and compensation paid (remuneration policy) and has also approved, by non-binding resolution, the second section of that report (compensation paid).
On the same date, the Extraordinary Shareholders' Meeting granted the Board of Directors a mandate to increase the share capital, pursuant to articles 2443 and 2441, paragraph 4, second sentence, of the Italian Civil Code, and a mandate to increase the share capital pursuant to articles 2443 and 2441, paragraph 4, first sentence, of the Italian Civil Code.
Lastly, on the basis of the lists submitted, the Shareholders' Meeting appointed the new Board of Directors, which will remain in office until the approval of the financial statements at 31 January 2023. The new Board is made up of nine members. From the list that obtained the highest number of votes, submitted

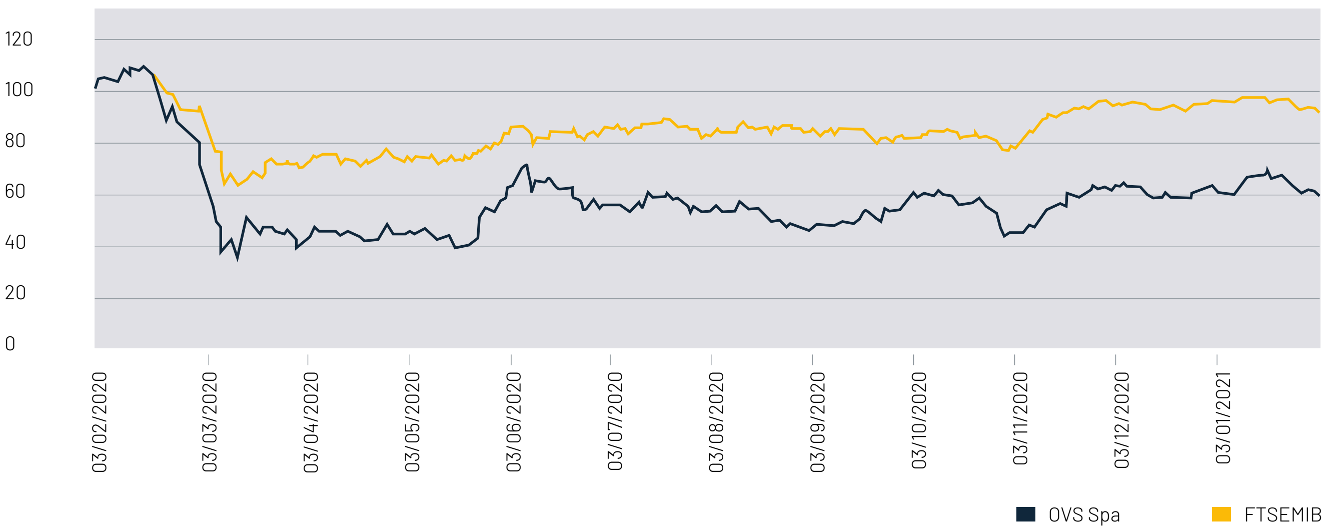
by the outgoing Board of Directors, the following were elected: Franco Moscetti, Stefano Beraldo, Giovanni Tamburi, Alessandra Gritti, Massimiliano Magrini, Chiara Mio, Vittoria Giustiniani and Carlo Achermann. From the minority list submitted by institutional shareholders, Elena Garavaglia was elected.
The Shareholders' Meeting also appointed Franco Moscetti as Chairman of the Board of Directors.
The Shareholders' Meeting then appointed the new Board of Statutory Auditors, consisting of Stefano Poggi Longostrevi, taken from the minority list submitted by institutional shareholders, as Chairman of the Board of Statutory Auditors, Paola Tagliavini and Roberto Cortellazzo Wiel as Standing Auditors, taken from the list that obtained the highest number of votes, submitted by the shareholder TIP – TAMBURI Investment Partners S.p.A., and Emilio Vellandi and Emanuela Italia Fusa as Alternate Auditors, taken from the list that obtained the highest number of votes and from the minority list, respectively.
The Board of Statutory Auditors will remain in office until the approval of the financial statements at 31 January 2023.
It should also be noted that the new Board of Directors, meeting on the same day for the first time immediately after its appointment by the Shareholders' Meeting, appointed Director Stefano Beraldo as Chief Executive Officer.
The Board also appointed Giovanni Tamburi as Vice-Chairman.
Lastly, it should be noted that on 13 November 2020, the Board of Directors convened the Shareholders' Meeting to submit a proposed optional capital increase of up to €80 million. The main shareholder, TIP - TAMBURI Investment Partners S.p.A. and Chief Executive Officer Stefano Beraldo, already an OVS shareholders, stated that they intended to exercise all of their option rights and subscribe according to their respective stakes. Subsequently, the Shareholders' Meeting of 15 December 2020 unanimously approved the paid capital increase in tranches, to take place by 31 July 2021, for a maximum amount of €80 million. The increase take place through the issue of ordinary shares of OVS S.p.A., with the same characteristics as those already outstanding at the issue date, to be offered optionally to shareholders pursuant to Article 2441, paragraphs 1, 2 and 3, of the Italian Civil Code.
The Board of Directors was granted the power to define, close to the time of commencement of the optional offering of new ordinary shares of OVS S.p.A., the terms and conditions and time limits of the capital increase, including the price of subscribing for new shares, which will be determined taking into account, inter alia, market conditions, the prices of ordinary shares of OVS S.p.A. in the period preceding this determination, the economic, income, capital, financial and prospective performance of the Company and/or the OVS Group, and market practice for similar transactions.

Notes on share performance

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 €1.72 on 31 January 2020. One year later, on 31 January 2021, the stock was trading at €1.02, down by 40% compared with the end of the previous year.

STOCK PRICE OVS SPA
FY 2020

OVS SPA VS. FTSEMIB
FY 2020



After rising steadily in 2019, the OVS share dropped substantially after the emergence of the Covid-19 pandemic, reaching €0.6 per share on 16 March 2020. The start of the pandemic and the resulting panic on the financial markets overshadowed the positive results achieved by the Group in 2019. The fall in the share price was even more pronounced due to short positions which put further pressure on prices. Shorting was subsequently prohibited from 17 March 2020.
In the first half of 2020, the entire FTSE MIB contracted sharply (by more than 40%) before recovering as the year progressed, partly due to the performance of companies operating in sectors less affected by the pandemic, including tech.
Since the significant loss in value observed in March, the OVS stock has made a gradual recovery, which has been consolidated further in the first few months of 2021.
It should be noted that, as at 15 April 2021, of the five brokers that monitor OVS S.p.A., two had a "buy" recommendation on the stock, while the others had a "neutral" recommendation.
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 was reserved for directors who are also employees, managers with strategic responsibilities and/or other employees of OVS S.p.A. and its subsidiaries. The Plan was intended to create value for shareholders by improving long-term corporate performance and attracting and retaining staff who play a key role in the Group's development.
The Plan provides for the issue of up to 5,107,500 options, which will be allotted free of charge to the Beneficiaries if certain performance targets are met, and confers on each of them the right to subscribe to one ordinary share of the Parent Company for each option allotted.
The same Shareholders' Meeting was also convened in extraordinary session to resolve upon the proposal to grant the Board of Directors, for a period of five years from the date of the resolution, the power to increase the share capital, pursuant to Article 2443 of the Italian Civil Code, in tranches, excluding option rights pursuant to Article 2441, paragraph 8 of the Italian Civil Code, for a total maximum nominal amount of €35,000,000, through the issue, in one or more tranches, of up to 5,107,500 ordinary shares with no par value, to be reserved for the beneficiaries of the 2015-2020 Stock Option Plan, with the consequent amendment of Article 5 of the Articles of Association.
As of 31 January 2021, 2,947,963 options had been assigned under the "Stock Option Plan 2015-2020".
It should also be noted that the Shareholders' Meeting of 31 May 2017 approved a new stock option plan, called the "Stock Option Plan 2017-2022", reserved for directors who are also employees, managers with strategic responsibilities and/or other employees of OVS S.p.A. and its subsidiaries, which may be implemented using either (i) treasury shares bought back under the authorisation pursuant to Article 2357 of the Italian Civil Code granted by the Shareholders' Meeting from time to time; or (ii) shares deriving from a capital increase by the Board of Directors, after the granting of a mandate to the same to increase the share capital pursuant to Article 2443 of the Italian Civil Code, in tranches, excluding option rights pursuant to Article 2441, paragraph 8 of the Italian Civil Code, for a total maximum nominal amount of €4,080,000, through the issue, in one or more tranches, of up to 4,080,000 new ordinary shares of OVS, to be reserved for the beneficiaries of the "2017-2022 Stock Option Plan".
This Plan is also intended to create value for shareholders by improving long-term corporate performance and attracting staff who play a key role in the Group's development.
The Plan provides for the free allocation to each beneficiary of up to 4,080,000 options, which give the right to subscribe or purchase ordinary shares of OVS in the ratio of one share for each option exercised. The options will mature when determined performance targets are met.
As of 31 January 2021, 1,442,250 options had been assigned under the "Stock Option Plan 2017-2022".
Finally, the Ordinary Shareholders' Meeting of 31 May 2019 approved, pursuant to Article 114-bis of the TUF, the adoption of an incentive plan named the "Stock

Option Plan 2019-2022", to be implemented through the allocation of free options for subscription to newly issued ordinary shares of OVS S.p.A. The Plan is reserved for directors who are also employees, managers with strategic responsibilities and/or other employees of OVS S.p.A. and its subsidiaries pursuant to Article 93 of Legislative Decree 58 of 24 February 1998, who will be identified by the Board of Directors, after consulting the Appointments and Remuneration Committee, from among those individuals who perform a key role in the achievement of the Company's strategic objectives (hereinafter, the "Beneficiaries").
The Plan is intended to create value for shareholders by improving long-term corporate performance and by attracting and retaining personnel that play a key role in the Group's development, in order to align the interests of the Beneficiaries with those of the Group's shareholders.
Up to 5,000,000 options will be issued under the Plan, allotted free of charge to the Beneficiaries. Each Beneficiary may exercise the options actually accrued on fulfilment of a condition of access to the Plan (gate) and a performance condition linked to a predefined value of three-year cumulative EBITDA. Each option will confer on each Beneficiary the right to subscribe for one ordinary share of the Parent Company for each option assigned.
The exercise price of the shares is set at €1.85.
As of 31 January 2021, 5,000,000 options had been assigned under the "Stock Option Plan 2019-2022".
For details of the Plan, see the reports of the Board of Directors and the information documents, pursuant to Article 84-bis of Consob Regulation 11971/1999, which are available on the Company website at www.ovscorporate.it, in the Governance/Shareholders' Meeting section.

Other information

SHARES HELD BY DIRECTORS, STATUTORY AUDITORS AND MANAGERS WITH STRATEGIC RESPONSIBILITIES

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

TREASURY SHARES

In 2018, OVS S.p.A. acquired a total of 809,226 treasury shares, amounting to 0.356% of the share capital, for a total amount of €1,496 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.
At the Shareholders' Meeting of 31 May 2019, a share buyback plan was approved, proposed by the Board of Directors on 17 April 2019, after the plan described above, which was partially unexecuted, was revoked. The plan provided for the purchase and disposal of treasury shares up to a maximum amount that, when taking into account the ordinary shares held from time to time by the Company and its subsidiaries, did not exceed, in total, 10% of the share capital. This plan expired naturally in November 2020 without being even partially implemented.
As of 31 January 2021, the Parent Company, OVS S.p.A.,

holds a total of 809,226 treasury shares purchased in 2018, equivalent to 0.356% of the share capital, amounting in total to €1,496 thousand.
There were no further purchases or disposals in 2020.

ARTICLE 15 OF THE MARKET REGULATIONS (ADOPTED BY CONSOB BY RESOLUTION 20249 OF 28 DECEMBER 2017)

Investee companies with registered offices in non-EU countries, of which the biggest is OVS Hong Kong Sourcing Ltd, are not significant within the meaning of Article 151 of the Regulation for Issuers, as their respective assets make up less than 2% of the assets in the Group's consolidated financial statements at 31 January 2021, and their respective revenues make up less than 5% of the Group's consolidated revenues at 31 January 2021.

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 S.p.A. does not consider itself to be subject to management and coordination by the latter, as:
- it operates completely independently;
- there is no cash pooling function for the Group;
- key decisions relating to management of the Parent Company and its subsidiaries are taken by the Parent Company's own management bodies;
- the Parent Company's Board of Directors is responsible, inter alia, for reviewing and approving the strategic, business and financial plans and budgets of the Company and the OVS Group, reviewing and approving the organisational structure of the OVS Group, and assessing the adequacy of the organisational, management and accounting structure of the Company and the OVS Group.

CONSOLIDATED NON-FINANCIAL STATEMENT (LEGISLATIVE DECREE 254/2016)

The consolidated non-financial statement 2020 pursuant to Legislative Decree 254/2016 is contained in a separate report from the Report on Operations, published simultaneously with the latter and available on the Company website at www.ovscorporate.it, in the Governance/Shareholders' Meeting 2021 section, as well as in the Sustainability section.

Significant events after the reporting period

In February 2021, the Parent Company OVS S.p.A. began the process of obtaining two further waivers in relation, respectively, to (i) the Loan Agreement and (ii) the SACE Loan Agreement (collectively, the "2021 Waiver"). This process, which involved the submission of two separate waiver requests relating to (i) the Loan Agreement and (ii) the SACE Loan Agreement, signed by the Parent Company OVS S.p.A. on 17 March 2021 and supplemented by email on 25 March 2021, was concluded on 30 March 2021 following, inter alia, the signing of two letters of acceptance of the waiver requests by Intesa Sanpaolo S.p.A. and UniCredit S.p.A. as Agents pursuant to, respectively, the Loan Agreement and the SACE Loan Agreement, both countersigned by the Parent Company OVS S.p.A., and the approval of the 2021 Waiver.
The 2021 Waiver provides for:
- the waiver of any Default or Event of Default (each term as defined, respectively, in the Loan Agreement and the SACE Loan Agreement) in respect of any breach of the maximum permitted value of the Leverage financial parameter (as defined, respectively, in the Loan Agreement and in the SACE Loan Agreement) on any Test Date (as defined, respectively, in the Loan Agreement and the SACE Loan Agreement) up to and including January 2022 (therefore with reference to

the Test Dates scheduled for April 2021, July 2021, October 2021 and January 2022);

- •the inclusion of a new test of the ratio of net financial debt at 31 January 2022 to EBITDA for FY 2021. The maximum value of the above test must be less than or equal to 4.0x;
- the sending to the banks of the liquidity statement, to be drawn up in line with the provisions of the previous 2020 Waiver obtained in May 2020 (therefore containing forward-looking information on liquidity for the quarter immediately following the reference month and historical information on the liquidity of the relevant month), starting on 31 March 2021. The last statement will be sent on 31 January 2022;
- compliance with a monthly liquidity covenant, under which the OVS Group will have, from 31 March 2021, liquidity of no less than €15 million at the end of each month. The last test is scheduled for 31 January 2022.

Other events after the reporting period include the transfer of ownership of the Stefanel business unit, comprising the Stefanel brand and 20 DOS, to OVS on 1 March 2021. The total price of the acquisition was approximately €3.7 million. The 23 stores, located in high-quality locations, have been progressively reopened and will serve as a starting point for the re-launch of the brand, under a more extensive growth plan commencing in 2021. The products now in store comprise the last collection developed by the previous management. The Group has been working to develop the new product, which will be in store from the start of the autumn-winter 2021 season. These efforts will result in a highly contemporary and accessible product that will, however, remain stylish, feminine and refined in terms of detail, using high-quality materials that will be the hallmark of the brand. With this transaction, the Group aims to relaunch a historic Italian fashion brand with a global reputation, while supporting the fashion industry, which has been one of the sectors hit hardest by the pandemic.

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

Lastly, again in March, OVS began its collaboration with GAP, with the creation of children's wear corners at around 20 OVS stores and the inclusion of some GAP products for men, women and children on the OVS.it website.

The results for the first few weeks have been extremely satisfactory, particularly in terms of online sales, demonstrating the high potential of the OVS.it website as a marketplace for third-party brands.

Business outlook

Although the year started with a third wave of virus infections and further restrictive measures as a result, we expect to see our sales increase substantially in 2021 compared with 2020. This will be accompanied by a significant recovery in profits. Some of this recovery will be due to a reduction in costs that is partly structural and partly due to careful management.

The improved level of governability in Italy, and the vaccination campaign, which is starting to have a positive effect, will help with a return to normality. We believe that our sector, which has been one of those hit hardest by the restrictions, will also be one of the first to benefit from an increased appetite for spending in the post-pandemic period.

As expected, 2021 began with further numerous restrictions to contain the pandemic, with part of the sales network non-operational in various areas of the country during different periods. In particular, around 20% of floor areas were closed in February, 60% in March and approximately 50% in April, even though the network is gradually reopening.

Unlike last year, however, sales were much better with respect to the reduction in opening hours. The possibility of keeping stores open in red areas, albeit for children's clothing and underwear sales only, as well as the fluidity of the operations underlying the Ovs.it website, has meant a good performance, taking account of external conditions.

Overall, therefore, we expect a topline performance in the first quarter of 2021 that will continue to outperform

the Italian clothing market and a marked recovery in profitability compared with 2020, a period in which the lockdown impacted the entire Group network for a long time. We therefore have stronger expectations of a marked recovery in profitability in the current year and progressive deleveraging.
The liquidity deriving from the proposed capital increase unanimously approved by our shareholders, up to a potential €80 million, which is expected to be completed by July 2021, will enable our Group to further accelerate the consolidation of the clothing market in Italy.

Proposal for approval of the financial statements and allocation of earnings for the 2020 financial 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 2021 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 2021;

resolves

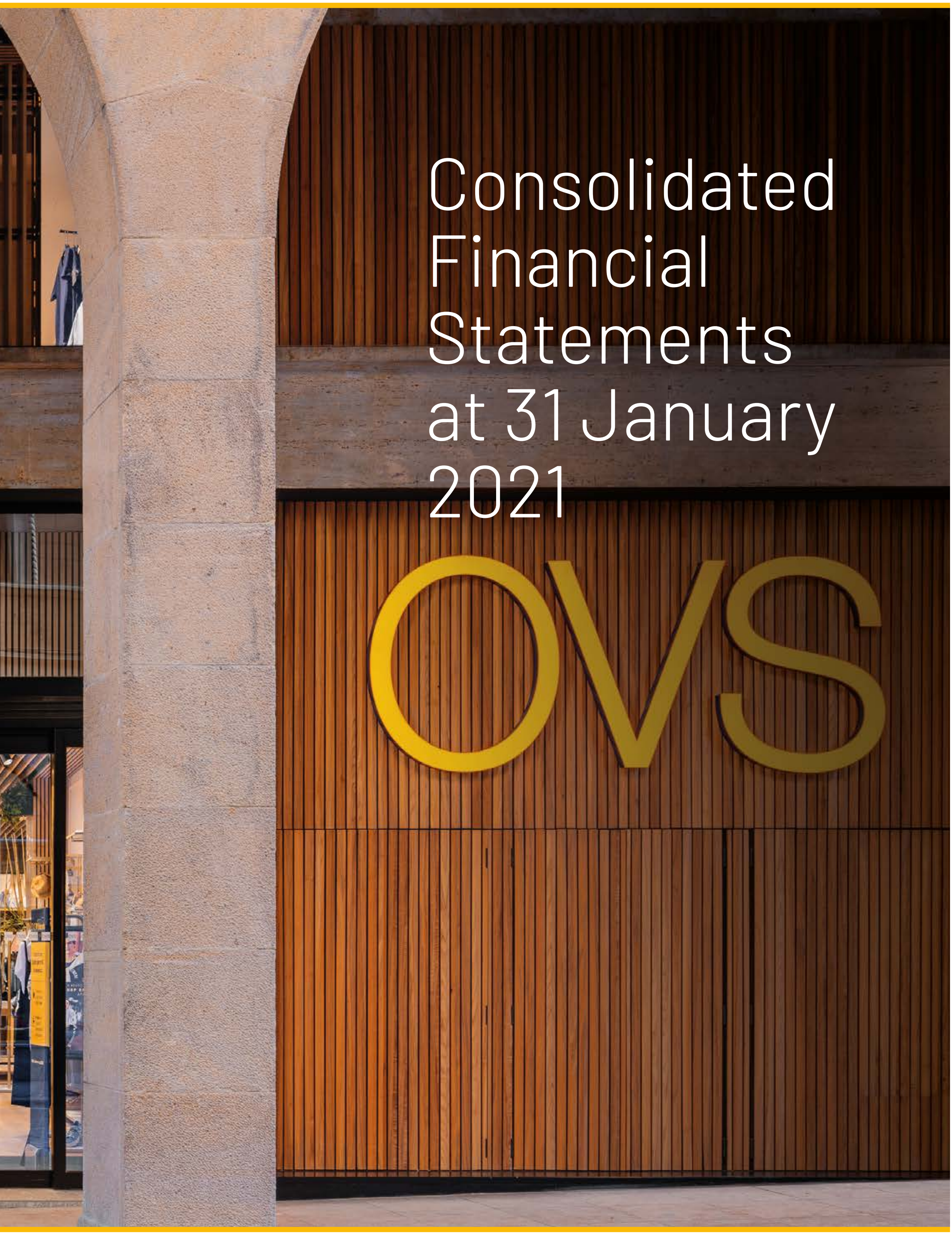
1. to approve the separate financial statements of OVS S.p.A. at 31 January 2021;
2. to approve the allocation of the net profit for the year of OVS S.p.A. at 31 January 2021, amounting to €35,901,908.00, as follows:
   - €1,795,095.00 to the legal reserve;
   - €34,106,813.00 in retained earnings".

for the Board of Directors
The Chief Executive Officer
Stefano Beraldo

Mestre, Venice, 15 April 2021


Massimo Piombo
è moderno, elegante,
leggermente eccentrico,
proprio come dovrebbe
essere la nostra vita."
Tyler Brûlé
Monocle
PIOMBO
ORARIO APERTURA
SHOP ONLINE OVS.IT
ORDINA AL TELEFONO

Consolidated Financial Statements at 31 January 2021



Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(thousands of euro)

ASSETS	Note	31.01.2021	of which related parties	31.01.2020	of which related parties
Current assets					
Cash and cash equivalents	1	77,507		45,656	
Trade receivables	2	102,061	1,617	85,981	1,836
Inventories	3	420,110		393,094	
Financial assets	4	43		7,572	
Financial assets for leases	5	3,408	1,319	4,191	1,246
Current tax assets	6	15,637		14,683	
Other receivables	7	10,707		13,984	
Total current assets		**629,473**		**565,161**	
Non-current assets					
Property, plant and equipment	8	234,702		255,070	
Right of use	9	824,352		866,316	
Intangible assets	10	604,139		618,053	
Goodwill	11	297,541		297,541	
Equity investments	12	0		136	
Financial assets	4	0		34	
Financial assets for leases	5	6,086	1,303	10,623	2,620
Other receivables	7	9,228		11,119	
Total non-current assets		**1,976,048**		**2,058,892**	
TOTAL ASSETS		**2,605,521**		**2,624,053**	

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.01.2021	of which related parties	31.01.2020	of which related parties
Current liabilities					
Financial liabilities	13	71,617		38,871	
Financial liabilities for leases	14	171,497		133,808	
Trade payables	15	263,996	(2)	321,146	25
Current tax liabilities	16	3,927		0	
Other payables	17	111,304	1,843	128,215	1,737
Total current liabilities		**622,341**		**622,040**	
Non-current liabilities					
Financial liabilities	13	414,105		313,773	
Financial liabilities for leases	14	745,365		772,998	
Employee benefits	18	35,146		37,044	
Provisions for risks and charges	19	4,927		4,687	
Deferred tax liabilities	20	2,485		127,799	
Other payables	17	16,867		16,883	
Total non-current liabilities		**1,218,895**		**1,273,184**	
TOTAL LIABILITIES		**1,841,236**		**1,895,224**	
SHAREHOLDERS' EQUITY					
Share Capital	21	227,000		227,000	
Treasury shares	21	(1,496)		(1,496)	
Other reserves	21	503,941		643,982	
Net result for the year		35,037		(140,389)	
GROUP SHAREHOLDERS' EQUITY		**764,482**		**729,097**	
MINORITY INTERESTS	21	(197)		(268)	
TOTAL SHAREHOLDERS' EQUITY		**764,285**		**728,829**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,605,521**		**2,624,053**	

CONSOLIDATED INCOME STATEMENT

(thousands of euro)

	Note	31.01.2021	of which non-recurring	of which related parties	31.01.2020	of which non-recurring	of which related parties
Revenues	22	1,017,808	(679)	722	1,374,777	4,687	1,699
Other operating income and revenues	23	51,844	479	1,553	67,654		1,597
Total revenues		**1,069,652**	**(200)**		**1,442,431**	**4,687**	
Purchase of raw materials, consumables and goods	24	454,393			616,746	2,682	
Staff costs	25	228,907	679	5,352	290,526	3,649	3,962
Depreciation, amortisation and write-downs of assets	26	206,729			376,931	1,518	
Other operating expenses							
Service costs	27	159,762	8,971	158	179,087	2,195	13,222
Cost for the use of third-party assets	28	(3,369)		(331)	29,595		(406)
Write-downs and provisions	29	2,882		83	6,988	4,015	
Other operating charges	30	22,005	2,302		26,535	1,187	17
Result before net financial expenses and taxes		**(1,657)**	**(12,152)**		**(83,977)**	**(10,559)**	
Financial income	31	672		187	1,139		254
Financial expenses	31	(69,469)			(72,428)	(1,328)	(20)
Exchange rate gains and losses	31	(8,128)			19,741		
Gains (losses) from equity investments	31	(136)		(136)	1,095	1,095	
Net result for the year before tax		**(78,718)**	**(12,152)**		**(134,430)**	**(10,792)**	
Taxes	32	113,826	98,049		(5,948)	2,590	
Net result for the year		**35,108**	**85,897**		**(140,378)**	**(8,202)**	
Net result for the year attributable to the Group		**35,037**			**(140,389)**		
Net result for the year attributable to minority interests		**71**			**11**		
Earnings per share (in euros)							
- basic		0.16			(0.62)		
- diluted		0.16			(0.60)		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of euro)

	Note	31.01.2021	31.01.2020
Net result for the year (A)		**35,108**	**(140,378)**
Other gains (losses) that will not be subsequently reclassified in the income statement:			
- Actuarial gains (losses) for employee benefits	18-21	(236)	(1,485)
- Tax on items recognised in the reserve for actuarial gains (losses)	20-21	57	356
Total other comprehensive gains (losses) that will not be subsequently reclassified in the income statement		**(179)**	**(1,129)**
Other gains (losses) that will be subsequently reclassified in the income statement:			
- Change in translation reserve	21	(1,614)	52
Total other comprehensive gains (losses) that will be subsequently reclassified in the income statement		**(1,614)**	**52**
Total other items of comprehensive income (B)		**(1,793)**	**(1,077)**
Total comprehensive income for the year (A) + (B)		**33,315**	**(141,455)**
Total comprehensive income attributable to the Group		33,244	(141,466)
Total comprehensive income attributable to minority interests		71	11

CONSOLIDATED STATEMENT OF CASH FLOWS
(thousands of euro)

	Note	31.01.2021	31.01.2020
Operating activities			
Net result for the year		35,108	(140,378)
Provision for taxes	32	(113,826)	5,948
Adjustments for:			
Net depreciation, amortisation and write-downs of fixed assets, leasing effects included	26	206,729	376,931
Net capital losses (gains) on fixed assets, leasing effects included		891	(1,707)
Write-off of equity investment	31	136	0
Losses / (gains) on equity investment	31	0	0
Net financial expenses (income), leasing effects included	31	68,796	70,194
Expenses (income) from foreign exchange differences and currency derivatives	31	(8,607)	(22,875)
Loss (gain) on derivatives due to change in fair value	31	16,736	3,134
Allocations to provisions	18-19	268	1,033
Utilisation of provisions	18-19	(2,169)	(4,364)
Cash flows from operating activities before changes in working capital		**204,062**	**287,916**
Cash flow generated by change in working capital	2-3-6-7-15-16-17-20	(114,881)	(11,642)
Taxes paid		0	(6,863)
Net interest received (paid), leasing effects included		(51,613)	(69,643)
Realised foreign exchange differences and cash flows from currency derivatives		7,363	24,175
Other changes		526	178
Cash flow generated (absorbed) by operating activities		**45,457**	**224,121**
Investment activities			
(Investments) in fixed assets	8-10-11	(40,088)	(46,441)
Disposals of fixed assets	8-10-11	1,856	1,298
(Increase) decrease in equity investments	12	0	0
Cash out due to business combination during the period		(1,000)	0
Cash flow generated (absorbed) by investment activities		**(39,232)**	**(45,143)**
Financing activities			
Net change in financial assets and liabilities	4-13	124,579	(51,936)
(Repayment) of lease liabilities/Collection of assets for leases	5-14	(98,953)	(109,262)
(Purchase)/Disposal of treasury shares	21	0	0
Dividends distribution		0	0
Cash flow generated (absorbed) by financing activities		**25,626**	**(161,198)**
Increase (decrease) in cash and cash equivalents		**31,851**	**17,780**
Cash and cash equivalents at the beginning of the year		**45,656**	**27,876**
Cash and cash equivalents at the end of the year		**77,507**	**45,656**

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

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

	Share capital	Share premium reserve	Legal reserve	Treasury shares	Reserve for actuarial gains (losses)	Translation reserve
Balance at 01 February 2019	227,000	511,995	7,917	(1,496)	(2,532)	549
- Allocation of earnings for financial year 2018	-	-	1,967	-	-	-
- Management incentive plan	-	-	-	-	-	-
Relations with Shareholders	-	-	1,967	-	-	-
IFRS 16 impact	-	-	-	-	-	-
- Net result for the year	-	-	-	-	-	-
- Other items of comprehensive income	-	-	-	-	(1,129)	52
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(1,129)**	**52**
Balance at 31 January 2020	**227,000**	**511,995**	**9,884**	**(1,496)**	**(3,661)**	**601**
Balance at 01 February 2020	**227,000**	**511,995**	**9,884**	**(1,496)**	**(3,661)**	**601**
- Allocation of earnings for financial year 2019	-	-	-	-	-	-
- Management incentive plan	-	-	-	-	-	-
Relations with Shareholders	-	-	-	-	-	-
- Net result for the year	-	-	-	-	-	-
- Other items of comprehensive income	-	-	-	-	(179)	(1,614)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(179)**	**(1,614)**
Balance at 31 January 2021	**227,000**	**511,995**	**9,884**	**(1,496)**	**(3,840)**	**(1,013)**

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
7,095	**1,882**	**90,028**	**25,540**	**867,978**	**(279)**	**867,699**
-	-	23,573	(25,540)	0	-	0
(739)	-	865	-	126	-	126
(739)	-	24,438	(25,540)	126	-	126
-	2,459	-	-	2,459	-	2,459
-	-	-	(140,389)	(140,389)	11	(140,378)
-	-	-	-	(1,077)	-	(1,077)
-	**-**	**-**	**(140,389)**	**(141,466)**	**11**	**(141,455)**
6,356	**4,341**	**114,466**	**(140,389)**	**729,097**	**(268)**	**728,829**
6,356	**4,341**	**114,466**	**(140,389)**	**729,097**	**(268)**	**728,829**
-	-	(140,389)	140,389	0	-	0
2,030	-	111	-	2,141	-	2,141
2,030	-	(140,278)	140,389	2,141	-	2,141
-	-	-	35,037	35,037	71	35,108
-	-	-	-	(1,793)	-	(1,793)
-	**-**	**-**	**35,037**	**33,244**	**71**	**33,315**
8,386	**4,341**	**(25,812)**	**35,037**	**764,482**	**(197)**	**764,285**

Notes to the financial statements

General information

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

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

Structure and content of the financial statements

The consolidated financial statements of the OVS Group at 31 January 2021 were prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board. "IFRSs" is intended to mean all the revised International Accounting Standards (IAS), and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC). At the reporting date for the consolidated financial statements, these had been 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 euro as the current currency of the economies in which the Group chiefly operates, unless otherwise indicated.

These consolidated financial statements have been prepared on a going concern basis, as the directors have verified the absence of any financial, operational or other indicators that could signal problems with the Group's ability to meet its obligations in the foreseeable future, and particularly in the next 12 months.
Please see the following sections of these notes to the financial statements and the comments on the Report on Operations for a detailed review of the various measures put in place or available to the Group to ensure the normal performance of its business and compliance with its current obligations, despite the still very uncertain pandemic environment, which is gradually improving. In particular, please see the amendments to the loan agreements made with the 2021 Waiver and described in detail in note 13 below, and the section entitled "Impacts of the Covid-19 pandemic on Group performance and actions taken" for a summary of the various operating levers that were activated in 2020 and may again be activated in 2021.

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

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

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

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

Please see the Report on Operations at 31 January 2021 for detailed information on the nature of the Group's activity.

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

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

The early months of 2020 were overshadowed by a very serious and unexpected event that hit the entire planet: the Covid-19 pandemic. The emergency situation was addressed immediately by the OVS Group, with the activation of exceptional measures to reduce the spread of the virus and ensure the safety of customers and employees. The Group has incurred (and continues to incur) direct costs to deal with this emergency, in particular expenses relating to measures adopted to protect the health of employees in both offices and in the DOS. It has benefited, where possible, from grants and reliefs from the Italian government, such as the various forms of support for employment. Further extraordinary measures were then required with country-wide store closures from the second week of March 2020, resulting in no sales through stores.
On the first day of March 2020, a dedicated team was set up to manage the emergency, putting in place all possible measures to prepare the Group for the situation. Five main areas were identified: rents, staff, operating costs, supplies of goods and finally investments.
Discussions with our landlords took place immediately, in order to suspend rental payments, at least for the period in which the stores remained closed, to restructure them so that they are as much as possible a variable cost according to the operation of the store, from the first day of reopening, and finally to revise the terms and conditions of payment.
With regard to staff, the accrued holiday provision was utilised before the activation of social security schemes provided by the Italian government and, albeit to a marginal extent, in the other countries in which the Group operates. This enabled wages to be guaranteed, only partially compressing financial disbursements in the short term. In addition, a solidarity fund has been set up, financed by executive salaries and intended for those most affected by the crisis.
All costs that are not strictly necessary have been minimised, both at the store level and in terms of corporate and sales support costs. Initial investment forecasts for 2020 were scaled back and the plan for autumn/winter goods inflows was reorganised, although these were reduced compared with the previous plan.
The dramatic drop in receipts in March, May and November 2020 and their almost total absence in April 2020 required a detailed rescheduling of all projected financial outlays, together with the activation of the extraordinary measures described above to create liquidity, including immediately. In addition to specific measures for deferring payments activated in the early months of the pandemic, which were well understood by the Group's suppliers given the exceptional situation, in March 2020 derivative contracts to hedge projected goods purchases were also unwound, resulting in a capital gain of around €10 million.
In the meantime, contact was rapidly made with the banks to gauge their willingness to provide additional finance to support the temporary but inevitable increase in working capital. In this regard, on 8 April 2020 the Italian government issued the so-called "Liquidity Decree", immediately providing a valid form of financial support that the Group decided to activate. The process of financial strengthening to cope with the prolonged obligatory lockdown of the store network was

successfully completed on 24 June 2020.
The process involved a pool of five banks already involved in the current loan agreement, Cassa Depositi e Prestiti S.p.A. and a new bank, and, as mentioned above, was completed with the approval of the Decree of the Ministry of Economy and Finance, the signing of the agreement on 24 June and the subsequent disbursement on 25 June 2020 of €100 million in new financing, 80% guaranteed by SACE S.p.A. (the SACE loan).
Alongside this process, the banks in the pre-existing loan agreement granted amendments/suspensions to the agreement, the most significant of which were: (i) the suspension of the instalments due in August 2020 and February 2021 and (ii) the suspension of covenant testing until April 2021. Given the continuation of the pandemic and the emergence of the second wave in late October 2020, with particularly negative effects on sales volumes (particularly in November and December 2020) due to new lockdowns more or less countrywide, as well as a third wave that has gradually intensified since the end of the 2020 financial year (since mid-March 2021). Always in March 2021, the Group obtained a further waiver in order to extend the suspension of covenant testing until the testing period that will end on 31 January 2022 (included).
For further information, please see the following sections of these notes.

From an accounting standpoint, it should also be recalled that the Covid-19 crisis already represented an impairment indicator at the time of preparation of the 2019 annual financial statements. The Group therefore verified the potential impact on the recoverability of values recognised as goodwill, intangible assets with an indefinite and/or definite useful life and right-of-use assets. Given the backdrop of uncertainty resulting from the Covid-19 pandemic, the Group carefully analysed the sustainability of the impairment tests in the light of the reduced future cash flows of its CGUs due to a comprehensive revision of the 2020-2022 financial plan. The impacts of the crisis resulting from the pandemic were therefore reflected both on turnover and on the level of costs (in particular on selling, staff, and rental costs and on operating, logistics and headquarters costs and spaces) and on investments. In view of the significant impact of the pandemic on the assumptions underlying the estimated flows and the overall uncertainty of the Italian economic environment in which the OVS Group primarily operates, it seemed prudent and appropriate to incorporate into the financial statements for the year ended 31 January 2020 the results of the impairment test conducted on the basis of the above revision of flows to take account of, and give greater weight to, information obtained from the market and the actual and projected data for the 2020 financial year that is so far available. This resulted in the recognition of an impairment loss, entirely attributed to the goodwill item relating to the OVS CGU, of €155 million.
The ongoing economic crisis related to the Covid-19 emergency is still a possible indicator of impairment. The Group has therefore taken this aspect into account in its estimates and assumptions, the details of which are set out in the "Impairment testing" section of note 11 (Goodwill).
With regard to the allocations to the provision for depreciation of inventories and the provision for doubtful accounts, both of which are appropriate for the risk assessments related to the specific situation in the period, please see note 2 (Trade receivables) and note 3 (Inventories).
Lastly, in order to better represent the result for the period, the Group has opted for early adoption of the amendment to accounting standard IFRS 16, approved on 28 May 2020 by the IASB and transposed into European Union legislation on 12 October 2020. The practical expedient introduced by this amendment allows for recognition as variable rents with a positive impact on the income statement the renegotiations of rental agreements that took place as a result of the pandemic and which entail a reduction in the rents due for the periods until 30 June 2021. The application of this practical expedient resulted in a profit of €28.5 million recognised under "Costs for the use of third-party assets", reducing lease liabilities. It should be noted that further major negotiations have been in progress with the landlords since 31 January 2021, which have been concluded or will be concluded in the coming weeks. The resulting benefits will therefore appear in the accounts in the first quarter of 2021, when they are formally signed.
Given the continuing gravity of the current situation, it is still hard to make timely predictions about future impacts, although the discovery and authorization by the organizations of the various countries, and

the European Medicine Agency, of the first Covid-19 vaccines resulted in signs of mitigation and the tangible confirmation of the fight against the pandemic, first in the United States and the UK, and gradually also in the European countries, including Italy, in the first two weeks of April 2021.

Scope of consolidation

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

Company	Registered office	Share capital		% Investment
Italian companies				
OVS S.p.A.	Venice - Mestre	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	1,046,239,658	RSD	100%
OVS Maloprodaja D.O.O.	Zagreb - Croatia	20,000	HRK	100%
OVS Hong Kong Sourcing Limited	Hong Kong	585,000	HKD	100%
OVS India Sourcing Private Ltd	Delhi - India	15,000,000	INR	100%
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%

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

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

There were no changes in the scope of consolidation during the year ended 31 January 2021.

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 shares of shareholders' equity and net profit attributable to minorities are identified separately in shareholders' equity and in the income statement;
- all inter-company balances and transactions are derecognised, as are profits and losses (the latter only if they do not represent effective impairment of the asset transferred) arising from commercial transactions, including the sale of business units in the Parent Company's subsidiaries, or financial inter-company transactions not yet realised with third parties;
- all increases/decreases in the shareholders' equity of the consolidated companies arising from results generated after the date of acquisition of the equity investment are booked in a dedicated equity reserve named "Retained earnings (accumulated losses)" at the time of the elision;
- the dividends distributed to Group companies are eliminated in the income statement at the time of consolidation;
- changes in the percentage of ownership of subsidiaries that do not entail a loss of control, or that represent increases after control has been acquired, are recognised under changes in shareholders' equity.

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 of the year ended	
Currency	**Code**	**31.01.2021**	**31.01.2020**	**31.01.2021**	**31.01.2020**
US dollar	USD	1.21	1.11	1.15	1.12
Hong Kong dollar	HKD	9.41	8.58	8.92	8.74
Chinese renminbi	RMB	7.80	7.67	7.89	7.73
Croatian kuna	HRK	7.57	7.44	7.55	7.42
Serbian dinar	RSD	117.76	117.79	117.62	117.75
Indian rupee	INR	88.43	78.91	85.46	78.69

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 10 (Intangible assets) for a description of the criteria used to define useful life and residual value at the end of useful life.

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

RIGHT OF USE ASSETS

When signing a contract, the OVS Group assesses whether it is, or contains, a lease, i.e. whether the contract confers the right to direct the use of an identified asset for a period of time in exchange for a consideration.
The Group uses a single model of recognition and measurement for all leases, except for leases of low-value assets. The Group recognises liabilities relating to lease payments and the right of use asset, which represents the right to use the asset underlying the contract.
The Group recognises right of use assets at the lease commencement date (i.e. the date on which the underlying asset is available for use). Right of use assets are measured at cost, net of accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liabilities. The cost of the right of use includes the amount of the lease liabilities recognised, the initial direct costs incurred and the lease payments made as of the commencement or before inception, net of any incentives received.
Right of use assets are depreciated on a straight-line basis from the commencement date over the shorter of the end of the useful life of the asset and the end of the lease term.
Right of use assets are subject to impairment. Please see the information provided in the following section. See also the note below regarding "Accounting standards, amendments and interpretations effective as of financial year 2020".

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

IAS 36 stipulates that tangible and intangible assets must be tested for impairment if indicators suggest that such a problem might exist.
Impairment testing takes place at least once a year in the case of goodwill, other intangible assets with an indefinite useful life and assets not available for use.
In accordance with the Group's policies, the recoverability of the amounts recognised is assessed by comparing the carrying amount with the higher of the fair value (current realisable value) less the costs of disposal and the value in use of the asset. Value in use is defined by discounting the expected cash flows generated by the asset.
To determine value in use, expected future cash flows are discounted using a rate that reflects current market valuations of the time value of money, compared with the investment period and the specific risks associated with the activity.
For the purposes of assessing impairment, assets are analysed starting from the lowest level for which there are separately identifiable independent cash flows (cash generating units). Within the Group, the individual 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 write-downs cannot be reversed.
In order to provide complete information, it should be noted that in 2019, the Group approved another update of this policy (the "IAS 36 Policy on Impairment and Impairment Testing"), making several revisions, particularly in order to bring it into line with the amendments made to the accounting standards and, specifically, with the entry into force of the new IFRS 16 international accounting standard from 2019, which entailed the inclusion of a new "category" of tangible assets with a very significant overall value, relating

to the rights to use the assets underlying the leases, consequently increasing both the carrying amount of the OVS Group's CGUs and their EBITDA accounting flows (due to the "removal" of the cost of lease payments). However, no significant changes were made to the methodology used and summarised above.
As was the case in 2019, when compiling the financial statements at 31 January 2021, the Group made use of an external expert to prepare the impairment testing. The methods applied, the parameters used and the results of the impairment tests are extensively commented on in the following sections of these notes.

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".
It should be noted that, pursuant to IFRS 16, the OVS Group, as an intermediate lessor in a sub-lease, classifies the sub-lease as a finance lease if it meets the conditions laid down by the standard. If the sub-lease is classed as a finance lease, the original lessee eliminates the right of use on the lease asset in the main lease agreement at the inception of the sub-lease and continues to account for the original lease liability in accordance with the lessee's accounting model, while simultaneously booking a financial asset for leases that represents the entire life of the sub-lease.
See also the note below regarding "Accounting

standards, amendments and interpretations effective as of financial year 2020".

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 BANKS

The Cash and banks item includes available cash and credit balances of bank current accounts with no limits or restrictions, recognised at nominal value. These liquid assets are short-term, highly liquid investments that are readily convertible to cash, for which the risk of a change in value is insignificant. Investments are generally classified as cash and cash equivalents when their original maturity is three months or less.
Cash in foreign currency is valued according to period-end exchange rates.

PROVISIONS FOR RISKS AND CHARGES

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

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 balancing entry in shareholders' equity.
The present value is defined on the basis of market parameters and non-allocation conditions and is not subject to subsequent amendments after the date of initial determination.
The effects of granting conditions not related to the market (performance and retention conditions) are not taken into account in the evaluation of the fair value of the options granted, but are relevant to the evaluation of the number of options expected to be exercised.
At the reporting date the Group reviews its estimates of the number of options that are expected to be exercised. The effect of the review of the original estimates is recognised in the income statement over the vesting period with a balancing entry in shareholders' equity.
When the stock options are exercised, the amounts received from the employee, net of costs directly attributable to the transaction, are credited to the share capital in an amount equal to the nominal value of the issued shares, with the remaining portion credited to the share premium reserve.

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 (amortised cost).
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.

FINANCIAL LIABILITIES FOR LEASES

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

Variable lease payments that are not dependent on an index or rate are recognised as costs in the period in which the event or condition that generated the payment occurs.

In calculating the present value of the payments due, the Group uses the incremental borrowing rate at inception if the implicit interest rate cannot be easily determined. After the commencement date, the amount of the lease liability is increased to reflect interest on the lease liability and decreased to reflect payments made. In addition, the carrying value of lease payables is recalculated in the event of any amendments to the lease or the revision of the contractual terms to change the payments; it is also recalculated in the event of changes to the valuation of the option to purchase the underlying asset or for changes in future payments that result from a change in the index or rate used to determine such payments.

Rent concessions obtained from landlords as a consequence of the Covid-19 pandemic are recorded as negative variable rents and recognised in the income statement when they meet the following conditions:

- they relate to reductions in only payments due by 30 June 2021;
- the total of contractual payments after the rent concession is essentially equal to or less than the payments provided for in the original agreement;
- no other major contractual changes have been agreed with the lessor.

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 clothing for women, men and children for the value segment of the Italian market, as well as products in 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.
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 FROM LEASES

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

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 are 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 are 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, lives, depreciation and amortisation, impairment of assets, employee benefits, restructuring provisions, deferred tax assets, other provisions for risk and valuations of derivatives. Estimates and assumptions are reviewed periodically and the effects of any changes are immediately reflected in the income statement.

In addition to the above, and in accordance with the instructions contained in the recent Consob Communication No. 1/21 of 16/02/2021 (which in turn refers to the ESMA document "European common enforcement priorities for 2020 annual financial reports" of 28 October 2020), it should be noted that the higher estimates potentially affected by the Covid-19 pandemic related in particular to the verification of the recoverability of fixed assets (especially assets with an indefinite useful life, such as goodwill). Please see note 11 for the specific estimation process. There were no significant changes in other items regarded as material (inventories and trade receivables from customers), in terms of either overstock levels (relating to inventory) or being past due at year-end (with regard to trade receivables), and therefore changes in the basic parameters for determining the estimates would not have resulted in significant volatility in the estimates. For further details, please see notes 2 and 3 below and the extensive comments in the Report on Operations.

Impairment of tangible and intangible assets

Goodwill and the brands are tested at least once a year, and in any case whenever events or circumstances indicate the possibility of impairment, for recoverability pursuant to IAS 36 – Impairment of Assets. If the recoverable amount is less than the carrying amount, the asset is written down to its recoverable amount (defined as the greater of its value in use and its fair value). Verification of the amount requires subjective judgements to be made, based on information available within the OVS Group and from the market, as well as past experience. In addition, where potential impairment is identified, it is determined using evaluation techniques regarded as appropriate. The same verifications of value and the same valuation techniques are applied to intangible and tangible assets with a definite useful life, including right of use assets, when there are indicators suggesting that recovery of the relative net carrying amount through use might be difficult. The correct identification of impairment triggers and estimates to determine this depend on factors that may vary over time, with an effect on the valuations and estimates made by the OVS Group.

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. See what is reported above regarding "Trade and other receivables".

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 18.
The costs recognised in the income statement in relation to incentive plans for managers (please see the explanations in note 25 "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.

Financial liabilities and assets for leases and Right of use assets

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

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

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

Leases in which the Group acts as lessee may provide for renewal options which therefore affect the term of the lease. Assessments of whether there is a relative certainty that this option is (or is not) exercised may significantly affect the amount of lease liabilities and right of use assets as well as the incremental borrowing rate applied when it is not possible to easily determine the interest rate implicit in the lease.

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 effective as of financial year 2020

In preparing these consolidated financial statements, the same accounting standards and drafting criteria were substantially applied as in the preparation of the financial statements for the year ended 31 January 2020, having regard to the updates to the reference framework that came into effect on 1 January 2020, described below, which in any case did not have a significant impact on the Group, with the exception of the amendment to IFRS 16 described below.

The Group has adopted the following new accounting standards and amendments in these financial statements, applicable from 1 January 2020, as endorsed by the European Union.

AMENDMENT TO IFRS 16 – "LEASES COVID-19-RELATED RENT CONCESSIONS"

On 28 May 2020, the IASB published an amendment to IFRS 16 to regulate the accounting by lessees of any amendments granted by lessors to operating lease payments as of 1 January 2020 due to the effects of the Covid-19 pandemic.

The amendment, which was endorsed by the European Union on 12 October 2020, applies to financial statements for accounting periods beginning on or after 1 June 2020. However, early adoption is permitted and the Group has made use of this option.

The amendment introduces a practical expedient that simplifies the accounting of such concessions when they are a direct consequence of the Covid-19 pandemic, enabling the lessee to avoid assessing whether they involve a lease modification, but allowing it to account for them as a variable lease payment when the concession is recognised.

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

- the payment concession is a direct consequence of the Covid-19 pandemic and the reduction relates only to payments originally due no later than June 2021;
- the total of contractual payments after the rent concession is essentially equal to or less than the payments provided for in the original agreement;
- no other major contractual changes have been agreed with the lessor.

In March 2020, the OVS Group began an extensive negotiation process with all of its lessors to review its lease agreements in view of the pandemic and the consequent closure of stores due to legal measures: the mitigation of rent liabilities that these negotiations have resulted in is largely, but not entirely, reflected in the 2020 results. In particular, only concessions on leases that the Group obtained with formal acceptance by lessors before 31 January 2021 relating to the consequences of the Covid-19 pandemic have been recognised in the item "Costs for the use of third-party assets" because they are considered negative variable components of rents (rather than amendments to lease agreements). Agreements signed after this date will be reflected in the accounts in financial year 2021, even though, for management purposes, the Group considers them as referring to the relevant months of 2020. The accounting treatment adopted is consistent with the practical expedient introduced by the amendment to IFRS 16.

The other provisions that came into force on 1 January 2020 have had no material effects on the Group's financial statements. A brief description is provided below:

AMENDMENTS TO IFRS 3 DEFINITION OF A BUSINESS

The amendments to IFRS 3 clarify that in order to be considered a business, an integrated set of assets and assets must include at least one input and an underlying process that together contribute significantly to the capacity to create an output. It has also been clarified that a business can exist without including all the inputs and processes needed to create an output.

INTEREST RATE BENCHMARK REFORM AMENDMENTS TO IFRS 7, IFRS 9 AND IAS 39

The amendments to IFRS 9 and IAS 39 provide a number of practical expedients that apply to hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship that is affected by the reform is subject to uncertainties about the timing and extent of cash flows based on the reference rate with regard to the hedged instrument.

AMENDMENTS TO IAS 1 AND IAS 8 - DEFINITION OF MATERIAL

The amendments provide a new definition of materiality, stating that information is material if it is reasonable to assume that omitting, misstating or obscuring it could influence the decisions that readers make on the basis of these financial statements, which provide financial information about the specific reporting entity. Materiality depends on the nature or extent of the information. The entity assesses whether the information, individually or in combination with other information, is material in the context of the financial statements taken as a whole. Information is obscured if it is disclosed in such a way as to have an effect for the primary users of financial statements similar to that of the omission or misstatement of that information.

CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING ISSUED ON 29 MARCH 2018

The Conceptual Framework is not a standard and none of the concepts contained in it takes precedence over the concepts or requirements of a standard. The aim of the Conceptual Framework is to support the IASB in developing standards, to help editors develop consistent accounting policies where there are no standards applicable in the specific circumstances, and to help all parties involved to understand and interpret the standards. The revised version of the Conceptual Framework includes some new concepts, provides updated definitions and updated recognition criteria for assets and liabilities and clarifies some important concepts.

New accounting standards and interpretations approved by the European Union and effective for annual reporting periods starting on or after 31 January 2021 and not yet adopted by the OVS Group

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

On 28 May 2020, the IASB published an amendment entitled "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments permit the extension of the temporary exemption from the application of IFRS 9 until 1 January 2023. The endorsement of the European Union took place on 16 December 2020. These amendments will take effect on 1 January 2021.

On 27 August 2020, the IASB published the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2, which supplement the provisions already issued in 2019 on the replacement of the benchmark interest rate as a consequence of the reform already introduced. The endorsement of the European Union took place on 14 January 2020. These amendments will take effect on 1 January 2021.

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

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

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

All the amendments will take effect on 1 January 2022.

On 18 May 2017, the IASB published IFRS 17 Insurance Contracts (and subsequently, on 25 June 2020, the Amendments to IFRS 17), which is intended to replace IFRS 4 Insurance Contracts. The standard will apply from 1 January 2023.

On 23 January 2020, the IASB published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current". The aim of the document is to clarify how to classify payables and other short- or long-term liabilities. The amendments will come into effect on 1 January 2023, as established on 15 July 2020, deferring the original date of entry into force by one year.

Lastly, the IASB has published some amendments to the following standards: Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2, Definition of Accounting Estimates - Amendments to IAS 8. The amendments aim to improve disclosure on accounting policies so as to provide more useful information to investors and other primary users of the financial statements, as well as to help companies distinguish changes in accounting estimates from changes in accounting policy. The amendments to IAS 1 and IAS 8 will be effective for annual reporting periods starting on or after 1 January 2023, although early adoption is permitted.
No accounting standards and/or interpretations for which adoption is mandatory for periods beginning on or after 1 February 2021 have been adopted early.
Furthermore, the Group will adopt the new standards and amendments on the basis of the scheduled application date, and will assess their potential impacts on the consolidated financial statements when they are approved by the European Union.

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 balanced management of its financial exposure over time, to ensure that its liability structure is in balance with the composition of its balance-sheet assets and to provide the necessary operational flexibility through the use of cash generated

by current operating assets and bank loans.
Management of the relative financial risks is centrally guided and monitored. Specifically, the central finance function is responsible for evaluating and approving projected financial requirements, monitoring progress and establishing appropriate corrective action if necessary.
The financial instruments most used by the OVS Group are as follows:

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

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

CREDIT RISK

Credit risk represents the OVS Group's exposure to the risk of potential losses arising from default by counterparties.
There were no significant concentrations of credit risk at the end of the period under review.
To reduce credit risk, the OVS Group generally obtains guarantees in the form of sureties in respect of loans granted for the supply of goods. At 31 January 2021, the total guarantee amount was €61.9 million, including €18.9 million in overdue receivables (€63.7 million at 31 January 2020, including €13.9 million in overdue receivables).
Trade receivables are recognised net of write-downs calculated on the basis of the risk of counterparty default, determined by using available information on the solvency of the customer and also taking historical data and prospective losses into account to the extent reasonably expected. Positions that are particularly significant, and that are objectively partially or totally irrecoverable, are written down individually.
Trade receivables totalled €102.1 million at 31 January 2021 (€86.0 million at 31 January 2020).
Receivables written down (partially or fully) amounted to €11.2 million at 31 January 2021 (€17.2 million at 31 January 2020). The increase in the net value of amounts past due by more than 180 days was mainly due to drawings on the provision for doubtful accounts on positions already fully covered in the previous year.
Overdue receivables amounted to €30.6 million (€22.8 million at 31 January 2020).
The following tables provide a breakdown of trade receivables at 31 January 2021 and at 31 January 2020, grouped according to maturity and net of the provision for doubtful accounts:

(amounts in millions of euros)	**At 31 January 2021**	**Not yet matured**	**Matured within 90 days**	**Matured between 90 and 180 days**	**Matured beyond 180 days**
Trade receivables	113.3	71.5	24.8	1.5	15.5
Provision for doubtful accounts	(11.2)	-	(0.4)	(0.7)	(10.1)
Net value	102.1	71.5	24.4	0.8	5.4

(amounts in millions of euros)	**At 31 January 2020**	**Not yet matured**	**Matured within 90 days**	**Matured between 90 and 180 days**	**Matured beyond 180 days**
Trade receivables	103.2	63.6	22.9	2.1	14.6
Provision for doubtful accounts	(17.2)	(0.5)	(1.8)	(2.1)	(12.8)
Net value	86.0	63.1	21.1	-	1.8

The following table analyses financial assets for leases according to the contractual maturities on which collection will take place, at 31 January 2021 and 31 January 2020:

(amounts in millions of euros)	Balance at 31 January 2021	< 1 year	1-5 years	> 5 years	Total
Financial assets for leases	9.5	3.4	5.4	0.7	9.5

(amounts in millions of euros)	Balance at 31 January 2020	< 1 year	1-5 years	> 5 years	Total
Financial assets for leases	14.8	4.2	9.3	1.3	14.8

LIQUIDITY RISK

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

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

The OVS Group's liquidity requirements are monitored by the treasury department to ensure effective access to financial resources and adequate liquidity investment/ yield levels.
As of March 2020, government restrictions that resulted in the closure of the entire sales network in Italy (and abroad) highlighted the need for rapid and targeted action to address the Covid-19 crisis.
The Parent Company, OVS S.p.A., therefore immediately started the process of obtaining additional financing from a pool of banks in order to achieve the additional financial strength required to cope with the prolonged lockdown of our stores.
This process was completed on 24 June 2020 with the signing of the implementing decree of the Ministry of Economy and Finance, which rendered operational the SACE guarantee covering 80% of the €100 million loan obtained from the company (the "SACE Loan"). The loan was disbursed on 25 June 2020.
For more information about the changes that took place in the OVS Group's capital and financial structure during the financial year, see also note 13 below.
The following table breaks down financial liabilities (including trade and other payables): in particular, all the flows shown are nominal future undiscounted cash flows, calculated with reference to residual contractual maturities (for both the principal portion and the interest portion). Loans have been included based on the contractual maturity of the repayment.

(amounts in millions of euros)	Balance at 31 January 2021	< 1 year	1-5 years	> 5 years	Total
Trade payables	264.0	264.0	-	-	264.0
Payables to banks (*)	479.7	62.8	416.9	-	479.7
Financial liabilities for leases	916.9	171.5	405.6	339.8	916.9
Other financial payables	-	-	-	-	-
Financial expenses payable to banks (**)		15.4	15.7	-	31.1
Financial expenses for leases		42.3	111.0	53.3	206.6
Total	**1,660.6**	**556.0**	**949.2**	**393.1**	**1,898.3**

(*) The amount includes interest accrued but not yet paid at 31 January 2021.
(**) The amount was calculated by applying the forward curve recorded at 31 January 2021 to the loan repayment plan. For the Revolving Line, an average utilisation level of 50% was assumed. The aggregate also includes the value deriving from future cash flows generated for derivative contracts that had a negative fair value at the reporting date.

The same breakdown for 31 January 2020 is as follows:

(amounts in millions of euros)	Balance at 31 January 2020	< 1 year	1-5 years	> 5 years	Total
Trade payables	321.1	313.9	7.2	-	321.1
Payables to banks (*)	355.2	38.5	316.7	-	355.2
Financial liabilities for leases	906.8	133.8	416.8	356.2	906.8
Other financial payables	0.8	0.8	-	-	0.8
Financial expenses payable to banks (**)		14.0	25.3	-	39.3
Financial expenses for leases		47.1	125.0	61.0	233.1
Total	**1,583.9**	**548.1**	**891.0**	**417.2**	**1,856.3**

(*) The amount includes interest accrued but not yet paid at 31 January 2020.
(**) The amount was calculated by applying the forward curve recorded at 31 January 2020 to the loan repayment plan. For the Revolving Line, an average utilisation level of 50% was assumed. The aggregate also includes the value deriving from future cash flows generated for derivative contracts that had a negative fair value at the reporting date.

DERIVATIVES

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

	2020		2019	
(amounts in millions of euros)	Assets	Liabilities	Assets	Liabilities
Forward contracts - trading	-	9.1	7.6	-
Total	**-**	**9.1**	**7.6**	**-**
Current portion:				
Forward contracts - trading	-	9.1	7.6	-
Total current portion	**-**	**9.1**	**7.6**	**-**
Non-current portion:				
Forward contracts - trading	-	-	-	-
Total non-current portion	**-**	**-**	**-**	**-**

It should be noted that, as described in more detail in the subsequent notes, in particular note 13, in the months after the reporting date the Group fulfilled all the contractual provisions of the loan agreements, also taking into account the 2020 Waiver and the 2021 Waiver. Lastly, it should be noted that during the year the net changes in financial assets and liabilities presented in the consolidated statement of cash flows (corresponding to net cash generation of €124.6 million) can be broken down as follows: a net annual drawing of €25.0 million on the Revolving Credit Facility, €10.0 million on the UBI Banca Hot Money facility and €5.0 million on the Banca Sella loan, an incremental change of €0.7 million in financial payables due to interest, the taking out of the SACE Loan of €100.0 million, Term B2 repayments of -€16.7 million, and €0.6 million of other minor changes (including amortised costs).

MARKET RISK

Interest rate risk

The OVS Group uses external financial resources in the form of debt and employs liquidity available in bank deposits. Fluctuations in market interest rates affect the cost and returns of various forms of financing and investment, thus affecting the OVS Group's level of financial expenses and income. The loan agreement signed on 23 January 2015, which came into effect on 2 March 2015 and was amended on 19 September 2019 (the "Loan Agreement") does not include an obligation to hedge interest rate risk. Similarly, the "SACE Loan" does not provide for any obligation in this regard.

To manage these risks, OVS used interest rate derivatives ("caps") in previous years with the aim of mitigating, under economically acceptable conditions, the potential impact of changes in interest rates on the income statement.

Given the projections for the 6-month Euribor rate until the expiry of the above loan agreements (March 2023 for the Loan Agreement and June 2024 for the SACE Loan), the OVS Group decided not to take further action to hedge the risk of interest rate fluctuations.

Sensitivity analysis

The OVS Group's exposure to interest rate risk was measured using a sensitivity analysis that shows the effects on the income statement and on shareholders' equity of a hypothetical change in market rates of 40 bps higher or lower than the hypothetical forward rate curve at 31 January 2021. This analysis is based on the assumption of a general and instantaneous change in benchmark interest rates.

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

Effect of change on financial expenses - income statement

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

The same figure at 31 January 2020 is shown below:

Effect of change on financial expenses - income statement

(amounts in millions of euros)	- 40 bps	+ 40 bps
At 31 January 2020	0.0	0.1

Foreign exchange risk

Exposure to the risk of exchange rate fluctuations derives from the OVS Group's commercial activities, which are also conducted in currencies other than the euro. Revenues and costs denominated in foreign currencies can be affected by exchange rate fluctuations, with an impact on sales margins (economic risk), and payables and receivables in foreign currencies may be affected by the conversion rates used, with an impact on the income statement (transactional risk).

The main exchange rate to which the OVS Group is significantly exposed is the EUR/USD, in relation to purchases in dollars made in the Far East and on other markets in which the dollar is the trading currency.

The Group is also exposed to the EUR/HKD exchange rate in relation to the translation risk of investee company OVS Hong Kong Sourcing Limited. The conversion effects of the other foreign companies for which the euro is not the functional currency are marginal.

Exchange rate fluctuations may result in the realisation or reporting of foreign exchange gains or losses. The OVS Group also hedges orders that are highly probable although not acquired, pursuing the management aim of minimising exposure to risk.

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

It should be noted that in exceptional cases the Group may liquidate hedging derivative contracts for the expected purchase of goods.

In March 2020, a substantial number of derivative contracts to hedge projected goods purchases were unwound in view of the changed scenario for inflows, generating a capital gain of approximately €10 million. These hedges were subsequently redefined and contractualised to ensure the financial coverage necessary to manage the scheduled payments.
However, the measures taken by the Group to defer payments and the delay in the shipment of goods due to the various lockdowns highlighted the need to reposition some of the existing hedges, which are scheduled to expire between August and October 2020. In July 2020, a further operation was therefore carried out to unwind hedging derivative contracts, repositioning the notionals on the new maturities. This operation resulted in a capital loss of approximately €3 million.
The net effect during the financial year of the two operations was thus a capital gain of approximately €7 million.
The derivatives described are recognised at 31 January 2021 at fair value, according to the methods of recognition and measurement established in IFRS 9. Under this accounting standard, the entity is still permitted, under certain conditions, to book derivatives using hedge accounting. In view of the operational complexity in managing the correspondence between the theoretical underlyings (the flows subject to the management hedging described) and the derivatives, the OVS Group has decided not to adopt hedge accounting. Consequently, the fair value of existing financial instruments and subsequent changes in such instruments are directly charged to the income statement on each reporting date. The fair value of derivatives is quantified using common valuation techniques and is mainly determined by the difference between the notional amount in USD converted into euro at the forward exchange rate at the time of entering into the contract and the notional amount in USD converted into euro at the exchange rate at the end of the reference period. This difference may be positive or negative depending on changes in the EUR/USD exchange rate.
At 31 January 2021, this measurement was negative for €9.1 million, relating to the fair value of the contracts in place at year-end, as the forward exchange rate for the portfolio at 31 January 2021 was 1.1786, while the average EUR/USD exchange rate at year-end was 1.2136. This figure is added to the release to the income statement with a negative effect of the positive fair value recognised at 31 January 2020 of €7.6 million, with a total negative effect in the income statement of €16.7 million, all recognised as foreign exchange differences in the financial area.
The following table summarises key information relating to currency forwards:

	Transaction date	**Maturity date**	**Notional in USD/000**	**Strike price**	**Notional in EUR/000**	**Fair value in EUR/000**
At 31 January 2021	from 06 Mar 2020 to 04 Dec 2020	from 01 Feb 2021 to 01 Feb 2022	330,500	from 1.10927 to 1.2255	280,429	(9,130)

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 2021	8.3	(7.5)

The same analysis at 31 January 2020 is as follows:

Effect of change on result and shareholders' equity

(amounts in millions of euros)	- 5%	+ 5%
At 31 January 2020	8.4	(7.6)

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 2021, the translation reserve in equity reserves would have been subject to a positive/negative change of €0.9 million and €0.8 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.
Moreover, in 2020 there were no transfers of financial assets and liabilities classed in the various levels of the fair value hierarchy.
Liabilities relating to bank borrowings are measured using the "amortised cost" criterion.
Trade receivables and payables were measured at the price defined for the relevant transaction as this is deemed to be close to the present value.
In addition to the information on financial risk, the following is a reconciliation between classes of financial assets and liabilities as identified in the Group's statement of financial position, and the types of financial assets and liabilities identified pursuant to IFRS 7 at 31 January 2021:

	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	Currency derivatives	Total
Cash and banks			77,507			77,507
Trade receivables			102,061			102,061
Current financial assets					43	43
Current financial assets for leases			3,408			3,408
Other current receivables			10,707			10,707
Equity investments	0					-
Non-current financial assets					0	-
Non-current financial assets for leases			6,086			6,086
Other non-current receivables	3,909		5,319			9,228
Current financial liabilities				71,617		71,617
Current financial liabilities for leases				171,497		171,497
Trade payables				263,996		263,996
Other current payables				111,304		111,304
Non-current financial liabilities				414,105		414,105
Non-current financial liabilities for leases				745,365		745,365
Other non-current payables				16,867		16,867

The same reconciliation for 31 January 2020 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	Currency derivatives	Total
Cash and banks			45,656			45,656
Trade receivables			85,981			85,981
Current financial assets					7,572	7,572
Current financial assets for leases			4,191			4,191
Other current receivables			13,984			13,984
Equity investments	136					136
Non-current financial assets					34	34
Non-current financial assets for leases			10,623			10,623
Other non-current receivables	4,388		6,731			11,119
Current financial liabilities				38,871		38,871
Current financial liabilities for leases				133,808		133,808
Trade payables				321,146		321,146
Other current payables				128,215		128,215
Non-current financial liabilities				313,773		313,773
Non-current financial liabilities for leases				772,998		772,998
Other non-current payables				16,883		16,883

Information on operating segments

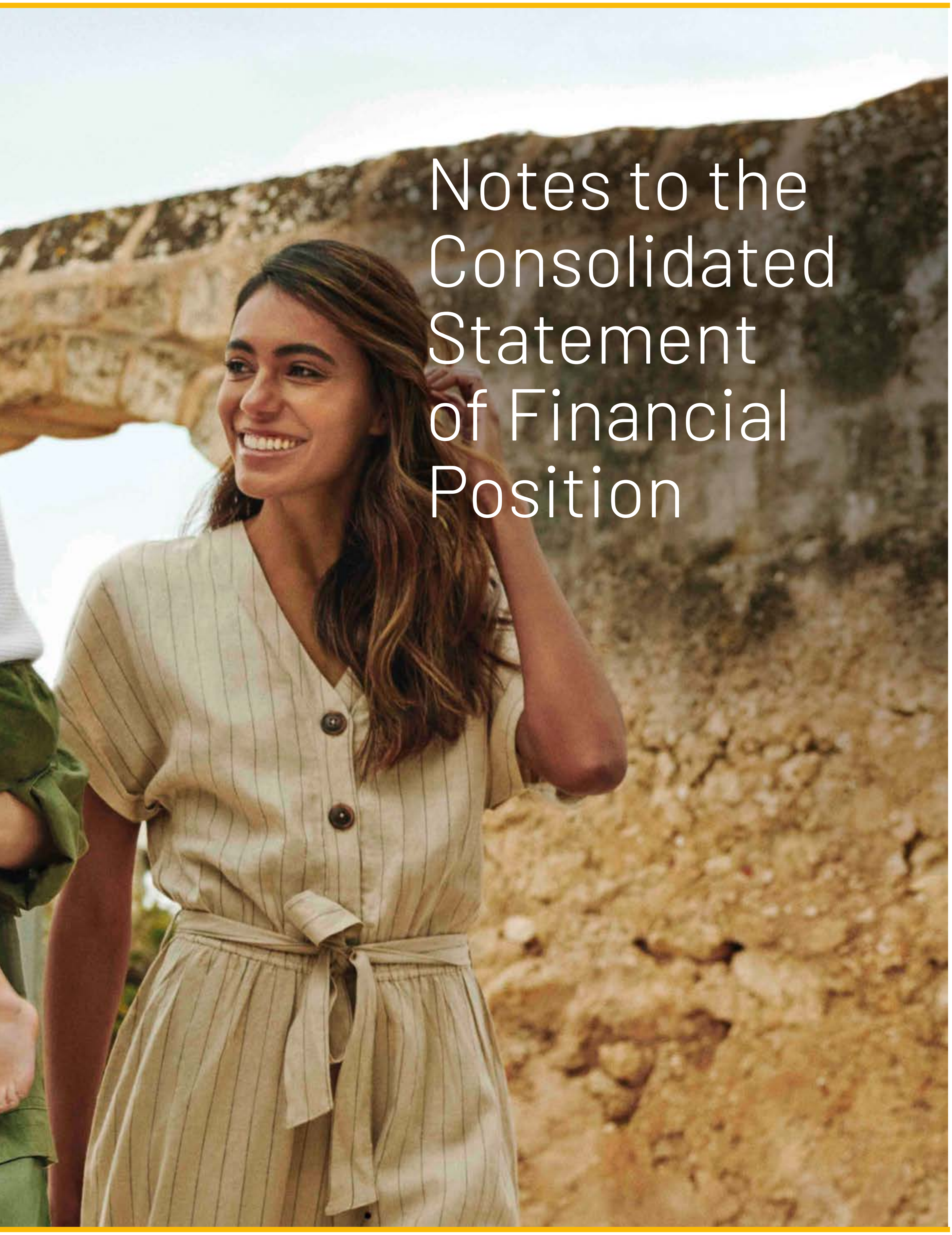
Pursuant to IFRS 8, management has identified the following operating segments:

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

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

	31 January 2021			31 January 2020		
(thousands of euros)	**OVS**	**UPIM**	**Total**	**OVS**	**UPIM**	**Total**
Revenues by segment	**815,630**	**202,837**	**1,018,467**	**1,117,382**	**252,708**	**1,370,090**
EBITDA Adjusted	**55,454**	**17,491**	**72,945**	**126,411**	**29,873**	**156,284**
% of revenues	**6.8%**	**8.6%**	**7.2%**	**11.3%**	**11.8%**	**11.4%**
Non-recurring expenses			(12,152)			(11,476)
Forex reclassification			(1,225)			(22,201)
Stock Option plan			(2,141)			(126)
IFRS 16 effects			147,645			170,473
EBITDA			**205,072**			**292,954**
Depreciation, amortisation and write-downs of assets			(206,729)			(376,931)
Profit before net financial expenses and taxes			**(1,657)**			**(83,977)**
Financial income			672			1,139
Financial expenses			(69,469)			(72,428)
Foreign exchange gains and losses			(8,128)			19,741
Gains (losses) from equity investments			(136)			1,095
Net result for the year before tax			**(78,718)**			**(134,430)**
Taxes			113,826			(5,948)
Net result for the year			**35,108**			**(140,378)**

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).

	31.01.2021	31.01.2020	change
1 Cash and banks	77,507	45,656	31,851

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

	31.01.2021	31.01.2020	change
1) Bank and post office deposits	72,230	39,475	32,755
2) Cheques	5	8	(3)
3) Cash and cash equivalents on hand	5,272	6,173	(901)
Total	**77,507**	**45,656**	**31,851**

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 2021, ordinary current accounts were set up as pledges (last updated on 1 January 2021) to secure the Loan Agreement (described in note 13 below), in the amount of €54,939 thousand, and foreign currency current accounts in the amount of USD14,635 thousand, corresponding to €11,947 thousand, the balance of which is still fully available to the OVS Group.

	31.01.2021	31.01.2020	change
2 Trade receivables	102,061	85,981	16,080

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

	31.01.2021	31.01.2020	change
Trade receivables			
Receivables for retail sales	433	547	(114)
Receivables for wholesale sales	97,404	83,323	14,081
Receivables for services rendered	7,932	8,233	(301)
Disputed receivables	5,855	9,223	(3,368)
Trade receivables from related parties	1,617	1,836	(219)
Subtotal	**113,241**	**103,162**	**10,079**
(Provision for doubtful accounts)	(11,180)	(17,181)	6,001
Total	**102,061**	**85,981**	**16,080**

Receivables for wholesale sales derive from sales to affiliates.
Receivables from services mainly include charges for department management and subletting to external managers.
Disputed receivables mainly consist of receivables for problem loans. Most of these receivables are written down by recognising a specific provision for doubtful accounts.
The write-downs relate to receivables from affiliates or business partners, collection of which is presumed to be difficult, for disputes, or, in the majority of cases, for pending legal proceedings against customers.
Receivables from Serenissima Retail GmbH of €4.0 million, already fully written down at 31 January 2020, were derecognised during the year after OVS S.p.A. sent a proof of debt in the company's bankruptcy in December 2020.

The balance also includes receivables from the related party Coin S.p.A. of €1.6 million, related to brokerage fees for purchasing goods (€0.1 million) and receivables for services (€1.5 million).

It should also be noted that trade receivables (mainly for the provision of products to the franchising affiliates) amounting to €107.1 million were also used to secure the Loan Agreement at 31 January 2021.

The provision for doubtful accounts amounted to €11,180 thousand at 31 January 2021. During the year, €8,531 thousand was utilised and an accrual of €2,530 was made.
Changes in the provision for doubtful accounts are shown below:

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

The accrual to the "Provision for doubtful accounts" expresses the presumed realisable amount of receivables that are still collectable at the closing date of the financial year and has been adjusted to the risk assessments related to the particular situation in the period. These only marginally concerned receivables from commercial partners in franchising, which, operating mainly under the "Kids" formula of OVS and Upim, were much less affected by the various lockdowns. The adjustments to the provision were made more substantial with some commercial partners which the OVS Group charges for part of the sales spaces on the basis of sub-leases.
The drawings for the period relate to receivable positions for which elements of certainty and accuracy, or the presence of insolvency procedures, determine the derecognition of the position. In this regard, it should be recalled that receivables from Serenissima Retail GmbH were written off, which entailed a drawing of €4.0 million on the provision for doubtful accounts.

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.

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

(amounts in thousands of euros)	
Balance at 31 January 2019	**38,815**
Allocations in the year	5,955
Utilisations in the year	(27,589)
Balance at 31 January 2020	**17,181**

	31.01.2021	31.01.2020	change
3 Inventories	420,110	393,094	27,016

The breakdown of inventories is shown in the following table:

(amounts in thousands of euros)	31.01.2021	31.01.2020
Goods	464,564	432,748
Gross stock	**464,564**	**432,748**
Provision for depreciation	(33,126)	(28,460)
Provision for inventory differences	(11,328)	(11,194)
Total provision for stock write-downs	**(44,454)**	**(39,654)**
Total	**420,110**	**393,094**

This item includes stocks of merchandise at warehouses and stores at the reporting date.
The amount is largely in line with the amounts that would be obtained by valuing the inventories at current cost at the reporting date.
The increase in gross inventories is due to the fact that the goods held for sale during the months of closure (particularly in March and April 2020) were regularly purchased. Like all clothing retailers, the OVS Group was therefore faced with the choice of either: a) maximising promotional leverage to dispose of the goods accumulated during the period of closure, or b) carrying forward the unsold goods from the Spring/Summer collection to 2021. Given the high proportion of children's clothing and the prevalence in the range of medium-low "fashion content" products, the Group decided that the greater cash that could be generated in the short term with option a) would not be sufficient to offset, in the medium term, the reduction in margins resulting from discounts. It therefore opted to carry the goods forward to the 2021 financial year. In particular,

the Group organised the collection from stores of the spring goods delivered in January-February 2020, which have not been "seen" by customers due to the closures, so that they could be stored until the following year. A part of the summer goods was distributed to stores when they reopened, to support sales towards the end of the season, while the remainder will be kept in storage. Please also see the extensive comments in the Report on Operations concerning the careful management of working capital.

The provision for depreciation reflects management's best estimate based on the breakdown by type and season of inventories, considerations arising from past experience and the outlook for sales volumes, including in light of the pandemic. The provision for inventory differences includes the estimate of inventory differences at the end of each of the periods under review, in view of the fact that the OVS Group carries out a physical inventory in February or June of each year.
These provisions are based on the management best estimate and are therefore believed by management to be consistent with their respective purposes.
Changes in the provision for depreciation and the provision for inventory differences for the year ended 31 January 2021 are shown below:

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

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

(amounts in thousands of euros)	Provision for depreciation	Provision for inventory differences	Total
Balance at 31 January 2019	**20,946**	**12,885**	**33,831**
Allocation	27,976	13,003	40,979
Utilisation	(20,462)	(14,694)	(35,156)
Balance at 31 January 2020	**28,460**	**11,194**	**39,654**

	31.01.2021	31.01.2020	change
4 Current financial assets	43	7,572	(7,529)
4 Non-current financial assets	0	34	(34)

The breakdown of the "Financial assets" item into current and non-current at 31 January 2021 and at 31 January 2020 is shown below:

(amounts in thousands of euros)	31.01.2021	31.01.2020
Derivatives (current portion)	43	7,572
Total current financial assets	**43**	**7,572**
Derivatives (non-current portion)	0	34
Total non-current financial assets	**0**	**34**
Total	**43**	**7,606**

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

It should be noted that the loan of €83 thousand granted to associate Centomilacandele S.C.p.A. in liquidation in the first half of the year, which is a shareholders' loan, was entirely written down due to the current state of liquidation of the consortium company.

	31.01.2021	31.01.2020	change
5 Current financial assets for leases	3,408	4,191	(783)
5 Non-current financial assets for leases	6,086	10,623	(4,537)

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

	31.01.2021	31.01.2020	change
6 Current tax assets	15,637	14,683	954

The balance mainly consists of receivables for excess IRES and IRAP payments on account (€13,522 thousand and €745 thousand respectively) paid on a historical basis, already net of the payable for taxes accrued during the year, receivables for withholding taxes on fees (€943 thousand), tax credits (€363 thousand) and taxes withheld at source.

	31.01.2021	31.01.2020	change
7 Other current receivables	10,707	13,984	(3,277)
7 Other non-current receivables	9,228	11,119	(1,891)

Other receivables break down as follows:

	31.01.2021	31.01.2020	change
Other receivables	3,429	2,708	721
Receivables from insurance companies for claims reimbursment	216	61	155
Receivables from employees	1,018	1,285	(267)
Accrued income and prepaid expenses - rents and service charges	873	3,227	(2,354)
Accrued income and prepaid expenses - insurance	726	83	643
Accrued income and prepaid expenses - interest on security deposits	24	26	(2)
Accrued income and prepaid expenses - other	4,421	6,594	(2,173)
Total current receivables	**10,707**	**13,984**	**(3,277)**
Security deposits	3,909	4,389	(480)
Minor investments	20	20	0
Other receivables	5,299	6,710	(1,411)
Total non-current receivables	**9,228**	**11,119**	**(1,891)**

The "Other receivables" item in current receivables relates to guarantee deposits made for new leases amounting to €221 thousand, receivables for business unit disposals amounting to €1,337 thousand and the deposit of €1,000 thousand paid for the acquisition of Stefanel, while the remainder refers to social security receivables and advances to suppliers and shippers.

Receivables from insurance companies mainly comprise reimbursement for damage to goods during transport (€82 thousand), damage due to flooding at the OVS store in Marcon (€119 thousand) and damage due to the theft of valuables in stores (€15 thousand).

The item "Accrued income and prepaid expenses - other" primarily includes prepayments for advertising and marketing services of €1,177 thousand and the share of deferred financial fees (€430 thousand) incurred to obtain the revolving credit facilities described in more detail in the "Financial liabilities" section below.

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

It should also be noted that insurance receivables amounting to €0.2 million were used to secure the Loan Agreement at 31 January 2021.

"Other non-current receivables" include security deposits that relate mainly to securities paid under leases, utilities and deposits with customs to guarantee goods imports.

The "Minor investments" item mainly includes equity investments in consortia recognised at cost.

The "Other non-current receivables" item refers to assets deferred beyond 12 months from the reporting date from third parties amounting to €4,884 thousand and the medium/long-term portion of deferred financial fees of €379 thousand.

	31.01.2021	31.01.2020	change
8 Property, plant and equipment	234,702	255,070	(20,368)

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

Investments during the year mainly related to:

- expenses for modernising, renovating and upgrading stores in the sales network;
- purchases of furniture and fittings for the commercial network to furnish both newly opened and renovated branches.

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

Pursuant to IAS 36, for businesses showing signs of impairment the Group assessed the recoverability of the relative assets using the discounted cash flow method.
The analysis did not show any impairment during the year.

In addition, pursuant to the Loan Agreement, at 31 January 2021 a lien was created on property in the amount of €155.4 million.

	31.01.2021	31.01.2020	change
9 Right of use	824,352	866,316	(41,964)

Pursuant to the IFRS 16 international accounting standard, this item includes right-of-use assets relating mainly to store leases and deposits and to a minor extent to leases on offices, apartments for company use and motor vehicles/other equipment.
For a detailed analysis, please see Table 2 relating to changes in the period and the next section on "Impairment testing".

	31.01.2021	31.01.2020	change
10 Intangible assets	604,139	618,053	(13,914)

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

Intangible assets at 31 January 2021 mainly included the amounts allocated to the OVS Group deriving from the previous acquisition of Gruppo Coin by Icon, which was then transferred to the current OVS S.p.A. in July 2014.
At 31 January 2021, these amounts included:
- The OVS brand for €377.5 million, with an indefinite life (included under "Concessions, licences and brands");
- The Upim brand for €13.3 million, with an indefinite life (included under "Concessions, licences and brands");
- The OVS franchising network for €57.5 million, amortised over 20 years (included under "Other intangible assets");
- The Upim franchising network for €22.9 million, amortised over 20 years (included under "Other intangible assets");
- Licences relating to OVS stores for €78.9 million, amortised over 40 years (included under "Concessions, licences and brands");
- Licences relating to Upim stores for €20.2 million, amortised over 40 years (included under "Concessions, licences and brands").

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

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.

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

	31.01.2021	31.01.2020	change
11 Goodwill	297,541	297,541	0

The goodwill mainly relates to the acquisition of Gruppo Coin by Icon on 30 June 2011 (the original book value was €451,778 thousand, allocated to the OVS CGU).
It should be recalled that, during the preparation of the financial statements for the year ended 31 January 2020, approved by the Shareholders' Meeting on 9 July 2020, goodwill had been tested for impairment, the results of which had led to a loss in value of €155,000 thousand, bringing the residual value to €297,541 thousand.
For the results of the impairment testing carried out at 31 January 2021, please see the following section.

Impairment testing

Pursuant to IAS 36, the Group verifies the recoverability of intangible assets with an indefinite useful life (goodwill and brands) when indicators of impairment are identified, and in any event at the closing date of the year, while for tangible assets and other assets with a finite useful life this takes place when indicators of impairment are identified. The recoverable amount of the cash-generating units (CGUs) to which the individual assets are allocated is verified by calculating their value in use and/or fair value.
The cash generating units identified by management coincide with the OVS and Upim operating segments, 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 €297.5 million, and the OVS brand for €377.5 million, both with an indefinite useful life.
The estimated value in use of the OVS operating segment for the purposes of impairment testing is based on the discounting of provisional data for the OVS CGU, determined on the basis of the following assumptions:

- the projected cash flows for the OVS operating segment were extrapolated from the 2021 Budget and the business plan for the three years from 2021 to 2023 (the "Plan"), both drawn up by management and approved by the Board of Directors on 11 February 2021. Provisional cash flows for the OVS CGU were determined according to levels of turnover growth and EBITDA, based on both past operating and profit performance and on future projections, also taking the ongoing pandemic into account;
- future cash flows, standardised to use for the terminal value, were constructed by consistently applying a growth rate "g" for EBITDA of 1.3% a year, applied to EBITDA in the final year of the Plan (flat compared with 31 January 2020). Annual investments were estimated consistently on the basis of depreciation and amortisation in the last year of the Plan (€43 million): this amount is believed to be representative of the standardised investments needed to maintain existing fixed assets, while annual investments of €117.6 million were estimated to be required to maintain right of use assets;
- the discount rate (WACC) used to estimate the present value of cash flows was 5.4% and was determined based on the following assumptions: i) the risk-free rate used was 1.1%, corresponding to the return on ten-year government bonds issued by the Italian government; ii) the equity risk premium used was 4.7%, 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 (5.2%) were estimated as the one-month average of the ten-year EurIRS rate, plus a spread of 540 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 2021 was €1,975 million. The comparison between the VIU (€1,975 million) and the carrying amount (net invested capital) of the OVS CGU (€1,816 million, including the effects of IFRS 16), shows that the value in use of the CGU is higher than its carrying amount: therefore, based on the flows approved by management in February 2021, 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:

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

These sensitivity analyses performed separately for each of the above assumptions would not, however, result in write-downs to be recorded in 2020 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 2021 Budget and the business plan for the three years from 2021 to 2023 (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, also taking the ongoing pandemic into account;
- expected future cash flows, standardised to use for the terminal value, were constructed by consistently applying a growth rate "g" for EBITDA of 1.3% a year (flat compared with 31 January 2020) applied to EBITDA in the final year of the Plan. Annual investments were estimated consistently on the basis of depreciation and amortisation in the last year of the Plan (€22 million): this amount is believed to be representative of the standardised investments needed to maintain existing fixed assets, while annual investments of €32 million were estimated to be required to maintain right of use assets;
- the discount rate (WACC) used to estimate the present value of cash flows was 5.4% and was determined based on the following assumptions: i) the risk-free rate used was 1.1%, corresponding to the return on ten-year government bonds issued by the Italian government; ii) the equity risk premium used was 4.7%, 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 (5.2%) were estimated as the one-month average of the ten-year EurIRS rate, plus a spread of 540 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 2021 was €371 million. The comparison between the VIU (€371 million) and the carrying amount (net invested capital) of the Upim CGU (€280 million, including the effects of IFRS 16), shows that the value in use of the CGU is higher than its carrying amount: therefore, there is no impairment to be recognised.

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

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

These sensitivity analyses, performed separately for each of the above assumptions, would not, however, result in write-downs to be recorded in 2020 in relation to the Upim CGU.

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

Licences relating to OVS and Upim stores and right of use assets showing indicators of impairment were tested for impairment by calculating the value in use for each store thus identified.
The key assumptions used to determine the value in use of the CGUs concern the discounting rate and the growth rate. Specifically, the post-tax discount rate (WACC) was used and no growth rate was projected for the period following the 2021-2022 Plan.
On the basis of the analysis, no write-downs or write-ups of previous write-downs relating to licences and/or right of use assets were identified in the current year.

	31.01.2021	**31.01.2020**	**change**
12 Equity investments	0	136	(136)

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

	31.01.2021	**31.01.2020**	**change**
13 Current financial liabilities	71,617	38,871	32,746
13 Non-current financial liabilities	414,105	313,773	100,332

The breakdown of the "Current financial liabilities" and "Non-current financial liabilities" items at 31 January 2021 and 31 January 2020 is shown below:

(amounts in thousands of euros)	**31.01.2021**	**31.01.2020**
Current bank payables	41,074	5,245
Current portion of non-current debt	21,396	32,818
Other current financial payables	9,147	808
Current financial liabilities	**71,617**	**38,871**
Non-current bank payables	414,079	313,773
Other non-current financial payables	26	0
Non-current financial liabilities	**414,105**	**313,773**

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

The OVS Group's current and non-current bank payables at 31 January 2021 are shown below:

			At 31 January 2021		
(amounts in thousands of euros)	Maturity date	Interest rate	Total	of which non-current portion	of which current portion
Facility Revolving	2023	Euribor + 3.75%	25,000	-	25,000
Hot Money UBI Banca	2021	Euribor + 3.25%	9,980	-	9,980
Due for financial expenses			6,094	-	6,094
Current bank payables			**41,074**	**-**	**41,074**
Facility B1	2023	Euribor + 3.75%	250,000	250,000	-
Facility B2	2023	Euribor + 3.75%	83,333	66,666	16,667
SACE Loan	2024	Euribor + 2.25%	100,000	100,000	-
Banca Sella Loan	2021	Euribor + 3.50%	5,000	-	5,000
SG Loan	2023		305	204	101
Loan ancillary costs			(3,163)	(2,791)	(372)
Non-current bank payables			**435,475**	**414,079**	**21,396**

The lines of credit available to the Group at 31 January 2021 mainly relate to the two loan agreements described below:

1. a loan agreement initially signed on 23 January 2015, disbursed on 2 March 2015 (the "Loan Agreement"), subsequently amended and modified on 19 September 2019, for a total amount of €450,000,000, which provides for the granting of:
   - a medium/long-term facility of €250,000,000 (Term B1);
   - an amortising facility of €100,000,000, with half-yearly repayments of equal amounts as of 28 February 2020 (Term B2). At 31 January 2021, this facility was in place and amounted to €83,333,333.33;
   - a revolving credit facility of €100,000,000, which can be drawn down in various currencies (the "Revolving Credit Facility" or "RCF").
2. A loan agreement signed on 24 June 2020, disbursed on 25 June 2020 (the "SACE Loan Agreement" and the relevant loan, the "SACE Loan") totalling €100,000,000.

It should be noted that, parallel to the process of obtaining the SACE Loan, on 8 May 2020 the Parent Company, OVS S.p.A., signed a request for a waiver relating to the Loan Agreement, countersigned in acceptance by Banca IMI S.p.A. (now Intesa Sanpaolo S.p.A.) as the Agent pursuant to the Loan Agreement, on 15 May 2020 (the "2020 Waiver"), the effectiveness of which was contingent, inter aliaon the signing of the SACE Loan, which then took place on 24 June 2020.

The 2020 Waiver has, inter alia, introduced the following changes:

- the deferral of the payment of the August 2020 and February 2021 instalments of Term B2. These instalments will be accumulated into the last two instalments provided for in the contract (February 2022 and August 2022 respectively);
- the waiver of any Default or Event of Default (each term as defined, respectively, in the Loan Agreement) in respect of any breach of the maximum permitted value of the leverage financial parameter (as defined in the Loan Agreement) on any Test Date (as defined in the Loan Agreement) up to and including January 2021 (therefore with

reference to the Test Dates scheduled for April 2020, July 2020, October 2020 and January 2021);
- the expansion of the baskets of medium/long-term lines granted outside the outstanding Loan Agreement from €75 million to €100 million to allow access to the new financing guaranteed by SACE;
- the increase in the threshold per event of cross default from €5 million to €20 million from the date of signature of the 2020 Waiver until 31 December 2020 (inclusive), except in the case of some specific scenarios;
- the suspension, for the entire fiscal year 2020, of a clean-down test that requires the RCF-Cash equation to be under €25 million for at least five consecutive days;
- the sending to the banks of the liquidity statement (containing forward-looking information on the liquidity for the quarter immediately following the reference month and historical information on the liquidity of the relevant month). The first statement was sent at the end of June 2020 and the last statement is scheduled to be sent on 28 February 2021;
- compliance with a liquidity covenant under which the Group will have at least €10 million of liquidity. The first test of this covenant took place on 31 May 2020 and the last test is scheduled for 28 February 2021.

Regarding the Loan Agreement, the applicable interest rate for the Term B1 Facility at 31 January 2021 was equal to the sum of (i) the spread of 3.75% per annum (the "Spread") and (ii) the Euribor parameter or, in the case of draw-downs in currencies other than the euro, the Libor parameter (the "Interest"). The applicable interest rate for both the Term B2 Facility and the Revolving Credit Facility at 31 January 2021 is equal to the sum of (i) the margin of 3.75% per annum (the "Margin") and (ii) the Euribor parameter or, in the case of draw-downs in currencies other than the euro, the Libor parameter (the "Interest"). Both rates are set at zero if the parameter is negative. The Interest is calculated on a quarterly or half-yearly basis for Term B1 and Term B2, and on a monthly, quarterly or half-yearly basis for the Revolving Credit Facility (unless otherwise agreed between the parties).

The Margin may be further reduced or increased according to the ratio of average total net debt to EBITDA (as contractually specified), calculated quarterly on the basis, depending on the case, of the consolidated financial statements at 31 January and the half-year report (both audited) and the consolidated quarterly reports (unaudited) at 30 April and 31 October, prepared in accordance with IFRSs. In particular, the Loan Agreement provides that for the Term B1 Facility, the first Leverage test should be carried out within 18 months of the effective date (19 September 2019). If the ratio of average total net debt to EBITDA exceeds 2.50, the Margin will increase to 4.00%; while for the Term B2 Facility and the Revolving Credit Facility, as of 1 February 2020, the increase in the Margin will be calculated as follows:
- if the ratio of average total net debt to EBITDA is greater than or equal to 3.00:1, the applicable Margin is 3.75%;
- if the ratio of average total net debt to EBITDA is less than 3.00:1 but greater than or equal to 2.00:1, the applicable Margin is 3.50%;
- if the ratio of average total net debt to EBITDA is less than 2.00:1 but greater than or equal to 1.50:1, the applicable Margin is 3.00%; and
- if the ratio of average total net debt to EBITDA is less than 1.50:1, the applicable Margin is 2.50%.

At 31 January 2021, the ratio of average financial debt to EBITDA was 5.42x. In this regard, it should be noted that this value at 31 January 2021 is for information purposes only, as provided for in the 2020 Waiver.

The final due date of the Loan Agreement, which also coincides with the repayment date for the credit facilities, is fixed as 2 March 2023.

The Loan Agreement provides that, to ensure that the relative obligations are met, the following guarantees are made in favour of the banking pool on its movable property, inter-company loans, patents, current accounts and trade and insurance receivables, and in particular:
1. the assignment as collateral of receivables arising from any inter-company loan for which OVS S.p.A. is the lending party;
2. the assignment as collateral of trade and insurance receivables (mainly receivables for the supply of

products to the franchising affiliates and insurance receivables);

3. a lien on some corporate assets (mainly furnishings and equipment related to the business of OVS) owned by the Group;
4. a pledge on 100% of the shares of OVS Hong Kong Sourcing Limited held by OVS S.p.A.;
5. a pledge on 100% of the shares of the other subsidiaries of OVS S.p.A. that will fall under the definition of "Material Company" pursuant to the Loan Agreement. A Material Company is intended to mean any new company that will be controlled by OVS S.p.A. in the future and which is material, pursuant to the Loan Agreement, based on the revenues it generates in proportion to Group EBITDA;
6. a pledge on some brands and trademarks owned by OVS S.p.A. (in particular on the OVS and Upim brands);
7. a pledge on some current accounts held by OVS S.p.A.

OVS S.p.A. undertakes to announce the occurrence of any significant adverse events or events of default that could restrict and/or impede the ability of the Parent Company, OVS S.p.A., or any guarantor to meet its contractual obligations under the Loan Agreement.
In terms of financial obligations, the only parameter that the Parent Company, OVS S.p.A., has undertaken to comply with is the leverage ratio, i.e. the OVS Group's ratio of net debt to EBITDA, on a consolidated basis. As of 31 July 2015, this ratio must be equal to or less than 3.50:1 for each 12-month period ending in a reporting date (i.e. 31 January, 30 April, 31 July and 31 October of each year), according to a calculation based on the consolidated financial statements and consolidated half-year reports of the OVS Group, except for the test of July 2015 and January 2016, in which average net debt was calculated based on the final value of each month that had actually passed since the disbursement date. As previously indicated, the 2020 Waiver that entered into force with the signing of the SACE Loan entailed, inter alia, the waiver of any Default or Event of Default (each term as defined in the Loan Agreement) in respect of any breach of the maximum permitted value of the leverage ratio on any Test Date (as defined in the Loan Agreement) until January 2021 inclusive (therefore with reference to the Test Dates scheduled for April 2020, July 2020, October 2020 and January 2021).

The Loan Agreement is governed by UK law and any disputes relating thereto are under the exclusive jurisdiction of the UK courts.
Any breach of the contractual covenants is an event of default that the Group has the power to rectify:

i. with respect to the non-payment of any amount due pursuant to a Finance Document (as defined in the Loan Agreement), provided that it is due to technical or administrative error or a Disruption Event (as defined in the Loan Agreement), within three working days of the relevant expiry; and
ii. with reference to events of default other than non-payment, breach of the financial parameter and some other specific circumstances (related, inter alia, to the clauses of the Loan Agreement relating to "provision and contents of a compliance certificate", "negative pledges", "disposals" and "financial indebtedness") within 21 days of the date on which the Agent sent a written notice to the OVS Group or the day on which the OVS Group became aware of non-compliance with the contractual covenant.

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

The main characteristics of the SACE Loan are set out below. The loan amount of €100,000,000 is 80% counter-guaranteed by SACE. This loan, disbursed in a lump sum, will have a term of 4.3 years, with the deadline for payment of the final instalment in September 2024. The loan provides for a grace period of 24 months and 10 equal instalments of €10,000,000 each, to be paid quarterly starting in June 2022.
The covenant provided for is aligned with the covenant in the Loan Agreement.
The cost of the SACE guarantee, calculated on the

notional amount outstanding on the date, will be structured as follows: 50 bps in the first year, 100 bps in the second and third years, 200 bps from the fourth year onwards.
The interest rate applied will be 2.25% + 3M Euribor (zero if the parameter is negative) for the entire term of the SACE Loan and will not be subject to increases/ decreases according to the change in leverage.

It should also be noted that, on 26 June 2020, a loan agreement was signed with Banca Sella S.p.A. for 18 months minus one day, falling due on 30 November 2021, for a total amount of €5,000,000. The rate applied is equal to the 3-month Euribor plus a margin of 3.50%.
The contract provides for a grace period of nine months and subsequent monthly repayments as of 28 February 2021.

As reported in the section entitled "Significant events after the reporting period", in February 2021, the Parent Company, OVS S.p.A., began the process of obtaining two further waivers in relation, respectively, to (i) the Loan Agreement and (ii) the SACE Loan Agreement (collectively, the "2021 Waiver"). This process, which involved the submission of two separate waiver requests relating to (i) the Loan Agreement and (ii) the SACE Loan Agreement, signed by the Parent Company OVS S.p.A. on 17 March 2021 and supplemented by email on 25 March 2021, was concluded on 30 March 2021 following, inter alia, the signing of two letters of acceptance of the waiver requests by Intesa Sanpaolo S.p.A. and UniCredit S.p.A. as Agents pursuant to, respectively, the Loan Agreement and the SACE Loan Agreement, both countersigned by the Parent Company OVS S.p.A., and the approval of the 2021 Waiver.
The 2021 Waiver provides for:

- the waiver of any Default or Event of Default (each term as defined, respectively, in the Loan Agreement and the SACE Loan Agreement) in respect of any breach of the maximum permitted value of the Leverage financial parameter (as defined, respectively, in the Loan Agreement and in the SACE Loan Agreement) on any Test Date (as defined, respectively, in the Loan Agreement and the SACE Loan Agreement) up to and including January 2022 (therefore with reference to the Test Dates scheduled for April 2021, July 2021, October 2021 and January 2022);
- the inclusion of a new test on the ratio of net financial debt as at 31 January 2022 to EBITDA for the 2021 financial year. The maximum value of the above test must be less than or equal to 4.0x;
- the sending to the banks of the liquidity statement, to be drawn up in line with the provisions of the previous 2020 Waiver obtained in May 2020 (therefore containing forward-looking information on liquidity for the quarter immediately following the reference month and historical information on the liquidity of the relevant month), starting on 31 March 2021. The last statement will be sent on 31 January 2022;
- compliance with a monthly liquidity covenant, under which the OVS Group will have, from 31 March 2021, liquidity of no less than €15 million at the end of each month. The last test is scheduled for 31 January 2022.

The breakdown of the consolidated net financial debt of the OVS Group at 31 January 2021 and 31 January 2020, determined according to the provisions of the Consob Communication of 28 July 2006 and pursuant to the ESMA/2013/319 Recommendations, also including the effects on debt of IFRS 16, is as follows:

(amounts in thousands of euros)	31.01.2021	31.01.2021 excluded IFRS 16	31.01.2020	31.01.2020 excluded IFRS 16
Net debt				
A. Cash	77,507	77,507	45,656	45,656
B. Cash equivalents	-	-	-	-
C. Securities held for trading	-	-	-	-
D. Liquid assets (A)+(B)+(C)	**77,507**	**77,507**	**45,656**	**45,656**
E. Current financial receivables	**3,451**	**43**	**11,763**	**7,572**
F. Current bank payables	(41,074)	(41,074)	(5,245)	(5,245)
G. Current portion of non-current debt	(21,396)	(21,396)	(32,818)	(32,818)
H. Other current financial payables	(180,644)	(9,608)	(134,616)	(1,745)
I. Current debt (F)+(G)+(H)	**(243,114)**	**(72,078)**	**(172,679)**	**(39,808)**
J. Net current debt (I)+(E)+(D)	**(162,156)**	**5,472**	**(115,260)**	**13,420**
K. Non-current bank payables	(414,079)	(414,079)	(313,773)	(313,773)
L. Bonds issued	-	-	-	-
M. Other non-current financial payables	(745,391)	(1,630)	(772,998)	(1,970)
N. Non-current debt (K)+(L)+(M)	**(1,159,470)**	**(415,709)**	**(1,086,771)**	**(315,743)**
O. Net debt (J)+(N)	**(1,321,626)**	**(410,237)**	**(1,202,031)**	**(302,323)**
Non-current financial receivables	**6,086**	**0**	**10,657**	**34**
Net financial position	**(1,315,540)**	**(410,237)**	**(1,191,374)**	**(302,289)**

Other current and non-current financial payables

The following table shows the breakdown of other current and non-current financial payables at 31 January 2021 and at 31 January 2020:

(amounts in thousands of euros)	31.01.2021	31.01.2021 excluded IFRS 16	31.01.2020	31.01.2020 excluded IFRS 16
Derivatives	9,147	9,147	-	-
Payables for finance leases	171,497	461	133,808	937
Liabilities to factoring companies	-	-	808	808
Other current financial payables	**180,644**	**9,608**	**134,616**	**1,745**
Derivatives	26	26	-	-
Payables for finance leases	745,365	1,604	772,998	1,970
Other non-current financial payables	**745,391**	**1,630**	**772,998**	**1,970**

	31.01.2021	31.01.2020	change
14 Current financial liabilites for leases	171,497	133,808	37,689
14 Non-current financial liabilites for leases	745,365	772,998	(27,633)

Financial lease liabilities are recognised in accordance with the application of IFRS 16 with effect from 2019.

As already shown with regard to "Accounting policies and consolidation criteria", the application of the practical expedient in relation to discounts and/or exemptions from payments on lease agreements due to the Covid-19 crisis (introduced with the amendment to IFRS 16 approved by the IASB on 28 May 2020 and endorsed by the European Union on 12 October 2020) resulted in a benefit in the income statement of approximately €29 million. Further concessions from landlords have been contractualised or are in the process of being formalised after 31 January 2021 and will therefore be recognised in the first quarter of 2021.
It should also be noted that current financial liabilities for leases include a portion of rent and interest (€49,964 thousand) that, at the reporting date, had not been paid as it is part of extended negotiations with the respective real estate owners.

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

	Minimum payments owed for finance leases		Principal amount	
	31.01.2021	31.01.2020	31.01.2021	31.01.2020
Within 1 year	163,821	180,927	121,532	133,808
From 1 to 5 years	516,601	541,846	405,606	416,810
Beyond 5 years	393,111	417,172	339,760	356,188
Total	**1,073,533**	**1,139,945**	**866,898**	**906,806**

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

	31.01.2021	31.01.2020
Minimum payments owed for finance leases	1,073,533	1,139,945
(Future financial expenses)	(206,635)	(233,139)
Present value of payables for finance leases	866,898	906,806

	31.01.2021	31.01.2020	change
15 Trade payables	263,996	321,146	(57,150)

The breakdown of the "Trade payables" item at 31 January 2021 and 31 January 2020 is provided below:

(amounts in thousands of euros)	31.01.2021	31.01.2020	change
Payables to third-party suppliers	263,998	321,121	(57,123)
Payables to related parties	(2)	25	(27)
Trade payables	**263,996**	**321,146**	**(57,150)**

This item includes payables relating to the OVS Group's normal course of operations, in respect of the supply of goods, assets and services.
The balance includes trade payables to foreign suppliers (mainly in Asia) amounting to €141,672 thousand; it also includes exposure in foreign currency (mainly USD) amounting to USD141,858 thousand, already net of USD156 thousand for advances.

	31.01.2021	31.01.2020	change
16 Current tax liabilities	3,927	0	3,927

This item mainly includes the current portion of the substitute tax payable arising from the realignment of the tax value with the statutory value of the OVS and Upim brands recognised in the Parent Company's financial statements.
The remaining portion relates to the current tax payables of the subsidiaries 82 S.r.l. and OVS Hong Kong Sourcing Ltd.
Current taxes accrued during the year for IRAP by the Parent Company, OVS S.p.A. (€456 thousand) are fully offset by a surplus of payments on account, while there is no current IRES.

	31.01.2021	31.01.2020	change
17 Other current payables	111,304	128,215	(16,911)
17 Other non-current payables	16.867	16.883	(16)

The breakdown of the "Other payables" item into current and non-current at 31 January 2021 and at 31 January 2020 is shown below:

	31.01.2021	31.01.2020	change
Payables to employees for unused leave and related contributions	5,994	7,929	(1,935)
Payables to employees for deferred salaries, overtime, bonuses and related contributions	15,926	22,545	(6,619)
Payables to Directors and Auditors for emoluments	531	586	(55)
Other payables	28,781	25,636	3,145
Payables to pension and social security institutions	4,285	8,418	(4,133)
VAT payables	28,016	35,452	(7,436)
Other tax payables	2,335	3,148	(813)
Other payables - to customers	309	280	29
Accrued expenses and deferred income - rents and leasing	4,030	4,924	(894)
Accrued expenses and deferred income - utilities	2,993	3,469	(476)
Accrued expenses and deferred income - insurance	434	602	(168)
Accrued expenses and deferred income - other	17,670	15,226	2,444
Total current payables	**111,304**	**128,215**	**(16,911)**
Tax payables	7,428	0	7,428
Trade payables	0	7,245	(7,245)
Accrued expenses and deferred income - other	9,439	9,638	(199)
Total non-current payables	**16,867**	**16,883**	**(16)**

Payables to employees relate to benefits accrued and not paid out at 31 January 2021.
"Other payables" mainly relate to the recognition of €16,651 thousand for the value of expected returns on sales made, pursuant to IFRS 15 (€14,279 thousand at 31 January 2020).
The balance also includes advance payments by customers for pre-orders of goods and purchases of vouchers amounting to €6,210 thousand, and payables for deposits and securities received from customers to guarantee affiliation agreements of €5,800 thousand.
The increase in payables to pension and social security institutions reflects payables to the INPS. The significant reduction relates to the use of social shock absorbers, including in the last few months of the year.
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 €8,974 thousand of accrued expenses for local taxes, €500 thousand of travel expenses, €433 thousand of bank charges, €2,133 thousand of deferred income for contributions payable by partners and lessors and €3,600 thousand of unredeemed reward points relating to customer loyalty programmes (€2,255 thousand at 31 January 2020).

"Non-current payables" also include €8,903 thousand as the non-current portion of deferred income for contributions recognised by lessors after store restructurings and conversions. These contributions were discounted based on the term of the lease. The same item includes €536 thousand relating to the deferral of the contribution deriving from investments in new capital goods, which benefited from the "Tremonti-quater" exemption. Note that investments were booked including the contribution amount, which was spread throughout the period of depreciation of the goods concerned. They also include the non-current portion of the substitute tax payable arising from the realignment of the tax value with the statutory value of the OVS and Upim brands recognised in the Parent Company's financial statements.

	31.01.2021	31.01.2020	change
18 Employee benefits	35,146	37,044	(1,898)

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)	31.01.2021	31.01.2020
Balance at the beginning of the year	**37,044**	**38,348**
Increase in the year	44	356
Actuarial (gains)/losses	236	1,485
Benefits paid	(2,178)	(3,145)
Balance at the end of the year	**35,146**	**37,044**

The item also includes €46 thousand relating to a 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	0.03%
Annual inflation rate	1.00%
Annual increase in employee severance indemnities	2.25%

The iBoxx Eurozone Corporates AA 7-10 index at the calculation date was used as the benchmark for the discount rate. This expiry relates to the average remaining period of service at the company of the employees of Group Companies, weighted with the expected payments.

Sensitivity analysis

As required by the revised version of IAS 19, a sensitivity analysis was carried out on changes in the key actuarial assumptions included in the calculation model.
The above scenario was used as the baseline scenario; from this, the most significant assumptions - i.e. the average annual discount rate, the average inflation rate and the turnover rate - were increased and decreased 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 turn over rate	
(amounts in millions of euros)	**+0.50%**	**-0.50%**	**+0.25%**	**-0.25%**	**+2.00%**	**-2.00%**
OVS	33.7	36.5	35.5	34.7	34.6	35.7

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	2.8
1 - 2	2.4
2 - 3	2.3
3 - 4	2.1
4 - 5	1.9
5 - beyond	23.8

The average number of personnel during the year just ended was 99 managers, 6,511 white-collar workers and 247 blue-collar workers.
At 31 January 2021, the Group had 97 managers, 6,421 white-collar workers and 243 blue-collar workers in its employ.

	31.01.2021	31.01.2020	change
19 Provisions for risks and charges	4,927	4,687	240

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

(amounts in thousands of euros)	31.01.2021	31.01.2020
Balance at the beginning of the year	**4,687**	**4,873**
Allocations in the year	268	1,033
Utilisations in the year	(28)	(1,219)
Balance at the end of the year	**4,927**	**4,687**

The provision is made for the risk of disputes with suppliers in relation to product sales and marketing, public entities, former employees and third parties of various kinds.
The outcome of these risks cannot be defined with certainty, and the amount recorded therefore represents the best estimate of the presumed charge at year-end.
The provision for the year of €0.3 million relates to legal or contractual risks.
The decrease refers to drawings on previous provisions made for disputes with former employees and various legal cases.

	31.01.2021	31.01.2020	change
20 Deferred tax liabilities	2,485	127,799	(125,314)

The decrease in "Deferred tax liabilities" mainly derives from the release due to the realignment of the tax value with the statutory value of the Parent Company's brands. As already mentioned in the Report on Operations, the full alignment of the tax value of the OVS and Upim brands with their statutory value, for a total amount of €371.4 million (as required by Article 110, paragraph 8-bis of Decree Law 104/2020) resulted in the release to the income statement of net deferred tax liabilities previously recognised totalling €106.3 million. At the same time, a substitute tax liability (equal to 3% of the realignment value) of €11.1 million was recognised, which will be paid in three annual instalments starting on 31 July 2021.

The changes in 2020 are shown below:

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

The same details are shown for the previous year:

(amounts in thousands of euros)	Balance at 31.01.2019	Allocated/ released to income statement	Allocated/ released to statement of comprehensive income	Balance at 31.01.2020
Provision for stock write-downs	8,077	1,378		9,455
Appropriation for local taxes	1,400	344		1,744
Provisions for risks and charges	1,169	(52)		1,117
Doubtful accounts	8,891	(5,086)		3,805
Tangible and intangible assets	(147,349)	(225)		(147,574)
IFRS 9 - Doubtful accounts	204	0		204
IFRS 15 - Rights of return	1,674	162		1,836
IFRS 16 - Leasing	0	593	(952)	(359)
Employee severance benefits calculated according to IAS 19	800	0	356	1,156
Provision for Collective Agreements	0	0		0
Other minor	699	118		817
Total net prepaid (deferred)	**(124,435)**	**(2,768)**	**(596)**	**(127,799)**

It should also be noted that €19,640 thousand was recognised for the IRES tax benefit on the loss for the year recorded by the Parent Company, OVS S.p.A.; this amount will be recovered in subsequent years due to the foreseeable generation of positive tax results.

Shareholders' equity

Shareholders' equity amounted to €764.3 million.
Details of changes in the items included in shareholders' equity are provided in the relative accounting schedule.

21 SHARE CAPITAL

At 31 January 2021, 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 as of 31 July 2014, entailed a share capital increase from €10,000 to €140,000,000, with a premium of €249,885,000.
Lastly, on 24 February 2015, the global offer for subscription and sale of ordinary shares of OVS S.p.A., with the aim of listing this company on the MTA, was successfully completed.
The subscription operation entailed a further capital increase of €87,000,000, increasing the share capital from €140,000,000 to €227,000,000, divided into 227,000,000 ordinary shares with no par value.

21 TREASURY SHARES

At 31 January 2021, the Parent Company, OVS S.p.A., held a total of 809,226 treasury shares, equal to 0.356% of the share capital, for a total amount of €1,496 thousand. All of the shares were purchased in 2018. No further purchases/disposals took place in 2020.
These transactions were carried out as part of the authorisation to purchase treasury shares approved by the Shareholders' Meeting of the Parent Company on 31 May 2018. The Shareholders' Meeting authorised, pursuant to Article 2357 et seq. of the Italian Civil Code and Article 132 of Legislative Decree 58 of 24 February 1998, the purchase of the Issuer's treasury shares, on one or more occasions, up to a maximum number that, taking into account the ordinary shares of OVS held from time to time by the Parent Company and its subsidiaries, does not exceed, in total, 10% of the Issuer's share capital, for a period not exceeding 18 months from the date of the resolution.

21 OTHER RESERVES

The breakdown of other reserves is as follows:

The **share premium reserve**, amounting to €512.0 million, derives from increases in the capital of OVS S.p.A., as previously mentioned, and is shown net of listing costs of €7,590 thousand (gross costs of €10,469 thousand and deferred tax of €2,879 thousand).
With regard to the accounting treatment applied to these costs, pursuant to IAS 32, following the positive outcome of the listing process, the ratio between the number of new shares/number of shares post-listing determined the percentage of charges registered as a direct reduction in shareholders' equity, while the remainder was recognised under costs in the income statement.
The **legal reserve** came to €9.9 million, and was created when earnings for previous years were allocated.
There are also **other reserves**, with a negative net balance of €17,9 million, which mainly include losses carried forward of €25,8 million, the effects of the direct recognition in shareholders' equity of actuarial gains/(losses) relating to employee severance benefits, the translation reserve and the effects of booking management incentive plans in equity reserves in accordance with the provisions of IFRS 2 (see also note 25 ("Staff costs") and the impacts of the adoption of IFRS 9 and IFRS 16 on the date of the respective transition.

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

(amounts in thousands of euros)	2020	2019
Value at beginning of the year	**(3,661)**	**(2,532)**
Change in provision for employee severance benefits under IAS 19	(236)	(1,485)
Deferred tax effect	57	356
Total changes	*(179)*	*(1,129)*
Value at the end of the year	**(3,840)**	**(3,661)**

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

21 MINORITY INTEREST CAPITAL AND RESERVES

Minority interests relate to the incorporation, during 2017, of 82 S.r.l., which is 70% owned by OVS S.p.A. and 30% owned by Massimo Piombo. The amount shown includes €3 thousand for share capital and a negative €200 thousand for net losses accrued for start-up costs.

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

Notes to the Consolidated Income Statement

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

22 REVENUES

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

	31.01.2021	31.01.2020
Revenues from retail sales	1,011,534	1,387,774
VAT on retail sales	(182,854)	(249,902)
Net sales	**828,680**	**1,137,872**
Revenues from sales to affiliates, administered and wholesale	188,613	236,611
Subtotal net sales	**1,017,293**	**1,374,483**
Revenues from services	515	294
Total	**1,017,808**	**1,374,777**

23 OTHER OPERATING INCOME AND REVENUES

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

	31.01.2021	31.01.2020
Revenues from services rendered	32,834	43,620
Rental and leasing revenues	12,551	12,932
Damages	281	1,261
Capital gains from asset disposals	646	3,586
Other revenues	5,532	6,255
Total	**51,844**	**67,654**

Revenues from services provided mainly relate to the provision of professional services, the recovery of transport expenses, the recovery of advertising expenses, promotional contributions and charges for staff costs and other services provided, including fees from commercial partners in concessions at the OVS Group's stores.
The item "Rental income and leases" mainly includes rent from concession partners at OVS and Upim stores; it should be emphasised that this type of agreement is not based on IFRS 16, except to a marginal extent.

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

24 PURCHASES OF RAW MATERIALS, CONSUMABLES AND GOODS

Purchases of raw materials, supplies, consumables and goods mainly consist of purchases of products for sale and amount to €454,393 thousand.
The item breaks down as follows:

	31.01.2021	31.01.2020
Purchase of raw materials, consumables and goods	481,409	598,885
Change in inventories	(27,016)	17,861
Total	**454,393**	**616,746**

The consideration in euros for purchases abroad, mainly in dollars, including ancillary costs, is €398,020 thousand.

25 STAFF COSTS

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

	31.01.2021	31.01.2020
Wages and salaries	165,848	210,451
Social security charges	48,340	63,313
Employee severance benefits	12,239	13,072
Other staff costs	1,331	2,418
Directors' fees	1,149	1,272
Total	**228,907**	**290,526**

The number of employees, expressed as the "full-time equivalent" headcount, was 5,915 at the end of the year, compared with 6,084 at 31 January 2020. The significant reduction during the year is linked to all the extraordinary measures implemented in response to the pandemic, as described above.

Share based payments

Since June 2015, key employees of the Parent Company and its subsidiaries have been granted options to purchase OVS S.p.A. shares under the Company's stock option plans (hereinafter also the "Plans"). In order to create value for shareholders by improving long-term corporate performance and promoting the loyalty and retention of key personnel for the Group's development, the Company's Shareholders' Meeting approved, on 26 May 2015 and 31 May 2017 respectively, two capital increases for the issue of shares to be offered for subscription to the beneficiaries of two separate stock option plans. On the basis of these capital increases, the authorised capital stands at €39,080,000.00. Information on the modalities for exercising options is provided below.

Finally, the Ordinary Shareholders' Meeting of 31 May 2019 approved, pursuant to Article 114-bis of the Consolidated Law on Finance, the adoption of a new incentive plan named the "Stock Option Plan 2019-2022 or "2019-2022 Plan", to be implemented through the allocation of free options for subscription to newly issued ordinary shares of OVS S.p.A. The Plan is reserved for directors who are also employees, managers with strategic responsibilities and/or other employees of OVS S.p.A. and its subsidiaries pursuant to Article 93 of Legislative Decree 58 of 24 February 1998, who will be identified by the Board of Directors, after consulting the Appointments and Remuneration Committee, from among those individuals who perform a key role in the achievement of the Company's strategic objectives (hereinafter, the "Beneficiaries"). The Shareholders' Meeting also approved, respectively, a capital increase for the issue of shares to be offered for subscription to beneficiaries of the 2019-2022 Plan. Based on this capital increase, the authorised capital has a nominal value of €5,000,000.00, through the issue of a maximum of 5,000,000 newly issued ordinary shares of OVS.

Information on the modalities for exercising options is provided below.

The aforementioned shareholders' meetings delegated to the Board of Directors the widest powers to implement the capital increases in one or more tranches, granting employees options, as deemed appropriate by the Board, and thus, inter alia:

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

In execution of the powers received from the Shareholders' Meeting, the Board of Directors granted a total of 14,036,375 options, none of which had been exercised by 31 January 2021.

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

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

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

On 21 September 2017, pursuant to the mandate granted by the Extraordinary Shareholders' Meeting of 31 May 2017, the Board of Directors resolved to carry out a paid share capital increase by the deadline of 30 June 2027, by issuing, in one or more tranches, up to 3,935,000 new ordinary shares of OVS with no par value, with the same characteristics as the ordinary shares outstanding on the issue date, with ordinary rights, excluding option rights pursuant to Article 2441, paragraph 8, of the Italian Civil Code, to be reserved for subscription by the beneficiaries of the aforementioned stock option plan called the "2017-2022 Plan".

Lastly, on 19 June 2019, pursuant to the mandate granted by the Extraordinary Shareholders' Meeting of 31 May 2019, the Board of Directors resolved to carry out a paid share capital increase by the deadline of 30 June 2026, by issuing, in one or more tranches, up to 5,000,000 new ordinary shares of OVS with no par value, with the same characteristics as the ordinary shares outstanding on the issue date, with ordinary rights, excluding option rights pursuant to Article 2441, paragraph 8, of the Italian Civil Code, to be reserved for subscription by the beneficiaries of the aforementioned stock option plan called the "2019-2022 Plan".

All three plans provide for the free allocation to each of the beneficiaries of options that confer the right to subscribe to or purchase the ordinary shares of OVS in the ratio of one ordinary share for each Option exercised at a price of €4.88 per share (for the 2015-2020 Plan), €6.39 per share (for the 2017-2022 Plan) and €1.85 per share (for the 2019-2022 Plan).

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

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

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

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

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

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

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

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

The Plan described above is defined as equity-settled pursuant to IFRS 2. In accordance with this accounting standard, the fair value of the Plans was estimated at the grant date, using the Black-Scholes method. The portion of the overall fair value of the individual Plans pertaining to the reporting period has therefore been recognised in the income statement. In particular, staff costs attributable to the granting of OVS shares, amounting to €9,423 thousand (of which €7,282 thousand was accounted for at 31 January 2020), were recognised with a balancing entry in shareholders' equity. It should also be noted that during the year, 24,000 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 €111 thousand.

The movements recorded in the various Stock Option Plans in 2020 are as follows:

Stock Option Plan	Price	Currency	Options at 31.01.2020	Options Assigned	Options Cancelled	Options Exercised	Options Forfeited	Options at 31.01.2021
2015-2020 Plan	4.88	Euro	2,947,963	-	-	-	-	2,947,963
2017-2022 Plan	6.39	Euro	1,850,750	-	(384,500)	-	(24,000)	1,442,250
2019-2022 Plan	1.85	Euro	5,000,000	-	-	-	-	5,000,000
Total			**9,798,713**					**9,390,213**

At 31 January 2021, 9,390,213 options were potentially exercisable (accrued or accruable).
No options were exercised in 2020.

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

26 DEPRECIATION, AMORTISATION AND WRITE-DOWNS OF ASSETS

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

	31.01.2021	31.01.2020
Amortisation of intangible assets	19,436	19,108
Depreciation of tangible assets	43,446	45,018
Amortisation of right of use	140,004	148,665
Write-downs of tangible and intangible assets	3,843	164,140
Total	**206,729**	**376,931**

Due to adoption of the IFRS 16 accounting standard, this item includes depreciation of right of use assets relating mainly to store leases and deposits and to a minor extent to leases on offices, apartments for company use and motor vehicles/other equipment.
For a detailed analysis, please see the extensive comments in the section above on accounting policies and consolidation criteria, as well as Table no. 2 appended, concerning changes during the year.
It should be noted that the amount relating to write-downs of tangible and intangible assets in the appendices in question has been included in the amounts shown in the "Disposals" and "Write-downs" columns.
Write-downs refer to assets written down due to store closures that have already taken place or are planned, and/or any results of impairment testing on stores.
In the 2019 financial year, the item "Write-downs of tangible and intangible assets" included a substantial goodwill write-down of €155.0 million, as measured by the impairment test at 31 January 2020.

27 OTHER OPERATING EXPENSES: SERVICE COSTS

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

	31.01.2021	31.01.2020
Advertising	19,689	21,284
Utilities	27,945	35,171
Miscellaneous sales costs	51,497	52,634
Service costs - professional and consulting services	19,245	23,472
Travel and other employee expenses	6,269	11,595
Insurance	3,286	2,923
Maintenance, cleaning and security	30,306	30,406
Service costs - other services	1,311	1,393
Board of Statutory Auditors' fees / Supervisory Body	214	209
Total	**159,762**	**179,087**

28 OTHER OPERATING EXPENSES: COSTS FOR THE USE OF THIRD-PARTY ASSETS

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

	31.01.2021	31.01.2020
Rental costs and ancillary charges	(6,484)	26,434
Leasing of plant, equipment and vehicles	3,115	3,161
Total	**(3,369)**	**29,595**

The item "Rental costs and ancillary charges" mainly includes rents deriving from leases accounted for outside the scope of IFRS 16 and the service charges of the sales network. The leases were entered into under arm's length conditions.
As already shown with regard to "Accounting policies and consolidation criteria", the early adoption of the practical expedient in relation to discounts and/or exemptions from payments on lease agreements due to the Covid-19 crisis (introduced with the amendment to IFRS 16 approved by the IASB on 28 May 2020 and endorsed by the European Union on 12 October 2020) resulted in a benefit in the income statement of approximately €28.5 million, bringing the net balance of the item to -€6,484 thousand at 31 January 2021. Further concessions from landlords have been contractualised or are in the process of being formalised after 31 January 2021 and are expected be recognised definitively in the accounts in the first quarter of 2021.

29 OTHER OPERATING EXPENSES: WRITE-DOWNS AND PROVISIONS

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

	31.01.2021	31.01.2020
Doubtful accounts	2,614	5,955
Provisions for risks	268	1,033
Total	**2,882**	**6,988**

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

30 OTHER OPERATING EXPENSES: OTHER OPERATING CHARGES

Other operating charges break down as follows:

	31.01.2021	31.01.2020
Materials and equipment for offices and stores	6,078	6,897
Taxes	8,496	11,275
Capital losses	1,431	2,148
Donations	683	515
Corporate expenses	506	569
Other general and administrative expenses	954	1,125
Other operating expenses	3,856	4,006
Total	**22,005**	**26,535**

The "Other operating expenses" item mainly comprises €1,019 thousand relating to rebates, fines and rounding liabilities and €40 thousand for discounts on partner goods distributed to customers during special events; the same item also includes transactional agreements with lessors and suppliers for €524 thousand, and miscellaneous reimbursements for expenses.

31 FINANCIAL INCOME (EXPENSES)

Financial income

	31.01.2021	31.01.2020
Financial income on bank current accounts	6	21
Financial income from miscellaneous sources	11	20
Financial income on financial assets for leases	654	1,098
Income from related company	1	0
Total	**672**	**1,139**

Financial expenses

	31.01.2021	31.01.2020
Financial expenses on bank current accounts	56	9
Financial expenses on loans	18,414	15,751
Interests on lease liabilities	47,580	51,934
Interest cost on provision for employee severance benefits	44	345
Other financial expenses/fees	3,376	4,389
Total	**69,469**	**72,428**

Other financial expenses on loans mainly include fees associated with existing loans.
With regard to the financial income/expenses for leases due to adoption of IFRS 16, please see the extensive comments in the section above on accounting policies and consolidation criteria.
The weighted average IBR applied in 2020 was 5.28%.

Foreign exchange gains and losses

	31.01.2021	31.01.2020
Foreign exchange gains	18,776	24,688
Foreign exchange losses	(10,168)	(1,813)
Gains (losses) on the change in fair value of currency derivatives	(16,736)	(3,134)
Total	**(8,128)**	**19,741**

Gains (losses) from equity investments

	31.01.2021	31.01.2020
Gains (losses) from equity investments	(136)	1,095
Total	**(136)**	**1,095**

32 TAXES

Income taxes amounted to a positive €113.8 million in 2020 (compared with a negative €5.9 million in 2019), mainly due to the benefit deriving from the tax realignment of the OVS and Upim brands provided for in Article 110 of Decree-Law 104/2020 (the "August Decree").
The following is a breakdown of the charge to the income statement:

	31.01.2021	31.01.2020
IRES tax	78	356
IRAP tax	469	4,501
Tax on foreign companies	410	529
Deferred tax (net change)	(114,783)	562
Total	**(113,826)**	**5,948**

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

(amounts in thousands of euros)	31.01.2021	%	31.01.2020	%
Net result for the year before tax	(78,718)		(134,430)	
Theoretical income tax (IRES)	18,892	(24.0)%	32,263	(24.0)%
IRAP tax	(469)	0.6%	(4,501)	3.4%
Tax effect of permanent differences and other differences	95,403	(121.2)%	(33,710)	25.1%
Taxes	**113,826**		**(5,948)**	
Effective tax rate		**(144.6)%**		**4.4%**

The tax rate for 2020 was -144.6%, compared with 4.4% in 2019.
In 2020, the OVS Group benefited from a lower tax rate, thanks to the accounting for extraordinary tax benefits related to the realignment provided for by the "August Decree".

This tax benefit ends in FY20 and therefore from 2021 the Group will return to a normalised tax rate.
The effective tax charge for 2020 also differs from the theoretical tax charge due to certain permanent items reducing the tax loss for the year by approximately €3 million.
Meanwhile, 2019 was affected by a significant impact of IRAP on the result, more than offset by permanent differences reallocated to taxable income, mainly relating to the write-down of goodwill (not relevant for tax purposes) of €155 million.

Earnings per share

As previously indicated, due to the listing of the Parent Company, OVS S.p.A., in March 2015, the current share capital was divided into 227,000,000 shares with no par value.
The calculation of earnings per share shown in the following table is based on the ratio of earnings attributable to the Group to the weighted average number of shares of OVS S.p.A. outstanding in the year, net of treasury shares held (809,226 shares, equal to 0.356% of the share capital).

	31.01.2021	31.01.2020
Result for the year (in thousands of euros)	35,037	(140,389)
Number of ordinary shares at the end of the year	227,000,000	227,000,000
Average weighted number of shares outstanding for the calculation of basic earnings per share	226,190,774	226,190,774
Basic earnings per share (in euros)	**0.16**	**(0.62)**
Diluted earnings per share (in euros)	**0.16**	**(0.60)**

Diluted earnings per share were in line with basic earnings per share, at 31 January 2021 the dilutive effects of stock option plans were not significant.

Relations with Related Parties

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

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

	Related parties					
(amounts in thousands of euros)	**Coin S.p.A.**	**Centomila-candele S.c.p.A. in liquidazione**	**Directors and managers with strategic responsibilities**	**Total**	**Total balance sheet item**	**Percentage of balance sheet item**
Trade receivables						
At 31 January 2021	1,617	-	-	1,617	102,061	1.6%
At 31 January 2020	1,836	-	-	1,836	85,981	2.1%
Current financial assets for leases						
At 31 January 2021	1,319	-	-	1,319	3,408	38.7%
At 31 January 2020	1,246	-	-	1,246	4,191	29.7%
Non-current financial assets for leases						
At 31 January 2021	1,303	-	-	1,303	6,086	21.4%
At 31 January 2020	2,620	-	-	2,620	10,623	24.7%
Trade payables						
At 31 January 2021	-	2	-	2	(263,996)	0.0%
At 31 January 2020	(99)	74	-	(25)	(321,146)	0.0%
Other current payables						
At 31 January 2021	-	-	(1,843)	(1,843)	(111,304)	1.7%
At 31 January 2020	-	-	(1,737)	(1,737)	(128,215)	1.4%

Trade receivables from Coin S.p.A. amounted to €1.6 million at 31 January 2021.
At 31 January 2021, however, financial receivables from Coin S.p.A. refer to sub-leases on certain commercial premises which, pursuant to the adoption of IFRS 16, were considered finance leases in respect of the partial transfer of the right of use assets relating to the underlying lease taken out by OVS S.p.A. with third parties.

Centomilacandele S.C.p.A. in liquidation is a non-profit consortium company that was engaged in the supply of electricity and natural gas under the best possible conditions to the consortium entities. It was placed in liquidation in August 2020. The relations in the previous year related to the provision of services for the purchase of electricity, which the OVS Group has not used since the end of the previous year.
In the financial year 2020, financial funding was also provided to the associated company, amounting to €83 thousand, in the form of a loan for the purpose of the regular implementation of the liquidation process.

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

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

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

(amounts in thousands of euros)	Related parties: ICON S.r.l. (f.k.a. Gruppo Coin S.p.A.)	Coin S.p.A.	Centomilacandele S.c.p.A. in liquidazione	Directors and managers with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Year ended 31 January 2020							
Revenues	-	1,699	-	-	1,699	1,374,777	0.1%
Other operating income and revenues	42	1,555	-	-	1,597	67,654	2.4%
Purchases of raw materials, consumables and goods	-	-	-	-	0	(616,746)	0.0%
Staff costs	-	-	-	(3,962)	(3,962)	(290,526)	1.4%
Service costs	-	(127)	(13,095)	-	(13,222)	(179,087)	7.4%
Costs for the use of third-party assets	-	406	-	-	406	(29,595)	(1.4)%
Write-downs and provisions	-	-	-	-	0	(6,988)	0.0%
Other operating charges	-	(17)	-	-	(17)	(26,535)	0.1%
Financial income	-	254	-	-	254	1,139	22.3%
Financial charges	20	-	-	-	20	72,428	0.0%
Gains (losses) from equity investments	-	-	-	-	0	1,095	0.0%

For the Gruppo Coin S.p.A. Company (now Icon S.r.l.), which ceased being a related party in 2019, the financial relations (where existing) with the OVS Group until the date of this cessation have been indicated.

The main economic relations with related parties in 2020 relate to:

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

and

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

The cash flows shown in the following table represent the actual payments and receipts registered with related parties in 2020 (or until the time when the related party qualification ended), rather than changes during the year in the item in the financial statements to which they relate.

	Related parties					
(amounts in thousands of euros)	**Coin S.p.A.**	**Centomila-candele S.c.p.A. in liquidazione**	**Directors and managers with strategic responsibilities**	**Total**	**Total cash flow from the cash flow statement**	**Percentage of cash flow item**
Year ended 31 January 2021						
Cash flow generated (absorbed) by operating activities	4,497	93	(3,881)	709	45,457	1.6%
Cash flow generated (absorbed) by investing activities	-	-	-	0	(39,232)	0.0%
Cash flow generated (absorbed) by financing activities	-	(83)	-	(83)	25,626	(0.3)%

	Related parties					
(amounts in thousands of euros)	**Coin S.p.A.**	**Centomila-candele S.c.p.A. in liquidazione**	**Directors and managers with strategic responsibilities**	**Total**	**Total cash flow from the cash flow statement**	**Percentage of cash flow item**
Year ended 31 January 2020						
Cash flow generated (absorbed) by operating activities	9,012	(17,550)	(2,506)	(11,044)	224,121	(4.9)%
Cash flow generated (absorbed) by investing activities	-	-	-	0	(45,143)	0.0%
Cash flow generated (absorbed) by financing activities	-	-	-	0	(161,198)	0.0%

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

Other information

Contingent liabilities

It should be noted that, other than what is described in note 19, "Provisions for risks and charges", no other potential risks exist.

Sureties and guarantees relating to third parties

These amounted to €75,872 thousand (€74,307 thousand at 31 January 2020) and were granted on behalf of the Group by banks or insurance companies, mainly to guarantee Italian leases.

Other commitments

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

Directors' and Statutory Auditors' fees

The following table shows the fees payable to Directors and Statutory Auditors for positions held at the Group:

(amounts in thousands of euros)	Directors	Auditors
Year ended 31 January 2021	1,002	162
Year ended 31 January 2020	1,096	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 2021, prepared according to the international financial reporting standards (IFRS)	**35,902**	**752,675**
Shareholders' equity and profit for the year of the fully consolidated subsidiaries, net of the carrying amount of the equity investments	13,626	8,811
Elimination of infra-group dividends	(20,054)	0
Elimination of unrealised infra-group results net of the relative tax effect	(131)	(1,107)
Exchange rate gains or losses from the translation of financial statements in foreign currencies	0	(1,013)
Elimination of intercompany write-downs	5,765	4,919
Consolidated financial statements of OVS Group at 31 January 2021, prepared according to the international financial reporting standards (IFRS)	**35,108**	**764,285**

Significant non-recurring events and operations

In accordance with Consob Communication no. DEM/6064293 of 28 July 2006, the Group's results for 2020 were influenced by non-recurring net income of €85,897 thousand.

	31.01.2021	**31.01.2020**
Revenues	679	(4,687)
Other operating income and revenues	(479)	0
Purchases of raw materials, consumables and goods	0	2,682
Staff costs	679	3,649
Depreciation, amortisation and write-downs of assets	0	1,518
Service costs	8,971	2,195
Costs for the use of third-party assets	0	0
Write-downs and provisions	0	4,015
Other operating charges	2,302	1,187
Financial income	0	0
Financial charges	0	1,328
Gains (losses) from equity investments	0	(1,095)
Taxes	(98,049)	(2,590)
Total	**(85,897)**	**8,202**

Non-recurring charges refer to:

- revenue adjustments of €679 thousand relating to an extraordinary one-off premium granted to a foreign partner;
- other revenues of €479 thousand relating to transactions with customers and suppliers;
- staff costs of €679 thousand, relating to costs incurred during the closure of the stores undergoing restructuring;
- services costs of €8,971 thousand, mainly relating to expenses of €8,047 thousand directly attributable to the Covid-19 crisis;
- other operating expenses of €2,302 thousand, mainly relating to expenses of €917 thousand directly attributable to the Covid-19 crisis and a €968 thousand settlement agreement on logistics services;
- the tax effect on the above non-recurring items of €2,916 thousand, in addition to the net effect of €95,133 thousand of the benefit deriving from the tax realignment of the OVS and Upim brands.

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

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

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

Significant events after the reporting period

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

- the waiver of any Default or Event of Default (each term as defined, respectively, in the Loan Agreement and the SACE Loan Agreement) in respect of any breach of the maximum permitted value of the Leverage financial parameter (as defined, respectively, in the Loan Agreement and in the SACE Loan Agreement) on any Test Date (as defined, respectively, in the Loan Agreement and the SACE Loan Agreement) up to and including January 2022 (therefore with reference to the Test Dates scheduled for April 2021, July 2021, October 2021 and January 2022);
- the inclusion of a new test of the ratio of net financial debt at 31 January 2022 to EBITDA for FY 2021. The maximum value of the above test must be less than or equal to 4.0x;
- the sending to the banks of the liquidity statement, to be drawn up in line with the provisions of the previous 2020 Waiver obtained in May 2020 (therefore containing forward-looking information on liquidity for the quarter immediately following the reference month and historical information on the liquidity of the relevant month), starting on 31 March 2021. The last statement will be sent on 31 January 2022;
- compliance with a monthly liquidity covenant, under which the OVS Group will have, from 31 March 2021, liquidity of no less than €15 million at the end of each month. The last test is scheduled for 31 January 2022.

Other events after the reporting period include the transfer of ownership of the Stefanel business unit, comprising the Stefanel brand and 20 DOS, to OVS on 1 March 2021. The total price of the acquisition was approximately €3.7 million. The 23 stores, located in high-quality locations, have been progressively reopened and will serve as a starting point for the re-launch of the brand, under a more extensive growth plan commencing in 2021. The products now in store comprise the last collection developed by the previous management. The Group has been working to develop the new product, which will be in store from the start of the autumn-winter 2021 season. These efforts will result in a highly contemporary and accessible product that will, however, remain stylish, feminine and refined in terms of detail, using high-quality materials that will be the hallmark of the brand. With this transaction, the Group aims to relaunch a historic Italian fashion brand with a global reputation, while supporting the fashion industry, which has been one of the sectors hit hardest by the pandemic.
On 9 March 2021, the OVS Group completed its acquisition of the PIOMBO brand. The Group had already opened 500 PIOMBO-branded corners in its DOS network in 2020. The inclusion of the PIOMBO brand in the men's wear range has attracted new customers in 2021, offering a high quality product that has extended the range of prices offered and therefore the margin in some product categories. This resulted in the Group's decision to acquire the brand through its subsidiary 82 S.r.l., signing the sale agreement with Ciro Paone S.p.A. for €2.3 million.

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

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

The following table, which was prepared pursuant to Article 149-duodecies of the Consob Regulation for Issuers, shows the fees for 2020 and 2019 for auditing services and other services provided by the independent auditor, PricewaterhouseCoopers S.p.A., as well as services provided by companies within the same network:

(amounts in thousands of euros)	2020	2019
a) Audit services:		
- to OVS S.p.A.	260	280
- to Subsidiaries (network PwC)	39	60
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.	38 (*)	20 (*)
c) Other services by network PwC:		
- to OVS S.p.A.	-	-

(*) Fees for services "audit related" for the purposes of the limited examination of the Consolidated non-financial Statement and fiscal compliance visa.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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 2021.

Appendices:

- 1: Property, plant and equipment at 31 January 2021;
- 2: Right of use assets at 31 January 2021;
- 3: Intangible assets at 31 January 2021;
- 4: Property, plant and equipment at 31 January 2020;
- 5: Right of use assets at 31 January 2020;
- 6: Intangible assets at 31 January 2020.

APPENDIX 1

Property, plant and equipment

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

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

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

APPENDIX 2

Right of use

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

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

APPENDIX 3

Intangible assets

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

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

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

APPENDIX 4

Property, plant and equipment

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

	Balance at 31.01.2019	Movements during the year 2019 Purchases	Sales / disposals	Amortisation / write-downs	Reclassifica-tions	Balance at 31.01.2020
Leasehold improvements						
initial cost	213,118	6,291	(4,048)	0	(645)	214,716
write-downs	0	0	0	0	0	0
amortisation	(153,979)	0	3,550	(9,374)	152	(159,651)
net	**59,139**	**6,291**	**(498)**	**(9,374)**	**(493)**	**55,065**
Land and buildings						
initial cost	6,511	318	0	0	0	6,829
write-downs	0	0	0	0	0	0
amortisation	(1,858)	0	0	(3)	0	(1,861)
net	**4,653**	**318**	**0**	**(3)**	**0**	**4,968**
Plant and machinery						
initial cost	310,016	8,981	(4,290)	0	0	314,707
write-downs	0	0	0	0	0	0
amortisation	(223,497)	0	3,605	(13,480)	0	(233,372)
net	**86,519**	**8,981**	**(685)**	**(13,480)**	**0**	**81,335**
Industrial and commercial equipment						
initial cost	350,711	13,807	(12,546)	0	(198)	351,774
write-downs	0	0	0	0	0	0
amortisation	(244,243)	0	10,878	(19,561)	122	(252,804)
net	**106,468**	**13,807**	**(1,668)**	**(19,561)**	**(76)**	**98,970**
Other assets						
initial cost	62,274	2,424	(270)	0	(2,482)	61,946
write-downs	0	0	0	0	0	0
amortisation	(52,332)	0	266	(2,600)	1,476	(53,190)
net	**9,942**	**2,424**	**(4)**	**(2,600)**	**(1,006)**	**8,756**
Assets under construction and payments on account						
initial cost	7,153	3,113	(4,290)	0	0	5,976
write-downs	0	0	0	0	0	0
amortisation	0	0	0	0	0	0
net	**7,153**	**3,113**	**(4,290) (1)**	**0**	**0**	**5,976**
Total						
initial cost	949,783	34,934	(25,444)	0	(3,325)	955,948
write-downs	0	0	0	0	0	0
amortisation	(675,909)	0	18,299	(45,018)	1,750	(700,878)
net	**273,874**	**34,934**	**(7,145) (2)**	**(45,018)**	**(1,575)**	**255,070**

(1) Of this amount, € 4,290 thousand represents assets under construction at 31/01/2019, reclassified to the specific asset categories in 2019.
(2) Includes € 2,791 thousand relating to fixed assets disposed of and written down in the period due to the closure of point of sale.

APPENDIX 5

Right of use

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

	IFRS 16 impact at 01.02.2019	Movements during the year 2019 Purchases	Remeasure-ments	Decreases (*)	Amortisation / write-downs	Balance at 31.01.2020
Land and buildings						
initial cost	912,562	146,693	(41,120)	(19,097)	0	999,038
write-downs	0	0	0	0	0	0
amortisation	0	0	0	10,293	(147,052)	(136,759)
net	**912,562**	**146,693**	**(41,120)**	**(8,804)**	**(147,052)**	**862,279**
Plant and machinery						
initial cost	0	640	0	0	0	640
write-downs	0	0	0	0	0	0
amortisation	0	0	0	0	(24)	(24)
net	**0**	**640**	**0**	**0**	**(24)**	**616**
Industrial and commercial equipment						
initial cost	198	1,825	0	0	0	2,023
write-downs	0	0	0	0	0	0
amortisation	(122)	0	0	0	(107)	(229)
net	**76**	**1,825**	**0**	**0**	**(107)**	**1,794**
Other assets						
initial cost	3,639	959	0	(224)	0	4,374
write-downs	0	0	0	0	0	0
amortisation	(1,476)	0	0	211	(1,482)	(2,747)
net	**2,163**	**959**	**0**	**(13)**	**(1,482)**	**1,627**
Total						
initial cost	916,399	150,117	(41,120)	(19,321)	0	1,006,075
write-downs	0	0	0	0	0	0
amortisation	(1,598)	0	0	10,504	(148,665)	(139,759)
net	**914,801**	**150,117**	**(41,120)**	**(8,817)**	**(148,665)**	**866,316**

(*) Decreases include changes in the consolidation area during the year.

APPENDIX 6

Intangible assets

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

	Balance at 31.01.2019	Movements during the year 2019 Purchases	Sales / disposals	Amortisation / write-downs	Reclassifica-tions	Balance at 31.01.2020
Rights to industrial patents and intellectual property rights						
initial cost	149,251	9,347	(28)	0	645	159,215
write-downs	0	0	0	0	0	0
amortisation	(121,919)	0	5	(9,791)	(152)	(131,857)
net	**27,332**	**9,347**	**(23)**	**(9,791)**	**493**	**27,358**
Concessions, licences and trademarks						
initial cost	520,259	16	(1,850)	0	0	518,425
write-downs	(6,206)	0	737	(6,349)	0	(11,818)
amortisation	(7,924)	0	86	(1,037)	0	(8,875)
net	**506,129**	**16**	**(1,027)**	**(7,386)**	**0**	**497,732**
Assets under construction and payments on account						
initial cost	989	2,657	(989)	0	0	2,657
write-downs	0	0	0	0	0	0
amortisation	0	0	0	0	0	0
net	**989**	**2,657**	**(989) (1)**	**0**	**0**	**2,657**
Other intangible assets						
initial cost	165,564	50	(81)	0	0	165,533
write-downs	0	0	0	0	0	0
amortisation	(67,027)	0	80	(8,280)	0	(75,227)
net	**98,537**	**50**	**(1)**	**(8,280)**	**0**	**90,306**
Total						
initial cost	836,063	12,070	(2,948)	0	645	845,830
write-downs	(6,206)	0	737	(6,349) (2)	0	(11,818)
amortisation	(196,870)	0	171	(19,108)	(152)	(215,959)
net	**632,987**	**12,070**	**(2,040)**	**(25,457)**	**493**	**618,053**
Goodwill						
initial cost	452,541	0	0	0	0	452,541
write-downs	0	0	0	(155,000) (2)	0	(155,000)
amortisation	0	0	0	0	0	0
net	**452,541**	**0**	**0**	**(155,000)**	**0**	**297,541**

(1) Of this amount, € 989 thousand represents assets under construction at 31/01/2019, reclassified to the specific asset categories in 2019.
(2) Included € 161,349 thousand relating to assets written down after impairment test of point of sale and OVS goodwill, net of reversal of previous years for € 1,028 thousand.

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 2020 to 31 January 2021.

2. The evaluation of the adequacy of the administrative and accounting procedures used in the preparation of the consolidated financial statements at 31 January 2021 was based on a process defined by OVS S.p.A. consistent with the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (CoSO), which is a generally accepted international framework.

3. Moreover:
   3.1 the consolidated financial statements:
      a) have been prepared in compliance with the international accounting standards recognised by the European Community pursuant to (EC) Regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002;
      b) correspond to the accounting books and records;
      c) are suitable to provide a true and fair representation of the financial position and results of the issuer and all the companies included within the scope of consolidation.

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

Mestre, Venice, 15 April 2021

Stefano Beraldo
Chief Executive Officer

Nicola Perin
Financial Reporting Officer

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 2021, 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 2021, 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: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

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Key audit matters	*Auditing procedures performed in response to key audit matters*
Assessment of the recoverability of the balances of 'Goodwill', 'Intangible assets' and "Right of use" assets *Notes 9, 10 e 11 to the consolidated financial statements of OVS Group at 31 January 2021* The consolidated financial statements of OVS Group at 31 January 2021 include goodwill for Euro 297,541 thousand, intangible assets for Euro 604,139 thousand, comprising indefinite-lived intangible assets for Euro 390,799 thousand and intangible assets with definite lives for Euro 213,340 thousand, and right of use assets for Euro 824,352 thousand. Goodwill relates entirely to the OVS division. Indefinite-lived intangible assets comprise 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. Right of use assets relate mainly to leases for store premises. In accordance with the applicable financial reporting standards, management of OVS Group tests goodwill and indefinite-lived intangible assets for impairment at least annually, based on the estimate of the values in use of the cash generating units to which the goodwill and intangible assets are allocated. Value in use is obtained by discounting the future cash flows estimated for the next three years and the terminal value ("impairment test"). The figures used for the impairment test were derived from the 2021-2023 business plan approved by the board of directors of OVS SpA on 11 February 2021. Intangible assets with definite lives, and right of use assets, are tested only if specific impairment indicators are identified.	We obtained the 2021-2023 business plan approved by the board of directors of OVS SpA on 11 February 2021 and the valuation models and documentary evidence used by management, and approved by the board of directors of OVS SpA on 15 April 2021, to determine the recoverable amount of the cash generating units to which goodwill, intangible assets and right of use assets are allocated. Also with the support of valuation experts belonging to the PwC network, we analysed the methodological approach used by OVS Group management to determine the recoverable amounts, we verified the mathematical accuracy of the valuation models used and we compared the value in use thus obtained with the carrying amount of each cash generating unit. We analysed the reasonableness of OVS Group management's assumptions about the identification of the cash generating units and the process of allocation to the latter of goodwill, intangible assets and right of use assets, verifying their consistency with the Group's structure and operating segments. We analysed the forecasts of each cash generating unit to which the assets tested for impairment are allocated that were used to assess their recoverability, verifying the consistency of the figures with the 2021-2023 business plan approved by the board of directors of OVS SpA on 11 February 2021 and performing a critical assessment of the reasonableness of the cash flows estimated by management for subsequent years. We assessed the appropriateness of the main assumptions used with reference to the estimated future cash flows in light of the past performance of OVS Group, by comparing the growth rates used by management with external sources and other information normally available to financial analysts.

We identified goodwill, intangible assets and right of use assets as a key audit matter in consideration of the magnitude of the balances involved and the elements of estimation and uncertainty intrinsic to management's assessment of their recoverability.

The key uncertainties and estimates relate to the correct definition and identification of the cash generating units, the estimation of the future cash flows and the determination of the discount rate to be applied to the estimated future cash flows.

We verified the method of calculation used to estimate the weighted average cost of capital used to discount the estimated future cash flows.

Our tests also included a critical evaluation of the analyses carried out by OVS Group management to estimate the impacts on financial statements line items arising from the Covid-19 pandemic and measures taken to mitigate their effects.

We performed that evaluation also to support our assessment of the completeness and adequacy of disclosures provided in the notes to the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on compliance with other laws and regulations

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

The directors of OVS SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the OVS Group as of 31 January 2021, 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 2021 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the OVS Group as of 31 January 2021 and are prepared in compliance with the law.

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

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

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

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

Treviso, 7 May 2021

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

Separate Financial Statement of OVS S.p.A. at 31 January 2021

Separate Financial Statements
STATEMENT OF FINANCIAL POSITION
(euro units)

ASSETS	Note	31.01.2021	of which related parties	31.01.2020	of which related parties
Current assets					
Cash and banks	1	73,985,478		42,507,843	
Trade receivables	2	115,092,653	16,323,662	100,360,972	17,537,108
Inventories	3	413,402,261		386,715,541	
Financial assets	4	42,701		7,571,876	
Financial assets for leases	5	3,407,768	1,318,774	4,190,501	1,245,978
Current tax assets	6	15,580,260		14,331,331	
Other receivables	7	10,344,172		13,628,441	
Total current assets		**631,855,293**		**569,306,505**	
Non-current assets					
Property, plant and equipment	8	232,102,516		251,145,004	
Right of use	9	817,006,152		851,726,507	
Intangible assets	10	603,374,003		617,990,955	
Goodwill	11	297,540,909		297,540,909	
Equity investments	12	8,486,656		8,604,865	
Financial assets	4	1,195,000	1,195,000	354,054	320,000
Financial assets for leases	5	6,085,573	1,302,733	10,623,431	2,620,478
Other receivables	7	8,475,103		10,198,179	
Total non-current assets		**1,974,265,912**		**2,048,183,904**	
TOTAL ASSETS		**2,606,121,205**		**2,617,490,409**	

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.01.2021	of which related parties	31.01.2020	of which related parties
Current liabilities					
Financial liabilities	13	71,617,416		38,870,697	
Financial liabilities for leases	14	168,740,166		130,219,549	
Trade payables	15	283,854,297	20,773,861	343,454,710	22,639,994
Current tax liabilities	16	3,713,794		0	
Other payables	17	109,872,139	1,843,098	126,683,175	1,737,146
Total current liabilities		**637,797,812**		**639,228,131**	
Non-current liabilities					
Financial liabilities	13	414,104,671		313,772,573	
Financial liabilities for leases	14	740,090,176		761,424,099	
Employee benefits	18	35,138,375		36,998,964	
Provisions for risks and charges	19	6,535,587		6,318,122	
Deferred tax liabilities	20	2,912,870		128,179,082	
Other payables	17	16,866,667		16,758,478	
Total non-current liabilities		**1,215,648,346**		**1,263,451,318**	
TOTAL LIABILITIES		**1,853,446,158**		**1,902,679,449**	
SHAREHOLDERS' EQUITY					
Share Capital	21	227,000,000		227,000,000	
Treasury shares	21	(1,496,475)		(1,496,475)	
Other reserves	21	491,269,614		628,750,914	
Net result for the year		35,901,908		(139,443,479)	
TOTAL SHAREHOLDERS' EQUITY		**752,675,047**		**714,810,960**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,606,121,205**		**2,617,490,409**	

INCOME STATEMENT
(euro units)

	Note	31.01.2021	of which non-recurring	of which related parties	31.01.2020	of which non-recurring	of which related parties
Revenues	22	1,013,262,216	(678,738)	10,333,303	1,366,678,992		17,489,733
Other operating income and revenues	23	50,216,964	478,820	1,533,575	66,528,721		1,554,609
Total revenues		**1,063,479,180**	**(199,918)**		**1,433,207,713**	**0**	
Purchase of raw materials, consumables and goods	24	481,248,512		26,876,552	650,377,493		32,143,370
Staff costs	25	218,695,245	679,063	4,999,436	277,077,038	2,025,132	3,722,129
Depreciation, amortisation and write-downs of assets	26	200,873,384			369,787,100		
Other operating expenses							
Service costs	27	157,285,723	8,885,350	616,760	175,002,497	1,214,787	13,813,088
Cost for the use of third-party assets	28	(4,288,462)		(670,440)	28,352,373		(458,705)
Write-downs and provisions	29	3,850,850		1,074,200	6,954,911	4,014,911	4,014,911
Other operating charges	30	20,728,223	2,026,512	(176,989)	25,081,101	1,016,588	(289,409)
Result before net financial expenses and taxes		**(14,914,295)**	**(11,790,843)**		**(99,424,800)**	**(8,271,418)**	
Financial income	31	685,509		202,183	1,137,377		258,439
Financial expenses	31	(68,663,712)			(70,996,124)	(1,004,378)	(20,459)
Exchange rate gains and losses	31	(9,559,358)			19,775,526		
Gains (losses) from equity investments	31	14,080,309		14,080,309	15,477,364	(1,535,000)	15,477,364
Net result for the year before tax		**(78,371,547)**	**(11,790,843)**		**(134,030,657)**	**(10,810,796)**	
Taxes	32	114,273,455	97,962,802		(5,412,822)	1,985,140	
Net result for the year		**35,901,908**	**86,171,959**		**(139,443,479)**	**(8,825,656)**