OVS

Annual Report 2022

OVS

Annual Report
2022

Contents

Letter to Shareholders

Dear Shareholders,

The 2022 financial year saw the consolidation of the new OVS business model, which resulted in strong growth in terms of sales and profitability.

Going beyond the logic of a vertically integrated retailer, OVS is transforming itself into a platform that offers a wide range of mostly proprietary brands, ensuring a shopping experience that marries the brand's identity with the diverse tastes and lifestyles of our customers.

This strategy has enabled us to attract a more demanding customer base, supported by the excellent performance of our Piombo brand, which is increasingly popular. In fact, the current market scenario, characterised by marked inflationary tensions, has seen a significant number of consumers abandoning the premium price brands and finding in OVS the style and quality to which they were accustomed.

Revenues exceeded €1.5 billion, mainly as the result of strong growth in like-for-like sales, especially in the women's category, which is the largest in terms of market size, but also the sector in which the Company has historically encountered the stiffest competition from international players.

As a result of carefully measured action on list prices and a further reduction of promotional initiatives, the gross margin percentage came in at 57.1%, which is higher than both 2021 and 2019, the last year before the pandemic. On the cost side, a careful risk management has led to several contracts being hedged during 2021 at prices that turned out to be advantageous, thereby limiting the impact of inflation suffered by all retailers.

Overall, the increase in gross margin more than offset higher store costs, resulting in an **EBITDA of more than €180 million**, up €33 million compared to the previous year.

Operating cash flow stood at €64 million before distribution of dividends and share buybacks totalling €36 million. This strong result was achieved despite a substantial rebound in capital expenditures, including a comprehensive store renovation programme and various automation and digitalization initiatives. The year ended with a **debt to EBITDA ratio of 0.90x**.

The results achieved to date, the company's growth-oriented axes, the favourable market trend combined with declining raw material costs, even in the actual context characterized by inflation and strains on consumer spending, make us confident to deliver a 2023 with positive economic and financial performance.

We wish to thank all the Group's stakeholders for their support during this year: our shareholders for placing their trust in the OVS strategy, our employees for their constant commitment, and our partners and suppliers for their active collaboration.

Stefano Beraldo
Chief Executive Officer

Highlights

1,513M
Net sales

180.2M
EBITDA

64.1M
Operating cash flow

162M
Net financial position

(in milions of euro)

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
Federica Menichetti (4)	Standing Auditor
Roberto Cortellazzo Wiel	Standing Auditor
Emilio Vellandi	Alternate Auditor
Emanuela Italia Fusa	Alternate Auditor

(4) Until 29.04.2022, Paola Tagliavini held the role of Standing Auditor. Emanuela Italia Fusa then took over, until the Shareholders' Meeting held on 31 May 2022, which appointed Federica Menichetti.

INDEPENDENT AUDITOR

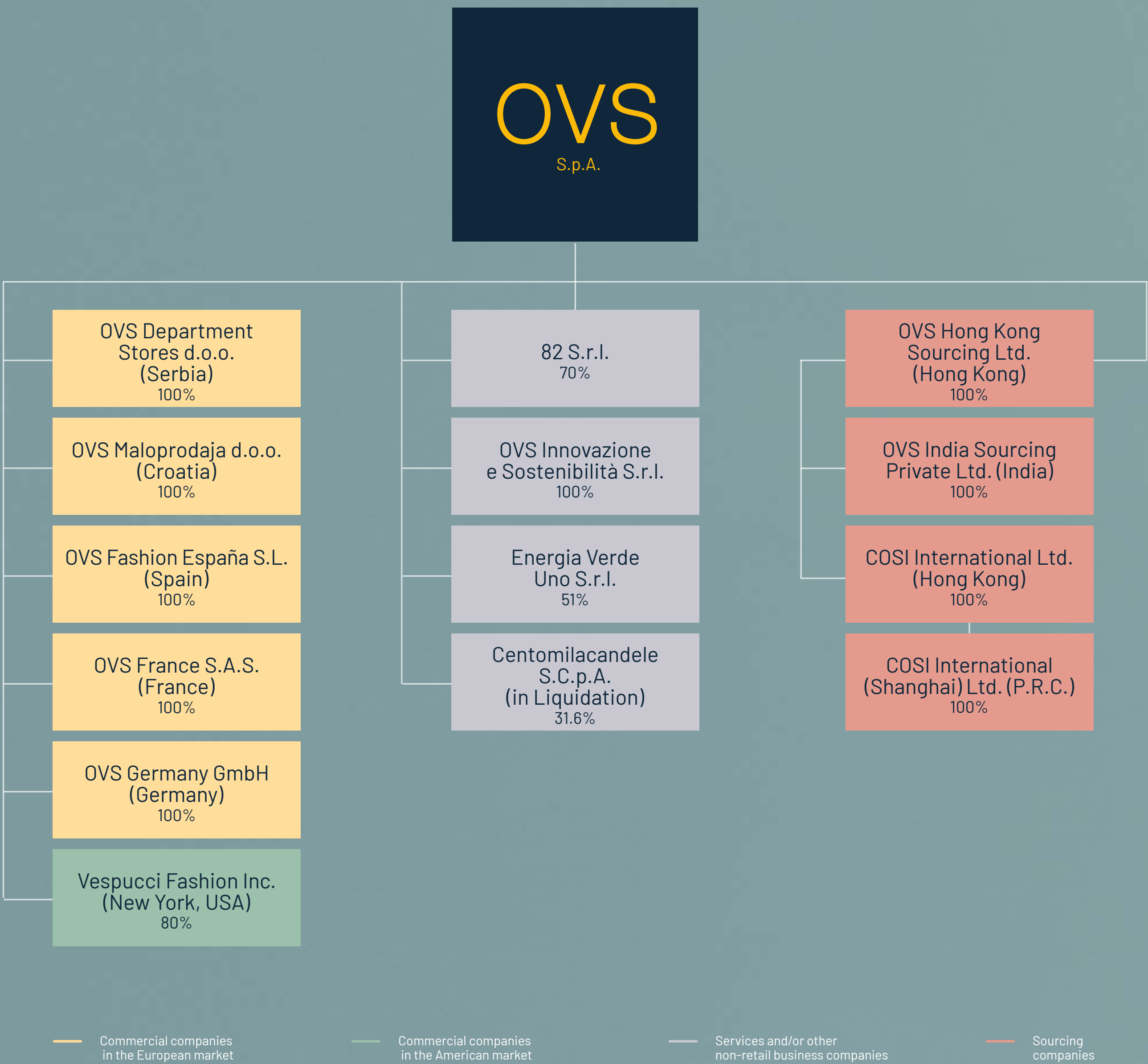
PricewaterhouseCoopers S.p.A.

FINANCIAL REPORTING OFFICER

Nicola Perin

Group structure
at 31 January 2023

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



Brand

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

Blukids is Upim's clothing brand specifically for kids.
It has around 300 stand-alone stores in Italy and internationally, with an average retail area of 100-250 sq m, and it can also be found in 300 Upim stores.
It is a benchmark for accessible, affordable shopping to meet the everyday needs of mums and kids.
Blukids accompanies kids as they grow, at any moment during the day, from school to special occasions.
Blukids offers collections for baby (0-36 months old), kids (2-9 years old) and juniors (9-15 year old), which stand out for their quality and affordable prices.
Underwear items and accessories complete the product offer.
Quality is an essential requirement for Upim.
For many of its clothing and underwear items, Blukids uses Biocotton (grown without synthetic chemicals) and has Oeko-Tex certification that guarantees no chemicals are used in the garments. The company is part of the Better Cotton Initiative.

Historical Italian clothing brand, acquired from OVS in March 2021, Stefanel is known in Italy and in the world for the design and quality, especially for its knitwear.
The collections combine style and versatility and aim at a contemporary woman, eclectic, with personality, that doesn’t need a label to express it.
Clean and simple lines for an “effortless” elegance, thought to be worn and interpreted in every moment of the day.

The home decoration brand, dedicated to people who love contemporary design, easy, informal, for everyday use.
Its collections express different areas within the home, from textiles to tableware and kitchen items, accessories, complementary furnishing items, with a range of basic products, all offering excellent value for money.

Report on Operations

at 31 January 2023

Foreword on methodology

The Annual Report at 31 January 2023 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 2023.

In this Report on Operations at 31 January 2023, 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 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 previous years, the impacts of the application of IFRS 16 have been reported separately, and the reconciliation with the financial statements is further detailed in the section entitled "Reconciliation of the consolidated results for 2022" below.

Group operating performance

2022 results - The year ended saw a consolidation of the new business model, from vertical retailer to a platform with various brands, each catering to a specific lifestyle, with an expanded range in higher price points, driven in particular by the increasing success of the PIOMBO brand. The result was positive also in the light of a market trend in which, due to inflationary tensions, increasing numbers of customers moved away from premium price ranges above the level at which OVS operates, while continuing to seek the style and quality to which they are accustomed.
Sales growth was characterised by solid growth in like-for-like sales, with a particularly positive trend in women's wear, a very important development as this segment is the driving force of the apparel market.
In an economic environment characterised by strong inflationary pressures, careful risk management, which led to the hedging of several contracts during 2021 at prices that turned out to be advantageous, together with calibrated action on list prices combined with a further reduction in promotional initiatives, resulted in a 57.1% gross margin, higher than 2021 and 2019, the last pre-pandemic year.
This more than offset higher store costs, primarily energy costs, leading to an EBITDA growth of €33 million compared with the previous year.
Operating cash flow amounted to €64 million before distribution of dividends and share buy-backs totalling €36 million, despite orders for goods with early delivery dates, placed with a view to avoiding delivery delays such as those suffered in the first part of 2022, as well as a strong recovery in investment, particularly in store renewal, the automation of operations, and digitalisation. The year ended with a debt to EBITDA ratio of 0.90x.

Sustainability - Sustainability is increasingly central in guiding the strategic direction of the OVS Group.
The decarbonisation strategy continued in 2022 with increased adoption of more sustainable raw materials and production processes with a reduced environmental impact, the introduction of photovoltaics, and growing collaboration with suppliers on the adoption of new low-emission technologies.
OVS is also working on the integration of new production models and processes, including a t-shirt capsule in organic cotton grown in Italy, and is committed to using eco-sustainable materials in the construction of its stores.
These achievements were rewarded, for the second consecutive year, by first place in the Fashion Transparency Index compiled by Fashion Revolution, a global movement that encourages the fashion industry to build a system that is more respectful of human rights and the environment at all stages of the production cycle.

Strategy update - The Italian clothing market is expected to recover even further in the coming years, following the technical rebound of the post-pandemic period.
In this context, OVS intends not only to continue its growth through the expansion of its direct and e-commerce network, but also to improve its performance on a like-for-like basis. This will be achieved as a result of the numerous product and partnership projects under way, towards the objective of becoming a centre of attraction for a broader and more transversal customer base, as well as the ongoing process of renewing our stores to make them more welcoming.

Product projects - We will continue to expand our product range in the premium segment. OVS's offer will be further expanded with the introduction of 'PIOMBO Kids' and the relaunch of 'B Angel' for young women, while Upim will benefit from the revamping of the iconic 'Les Copains' brand which was acquired in 2022.
We will aim to stimulate new shopping opportunities by introducing products that do not overlap with our current offering. We will develop in-house collections focusing on certain sports. This offering, which is designed from a leisure and non-competitive perspective, will be based on transversal garments made of high-performance and comfortable technical fabrics and will be recognisable as dedicated brands.
Alongside clothing projects, OVS will expand its range into personal care and accessories, particularly jewellery, segments currently performing strongly.

Sales network - The physical store is once again proving to be Italian's preferred channel for clothes shopping, particularly due to our price positioning. Traffic has grown strongly and constantly in recent months.
OVS will continue to develop its network along the lines of its two main components: full-format stores in the main catchment areas (mainly Upim) and small-format, franchised shops in smaller urban centres. A new shop format dedicated exclusively to underwear is also being tested, with satisfactory initial results.
In order to ensure a steadily improving perception and uniformity of its image, OVS will continue to renew its network, given the excellent results obtained from more than 100 refurbished stores in recent years (an increased sales of between 7% and 10%).
The international development of the OVS brand will also continue, where we expect to build on the strong improvement we are seeing in the women's clothing segment in Italy.

Digital transformation and operations - Investments in digital transformation will continue, with a strong focus on supply-chain flexibility and innovation at points of sale.
A new automated warehouse facility is also in construction. This will reduce goods handling costs and enable 'customised' product distribution to each shop throughout the season.
We are also commencing implementation of innovative point of sale systems which will provide improved functionality with better conversion rates and CRM effectiveness.
With a view to the integration of the physical and the digital, a "Ship from store – extended availability" functionality has recently been activated which enables e-commerce to access products available in all network stores, effectively eliminating any stock-outs from the central warehouse.
An innovation hub is being developed in Puglia, where research into digital technology, artificial intelligence and cyber security will be conducted and a logistics centre will be established for garment reconditioning with a view to cost savings, sustainability and circular economy.
We will also continue to invest in energy efficiency, which in recent years have enabled us to reduce consumption by more than 15%, and in the development of photovoltaic systems with the objective of meeting 10% of the group's requirements within a two-year period.

People - People are OVS's most important asset. A broad range of investments will be made to attract new talent and increase retention. Particular attention is paid to store staff, who are in direct contact with customers. This includes the "People store evolution" project, which includes, inter alia, an intensive training programme to improve assisted selling skills, a new organisational model with work shifts that, in accordance with store requirements, improves employee work-life balance.

Key information on operating results at 31 January 2023

The OVS Group's results for 2022 were excellent. There was strong growth in both sales and EBITDA. Double-digit growth also continued in the first few months of 2023.

Adjusted net sales reached **€1,513 million**, up 11.3% compared with 2021, mainly due to the strong like-for-like performance. All brands are performing well. Traffic and average till receipts are both increasing.
There was an excellent increase in **adjusted EBITDA** to **€180.2 million** (up 22.4% on 2021), amounting to 11.9% of sales. Revenue performance and the increase in the gross margin (57.1%, up 40 basis points compared with 2021) more than offset the tensions on product costs and the entire supply chain. The overall result was also due to an excellent performance in the **fourth quarter**, with **adjusted EBITDA** of **€56.1 million**, up €13.4 million (31.5%) compared with the same period in the previous year.
Adjusted net profit rose to **€78.4 million**, up 75.2% compared with 2021.
Net cash flow before dividends and share buy-backs was **€64.1 million**, after investments of over €80 million. The **adjusted net financial position** at 31 January 2023 was **€162.0 million**, with a **leverage ratio** reduced to **0.90x**.
In light of the excellent results achieved in the year just ended, a **dividend** of **€0.06** per share will be proposed to the Shareholders' Meeting – an increase of 50% compared with 2021.
Sustainability continues to be a major focus for the OVS Group. For the second consecutive year, OVS ranks first in Fashion Revolution's "Fashion Transparency Index" as the company most attentive to transparency.
In the Group's **strategy**, OVS expects strong growth in the coming years as a result of major new product projects, further expansion and improvement of the store network in Italy and abroad, growth in e-commerce and the launch of numerous projects in the digital field, the streamlining of operations and the ongoing development of its human capital.
The table below summarises the Group's key performance indicators.

KEY PERFORMANCE INDICATORS

€m	31 January '23 reported	31 January '23 adjusted	31 January '22 reported	31 January '22 adjusted	chge (adjusted)	% chge (adjusted)
Net sales	**1,512.7**	**1,512.7**	**1,358.9**	**1,358.9**	**153.8**	**11.3%**
Gross margin	**828.4**	**863.9**	**768.5**	**771.0**	**92.9**	**12.0%**
% on net sales	*54.8%*	*57.1%*	*56.6%*	*56.7%*		
EBITDA	**316.6**	**180.2**	**334.7**	**147.2**	**33.0**	**22.4%**
% on net sales	*20.9%*	*11.9%*	*24.6%*	*10.8%*		
EBIT	**90.9**	**120.1**	**120.8**	**89.1**	**31.0**	**34.8%**
% on net sales	*6.0%*	*7.9%*	*8.9%*	*6.6%*		
Profit before taxes - PBT	**56.1**	**106.1**	**73.1**	**66.3**	**39.8**	**60.1%**
% on net sales	*3.7%*	*7.0%*	*5.4%*	*4.9%*		
Net result for the year	**39.6**	**78.4**	**48.6**	**44.8**	**33.6**	**75.2%**
% on net sales	*2.6%*	*5.2%*	*3.6%*	*3.3%*		
Net financial position	**1,206.5**	**162.0**	**1,139.0**	**190.3**	**28.3**	**14.9%**
Market share (%)		**9.4**		**9.3**		**1.5%**

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 2022, the results were adjusted mainly to strip out the impacts of IFRS 16. In particular, with regard to the effects of IFRS 16, the following should be noted: (i) €180.1 million on EBITDA to reflect rent, (ii) €22.9 million in higher net costs on EBIT due to the reversal of depreciation and amortisation of €157.2 million, and (iii) €13.1 million in lower net costs on the reported result for the year due to the reversal of €39.1 million relating to net financial expenses and €3.1 million in higher taxes. Lastly, (iv) the net financial position was adjusted for a €1,035.3 million decrease in liabilities.
EBITDA in 2022 was also adjusted as follows: (i) €35.5 million in net foreign exchange gains on forward hedging of purchases of goods in foreign currency, reclassified from "Net financial expenses (income)" to "Purchases of raw materials, consumables and goods"; (ii) €4.4 million in non-recurring expenses directly attributable to the Covid-19 emergency; (iii) €1.9 million in costs relating to stock option plans (non-cash costs); and (iv) other net one-off costs, also for the start-up phase of some foreign businesses.
Other adjustments that impacted EBIT and the result before tax related to: (i) costs of €8.5 million related to the amortisation of intangible assets due to the purchase price allocation (PPA) of past business combinations; and (ii) adjusted financial income of €18.3 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 reflects taxes recalculated following the aforementioned adjustments, entailing an increase in expenses of €8.1 million.

In 2021, the results had been adjusted mainly to strip out the impacts of IFRS 16. In particular, with regard to the effects of IFRS 16, the following were noted: (i) €199.3 million on EBITDA to reflect rent, mainly net of the impact relating to the renegotiations triggered by the pandemic, pertaining to the year, (ii) €51.9 million in higher net costs on EBIT due to the reversal of depreciation and amortisation of €147.3 million, and (iii) €5.2 million in higher net costs on the reported result for the period due to the reversal of €43.4 million relating to net financial expenses and €3.3 million in lower taxes. Lastly, (iv) the net financial position was adjusted for a €964.0 million decrease in liabilities.
EBITDA for 2021 was also adjusted as follows: (i) €2.5 million in net foreign exchange gains on forward hedging of purchases of goods in foreign currency, reclassified from "Net financial expenses (income)" to "Purchases of raw materials, consumables and goods"; (ii) €6.6 million mainly relating to non-recurring expenses directly attributable to the Covid-19 emergency; (iii) €1.2 million in costs relating to stock option plans (non-cash costs); and (iv) other less significant net one-off costs.
Other adjustments that impacted EBIT and profit before tax concerned: (i) costs of €8.5 million related to the amortisation of intangible assets due to the purchase price allocation (PPA) of past business combinations; and (ii) adjusted financial income of €18.5 million, mainly relating to foreign exchange gains arising from the valuation of items denominated in foreign currency, including with respect to forward 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 €0.4 million.

Adjusted consolidated results

The following table shows the adjusted consolidated results for 2022, classified by nature, compared with the previous year (in millions of euro).

€m	31 January '23 reported	31 January '23 adjusted	31 January '22 reported	31 January '22 adjusted	chge (adjusted)	% chge (adjusted)
Net sales	**1,512.7**	**1,512.7**	**1,358.9**	**1,358.9**	**153.8**	**11.3%**
Purchases of raw materials, consumables and goods	684.3	648.8	590.4	587.9	60.9	10.4%
Gross margin	**828.4**	**863.9**	**768.5**	**771.0**	**92.9**	**12.0%**
GM %	*54.8%*	*57.1%*	*56.6%*	*56.7%*		
Staff costs	307.1	304.9	288.7	286.8	18.1	6.3%
Service costs	236.0	231.7	196.0	190.7	41.0	21.5%
Costs for the use of third-party assets, net of other operating income	(54.2)	125.5	(77.5)	121.5	4.0	3.3%
Provisions	0.4	0.4	3.2	3.2	(2.8)	(87.3%)
Other operating charges	22.5	21.3	23.4	21.7	(0.4)	(2.0%)
Total net operating costs	**511.8**	**683.8**	**433.8**	**623.8**	**59.9**	**9.6%**
Operating costs on net sales in %	*33.8%*	*45.2%*	*31.9%*	*45.9%*		
EBITDA	**316.6**	**180.2**	**334.7**	**147.2**	**33.0**	**22.4%**
EBITDA %	*20.9%*	*11.9%*	*24.6%*	*10.8%*		
Depreciation, amortisation and write-downs	225.7	60.1	213.9	58.0	2.0	3.5%
EBIT	**90.9**	**120.1**	**120.8**	**89.1**	**31.0**	**34.8%**
EBIT %	*6.0%*	*7.9%*	*8.9%*	*6.6%*		
Net financial expenses (income)	34.7	14.0	47.7	22.8	(8.8)	(38.7%)
PBT	**56.1**	**106.1**	**73.1**	**66.3**	**39.8**	**60.1%**
Taxes	16.5	27.7	24.4	21.5	6.2	28.7%
Net result for the year	**39.6**	**78.4**	**48.6**	**44.8**	**33.6**	**75.2%**

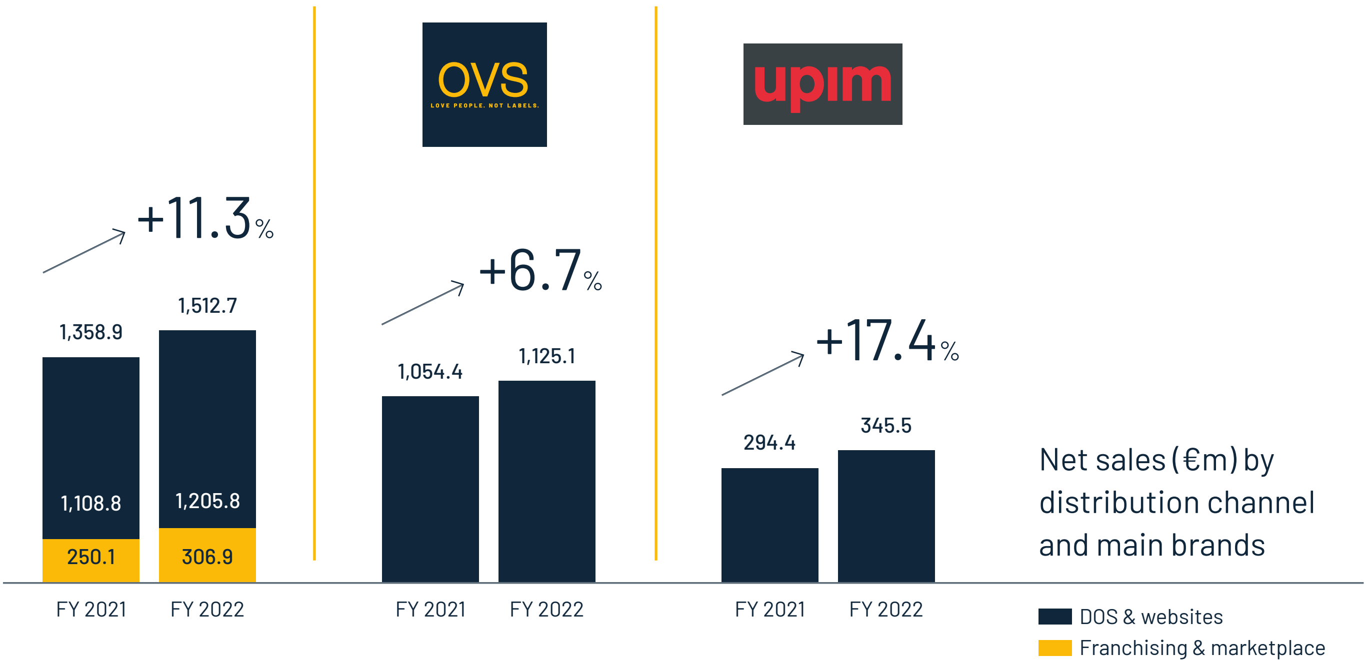
The following table shows the consolidated results by business segment for 2022 compared with the same period of the previous year (in millions of euro).

€m	31 January '23 adjusted	31 January '22 adjusted	22 vs 21 %
Net sales			
OVS	1,125.1	1,054.4	6.7%
Upim	345.5	294.4	17.4%
Other businesses	42.1	10.1	317.7%
Total net sales	**1,512.7**	**1,358.9**	**11.3%**
EBITDA			
OVS	149.2	124.6	19.8%
EBITDA margin	*13.3%*	*11.8%*	
Upim	34.0	27.2	25.0%
EBITDA margin	*9.8%*	*9.2%*	
Other businesses	(3.0)	(4.6)	(33.9%)
Total EBITDA	**180.2**	**147.2**	**22.4%**
EBITDA margin	***11.9%***	***10.8%***	
Depreciation and amortisation	(60.1)	(58.0)	3.5%
Operating result	**120.1**	**89.1**	**34.7%**
Net financial (expenses)/income	(14.0)	(22.8)	(38.7%)
Profit before taxes	**106.1**	**66.3**	**60.0%**
Taxes	27.7	21.5	28.7%
Net result for the year	**78.4**	**44.8**	**75.1%**

Comments on the main items in the adjusted consolidated income statement

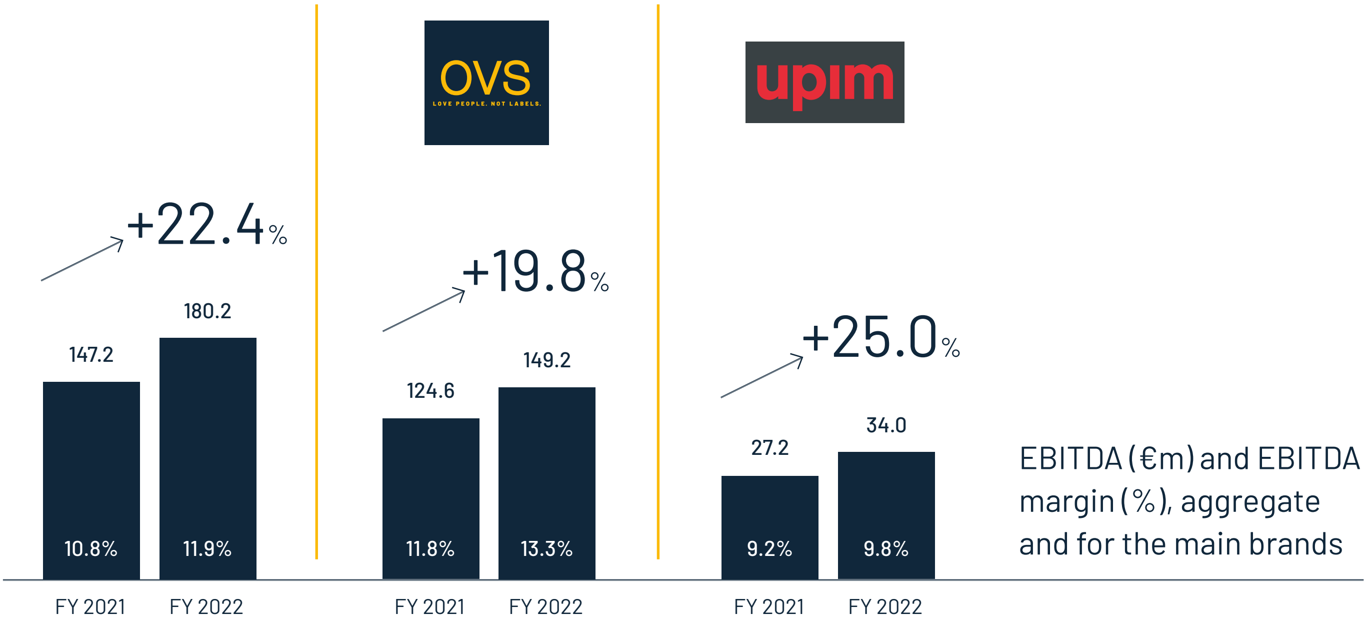
Net sales

(amounts in millions of euro)



Net sales for the year amounted to €1,512.7 million, up 11.3% compared with 2021.
This trend was seen across all the Group's brands and distribution channels and was consistent in all periods, with a more pronounced trend in May, partly due to favourable weather conditions, and in the months of Christmas shopping and winter sales. For OVS, growth was almost exclusively driven by same store sales, while for Upim, growth came not just from same store sales, but from the expansion of the sales network with the opening of direct outlets and franchises.

EBITDA
(amounts in millions of euro)



EBITDA (€m) and EBITDA margin (%), aggregate and for the main brands

Adjusted EBITDA stood at €180.2 million, up by more than €33.0 million compared with 2021. The EBITDA margin of 11.9% was up by more than 100 basis points compared with 10.8% in 2021.
Both brands made a positive contribution to this result: OVS recorded EBITDA growth of €24.6 million (up 19.8% year-on-year), while Upim's EBITDA increased by €6.8 million (up 25.0% compared with 2021).

EBIT

EBIT, adjusted to better reflect the Group's operating performance, amounted to €120.1 million, up €31.0 million compared with €89.1 million in 2021. The pronounced increase is the same as that reported in adjusted EBITDA, with a balance of depreciation and amortisation for the year essentially in line with 2021.

Net result for the year

The adjusted result for the year was €78.4 million, up 75.2% compared with €44.8 million in 2021. This result reflects: (i) higher EBITDA, (ii) a decrease of €8.8 million in financial expenses due to lower average debt combined with the lower cost of debt and (iii) normalisation of the tax rate from 32% in 2021 to 26% in 2022.

Non-recurring income and expenses

The adjusted consolidated results of the OVS Group included, at 31 January 2023, non-recurring and non-operating income and expenses totalling €6.3 million before tax (compared with €8.0 million at 31 January 2022). These include extraordinary expenses of €4.4 million mainly attributable to the Covid-19 emergency and €0.9 million for transactions with employees and third parties, with the remainder attributable to other minor one-off expenses, including for the start-up phase of some businesses abroad.

Net financial position

€m	31 January 2023	31 January 2022
Reported net debt	1,206.5	1,139.0
Adjusted net debt for MtM hedging instruments and IFRS 16	**162.0**	**190.3**
Leverage on EBITDA Adjusted net debt/ adjusted EBITDA last 12 months	**0.90x**	**1.29x**

At 31 January 2023, the Group's net financial position, adjusted for the impact of the mark-to-market of the hedging instruments and the adoption of IFRS 16, stood at €162.0 million. The ratio of adjusted net financial position to adjusted EBITDA for the past 12 months is 0.90x, whereas it stood at 1.29x at the end of the previous year.
The net financial position was affected by the purchase during the year of treasury shares for €24.5 million (13,538,308 shares purchased at an average carrying price of €1.812) and the distribution of dividends of €11.3 million. Excluding these items, the net financial position would have been €126.1 million.
Please see the following paragraphs for a breakdown of the net financial position of the Parent Company, OVS S.p.A..

Summary statement of financial position

The table below shows the consolidated statement of financial position for 2022 compared with the end of the previous year (in millions of euro), with and without the effects of IFRS 16.

€m	31 January '23 reported	31 January '22 reported	Chge.
Trade Receivables	115.2	89.3	25.9
Inventories	477.6	389.8	87.8
Trade Payables	(393.2)	(317.9)	(75.3)
Operating working capital	**199.6**	**161.2**	**38.4**
Other assets/(liabilities)	(139.0)	(128.2)	(10.7)
Net Working Capital	**60.7**	**33.0**	**27.7**
Net fixed assets	2,117.9	2,069.9	48.0
Net deferred taxes	(30.3)	(20.1)	(10.3)
Other long-term assets/(liabilities)	(4.2)	(7.2)	3.0
Pension funds and other provisions	(34.4)	(39.8)	5.4
Net capital employed	**2,109.6**	**2,036.0**	**73.7**
Net Equity	903.2	896.8	6.3
Net debt	1,206.5	1,139.0	67.4
Total source of financing	**2,109.6**	**2,036.0**	**73.7**

€m	31 January '23 excluding IFRS 16	31 January '22 excluding IFRS 16	Chge
Trade Receivables	115.2	89.3	25.9
Inventories	477.6	389.8	87.8
Trade Payables	(414.0)	(317.4)	(96.6)
Operating working capital	**178.9**	**161.7**	**17.1**
Other assets/(liabilities)	(123.8)	(111.8)	(12.0)
Net Working Capital	**55.0**	**49.9**	**5.1**
Net fixed assets	1,164.1	1,151.9	12.2
Net deferred taxes	(37.1)	(27.0)	(10.1)
Other long-term assets/(liabilities)	(15.9)	(18.8)	3.0
Pension funds and other provisions	(34.4)	(39.8)	5.4
Net capital employed	**1,131.7**	**1,116.2**	**15.5**
Net Equity	960.5	941.1	19.4
Net debt	171.2	175.0	(3.8)
Total source of financing	**1,131.7**	**1,116.2**	**15.5**

The reported net invested capital of the Group at 31 January 2023, which therefore also includes the impact of IFRS 16, was €2,109.6 million, up €73.7 million compared with 31 January 2022, due to advance orders of goods with advance deliveries (in order to avoid potential delays in deliveries, as experienced in the first part of 2022): this affected net operating working capital, which increased by €38.4 million during the year. The increase in net fixed assets of approximately €48 million was mainly due to the strong recovery in investments during the year and an increase in right-of-use assets, partly due to the acquisition of the GAP Italy scope during the year.

Shareholders' equity

Consolidated shareholders' equity stood at €903.2 million at 31 January 2023, up compared with the previous year, when it was €896.8 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 2022 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.

€m	31 January '23 excluding IFRS 16	31 January '22 excluding IFRS 16	Chge
EBITDA - Adjusted	**180.2**	**147.2**	**33.0**
Adjustments	(8.1)	(9.2)	1.1
Gross operating margin - Reported	**172.1**	**138.0**	**34.1**
Change in operating working capital	(17.1)	66.0	(83.1)
Other changes in Working Capital	11.0	39.0	(28.0)
Net investments	(80.8)	(79.8)	(1.0)
Operating cash flow	**85.2**	**163.2**	**(78.0)**
Financial expenses	(13.1)	(21.7)	8.6
Severance indemnity payments	(2.8)	(1.3)	(1.4)
Taxes and other	(5.2)	(10.3)	5.1
Net cash flow (excluding equity movements, MtM derivatives and IFRS 16)	**64.1**	**129.8**	**(65.7)**
Dividends	(11.3)	-	(11.3)
Cash out due to buy-back	(24.5)	-	(24.5)
Income from capital increase	-	81.0	(81.0)
Net cash flow (excluding MtM derivatives and IFRS 16)	**28.2**	**210.8**	**(182.6)**
Change in MtM derivatives	(24.4)	24.3	(48.8)
Net cash flow (excluding IFRS 16)	**3.8**	**235.1**	**(231.2)**

Operating cash flow

The table above shows the adjusted cash flows to represent the Group's operating performance at the net of non-recurring events which are unrelated to ordinary operations and adjusted for the adoption of IFRS 16.
The net cash flow for the year, excluding capital transactions (dividends payment and purchase of treasury shares) and changes in MtM, amounted to €64.1 million, which was almost in line with the cash generation of €65.9 million in 2019, the last pre-Covid year. The comparison with 2021 is not homogeneous as it was also affected by sales of inventory goods from the previous season, which remained unsold in 2020 due to the lockdown.

Dividends

Thanks to excellent cash generation and the further improvement in the Group's net financial position, the Board of Directors has resolved to propose to the Shareholders' Meeting a dividend payment of €0.06 per share, an increase of 50% compared with 2021.

Reconciliation of consolidated results for 2022

The following table shows the Group's consolidated results for 2022, presenting separately the effect of the application of IFRS 16, net non-recurring expenses before IFRS 16, stock option expenses, amortisation of intangible assets deriving from the purchase price allocation of previous business combinations, and income and expenses relating to foreign exchange gains or losses, both realised and from the valuation of items in foreign currencies (mainly USD) at the reporting date, including with respect to contractualised forward derivatives.

(amounts in millions of euro)	31 January 2023	of which IFRS 16	of which non-recurring	of which stock options; derivatives; PPA; foreign exchange gains/ losses		31 January 2023 adjusted
Net sales	1,512.7		0	0		1,512.7
Other operating income and revenues	92.4	(7.6)	0.1	0		100.0
Revenues and income	**1,605.1**	**(7.6)**	**0**	**0**		**1,612.7**
Purchases of raw materials, consumables and goods	684.3		0	35.5	(a)	648.8
Staff costs	307.1		0.3	1.9	(b)	304.9
Other operating expenses	297.1	(187.7)	6.1	0		478.8
EBITDA	**316.6**	**180.1**	**(6.3)**	**(37.4)**		**180.2**
Depreciation, amortisation and write-downs of assets	225.7	157.2	0	8.5	(c)	60.1
Operating result - EBIT	**90.9**	**22.9**	**(6.3)**	**(45.9)**		**120.1**
Net financial income (expenses)	(34.7)	(39.1)	0	18.3	(d)	(14.0)
Profit before taxes	**56.1**	**(16.1)**	**(6.3)**	**(27.6)**		**106.1**
Taxes	(16.5)	3.1	1.5	6.6		(27.7)
Net result for the year	**39.6**	**(13.1)**	**(4.8)**	**(21.0)**		**78.4**

(a) These relate to foreign exchange differences for forward hedging on purchases of goods in foreign currency, reclassified from "Net financial income (expenses) to "Purchases of raw materials, consumables and goods".
(b) These relate to costs recognised in the period relating to stock option plans.
(c) These relate to the amortisation of intangible assets deriving from PPA.
(d) These mainly relate to foreign exchange gains or losses arising from the valuation of items denominated in foreign currency, including with respect to forward derivatives and realised foreign exchange gains or losses (the latter reclassified to "Purchases of raw materials, consumables and goods").

The following is the reconciliation table for the financial year 2021:

(amounts in millions of euro)	31 January 2022	of which IFRS 16	of which non-recurring	of which stock options; derivatives; PPA; foreign exchange gains/ losses		31 January 2022 adjusted
Net sales	1,358.9		0	0		1,358.9
Other operating income and revenues	73.8	0.3	0	0		73.5
Revenues and income	**1,432.7**	**0.3**	**0**	**0**		**1,432.4**
Purchases of raw materials, consumables and goods	590.4		0	2.5	(a)	587.9
Staff costs	288.7		0.8	1.2	(b)	286.8
Other operating expenses	218.8	(198.8)	7.2	0		410.4
EBITDA	**334.7**	**199.1**	**(8.0)**	**(3.8)**		**147.2**
Depreciation, amortisation and write-downs of assets	213.9	147.3	0	8.5	(c)	58.1
Operating result - EBIT	**120.8**	**51.9**	**(8.0)**	**(12.3)**		**89.1**
Net financial income (expenses)	(47.7)	(43.4)	0	18.5	(d)	(22.8)
Profit before taxes	**73.1**	**8.5**	**(8.0)**	**6.2**		**66.3**
Taxes	(24.4)	(3.3)	1.9	(1.5)		(21.5)
Net result for the year	**48.6**	**5.2**	**(6.1)**	**4.7**		**44.8**

(a) These relate to foreign exchange differences for forward hedging on purchases of goods in foreign currency, reclassified from "Net financial income (expenses) to "Purchases of raw materials, consumables and goods".
(b) These relate to costs recognised in the period relating to stock option plans.
(c) These relate to the amortisation of intangible assets deriving from PPA
(d) These mainly relate to foreign exchange gains or losses arising from the valuation of items denominated in foreign currency, including with respect to forward derivatives and realised foreign exchange gains or losses (the latter reclassified to "Purchases of raw materials, consumables and goods").

With regard to the results at 31 January 2023, it should be noted that:

- Revenues and income, which came in at €1,512.7 million, mainly include the retail sales generated by the OVS, Upim and STEFANEL brands.
- The gross operating margin or adjusted EBITDA, as the difference between revenues and operating costs, net of the effects of IFRS 16, excluding depreciation and amortisation (including amortisation of intangible assets deriving from the purchase price allocation of previous business combinations), non-recurring expenses and stock option plans, and adjusted to take account of foreign exchange gains or losses realised on forward instruments entered into by the Group and underlying goods already purchased and sold, amounted to €180.2 million, equal to 11.9% of sales.
- The reported and adjusted profit before tax came in at €56.1 million and €106.1 million, respectively (the latter net of the effects of IFRS 16, non-recurring costs and other costs shown in the fourth column of the table).
- Net taxes amounted to €16.5 million and reflect the normalisation of the tax rate, which decreased from 33% to 29% during the year.
- The reported and adjusted net profit for the year were €39.6 million and €78.4 million, respectively, net of the above expenses.

Impacts of IFRS 16 and alternative performance indicators

The consolidated income statement for 2022 is shown below, including and excluding the effects of IFRS 16.

€m	31 January '23 reported	Effects IFRS 16	31 January '23 excluding IFRS 16
Revenues	1,512.7	-	1,512.7
Other operating income and revenues	92.4	7.6	100.0
Total revenues	**1,605.1**	**7.6**	**1,612.7**
Purchases of raw materials, consumables and goods	684.3	-	684.3
Staff costs	307.1	0.0	307.1
Depreciation, amortisation and write-downs of assets	225.7	(157.2)	68.6
Other operating expenses			
Service costs	236.0	0.8	236.7
Costs for the use of third-party assets	38.2	187.1	225.3
Write-downs and provisions	0.4	-	0.4
Other operating charges	22.5	(0.3)	22.3
Profit before net financial expenses and taxes	**90.9**	**(22.9)**	**67.9**
Financial income	0.8	(0.4)	0.4
Financial expenses	53.9	(39.4)	14.4
Foreign exchange gains and losses	18.3	-	18.3
Gains (losses) from equity investments	(0.0)	-	(0.0)
Net result for the year before tax	**56.1**	**16.1**	**72.2**
Taxes	16.5	3.1	19.6
Net result for the year	**39.6**	**13.1**	**52.6**

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

€m	31 January '23 reported	Effects IFRS 16	31 January '23 excluding IFRS 16
Net sales	**1,512.7**		**1,512.7**
Gross margin	**828.4**		**828.4**
% on net sales	*54.8%*		*54.8%*
EBITDA	**316.6**	**(180.1)**	**136.5**
% on net sales	*20.9%*		*9.0%*
EBIT	**90.9**	**(22.9)**	**67.9**
% on net sales	*6.0%*		*4.5%*
Profit before taxes	**56.1**	**16.1**	**72.2**
% on net sales	*3.7%*		*4.8%*
Net result for the year	**39.6**	**13.1**	**52.6**
% on net sales	*2.6%*		*3.5%*

As already indicated in the introduction, with the adoption of the IFRS 16 accounting standard as of 2019, the main economic and financial indicators have been significantly affected and are not comparable with data from periods prior to 2019. With regard to the income statement figures presented above, the recognition of €157.2 million of depreciation of right-of-use assets under tangible assets, together with €39.0 million of net interest expenses on net lease liabilities, replacing €180.1 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 2023, including and excluding the effects of IFRS 16.

€m	31 January '23 reported	Effects IFRS 16	31 January '23 excluding IFRS 16
Trade Receivables	115.2	0.0	115.2
Inventories	477.6	0.0	477.6
Trade Payables	(393.2)	(20.8)	(414.0)
Operating working capital	**199.6**	**(20.8)**	**178.9**
Other assets/(liabilities)	(139.0)	15.1	(123.8)
Net Working Capital	**60.7**	**(5.7)**	**55.0**
Net fixed assets	2,117.9	(953.8)	1,164.1
Net deferred taxes	(30.3)	(6.8)	(37.1)
Other long-term assets/(liabilities)	(4.2)	(11.7)	(15.9)
Pension funds and other provisions	(34.4)	0.0	(34.4)
Net capital employed	**2,109.6**	**(977.9)**	**1,131.7**
Net Equity	903.2	57.4	960.5
Net debt	1,206.5	(1,035.3)	171.2
Total source of financing	**2,109.6**	**(977.9)**	**1,131.7**

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 2022" 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 2022 of the Parent Company, OVS S.p.A., presenting separately the effects of the application of IFRS 16, net non-recurring expenses before IFRS 16, stock option expenses, amortisation of intangible assets deriving from the purchase price allocation (PPA) of previous business combinations, and income and expenses relating to foreign exchange gains or losses, both realised and from the valuation of items in foreign currencies (mainly USD) at the reporting date, including with respect to contractualised forward derivatives.

(amounts in millions of euro)	31 January 2023	of which IFRS 16	of which non-recurring	of which stock options; derivatives; PPA; foreign exchange gains/ losses	31 January 2023 adjusted
Net sales	1,507.2	0.0	0.0	0.0	1,507.2
Other operating income and revenues	90.2	(8.1)	0.1	0.0	98.2
Revenues and income	**1,597.4**	**(8.1)**	**0.1**	**0.0**	**1,605.4**
Purchases of raw materials, consumables and goods	726.7	0.0	0.0	35.5	691.2
Staff costs	295.9	0.0	0.3	1.9	293.7
Other operating expenses	291.4	(185.3)	5.4	0.0	471.3
EBITDA	**283.4**	**177.2**	**(5.6)**	**(37.4)**	**149.2**
Depreciation, amortisation and write-downs of assets	221.9	155.1	0.0	8.5	58.3
Operating result - EBIT	**61.5**	**22.1**	**(5.6)**	**(45.9)**	**90.9**
Gains (losses) from equity investments	15.0	0.0	0.0	0.0	15.0
Net financial gains (losses) and foreign exchange differences	(36.1)	(38.6)	0.0	16.3	(13.8)
Profit before taxes	**40.4**	**(16.5)**	**(5.6)**	**(29.6)**	**92.1**
Taxes	(15.4)	3.1	1.3	7.1	(26.9)
Net result for the year	**25.0**	**(13.4)**	**(4.3)**	**(22.5)**	**65.2**

The following is the reconciliation table for the financial year 2021:

(amounts in millions of euro)	31 January 2022	of which IFRS 16	of which non-recurring	of which stock options; derivatives; PPA; foreign exchange gains/losses	31 January 2022 adjusted
Net sales	1,350.7	0.0	0.0	0.0	1,350.7
Other operating income and revenues	73.1	0.3	0.0	0.0	72.8
Revenues and income	**1,423.8**	**0.3**	**0.0**	**0.0**	**1,423.5**
Purchases of raw materials, consumables and goods	616.7	0.0	0.0	2.5	614.2
Staff costs	278.7	0.0	0.8	1.2	276.7
Other operating expenses	213.8	(196.0)	7.2	0.0	402.6
EBITDA	**314.6**	**196.3**	**(8.0)**	**(3.7)**	**130.0**
Depreciation, amortisation and write-downs of assets	209.9	144.7	0.0	8.5	56.7
Operating result - EBIT	**104.7**	**51.6**	**(8.0)**	**(12.2)**	**73.3**
Gains (losses) from equity investments	14.1	0.0	0.0	0.0	14.1
Net financial gains (losses) and foreign exchange differences	(45.0)	(43.0)	0.0	20.6	(22.6)
Profit before taxes	**73.8**	**8.6**	**(8.0)**	**8.4**	**64.8**
Taxes	(23.9)	(3.2)	1.9	(2.0)	(20.6)
Net result for the year	**49.9**	**5.4**	**(6.1)**	**6.4**	**44.2**

With regard to the results at 31 January 2023, it should be noted that:

- revenues and income, which amounted to €1,597.4 million, mainly include the retail sales generated by the OVS, Upim and Stefanel brands.
- Depreciation and amortisation of €221.9 million refers to right-of-use assets for €155.1 million, while the remainder essentially relates to store improvements and refits.
- Other operating expenses of €291.4 million, gross of the effects of IFRS 16 (€185.3 million) and non-recurring expenses of €5.4 million, would have amounted to €471.3 million, and may be broken down as follows: costs for the use of third-party assets (€222.0 million), miscellaneous operating expenses (€20.2 million), service costs (€228.7 million) and write-downs and provisions (€0.4 million).
- Gains/(losses) on equity investments include income for dividends received from subsidiary OVS Hong Kong Sourcing Ltd of €19.1 million and expenses arising from the write-down of the Italian and foreign investee companies totalling €4.1 million.
- Net financial expenses of €36.1 million, gross of the effects of IFRS 16 of €38.6 million, would have amounted to €2.5 million, deriving from financial expenses of €13.8 million and foreign exchange gains and the negative fair value of forward derivatives in the income statement of €16.3 million.
- Taxes were negative for €15.4 million; without the adjustments in the columns on the table, they would also have been negative for €26.9 million.
- The reported and adjusted net result for the year was, respectively, a profit of €25.0 million and a profit of €65.2 million.

Financial performance

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

(amounts in millions of euro)	31 January 2023	31 January 2022
Operating capital (A)	(32.8)	(49.4)
Net capital employed (B)	2,111.8	2,065.8
Net debt	1,200.9	1,131.9
Shareholders' equity	878.1	884.5

(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 €1,200.9 million at 31 January 2023, compared with €1,131.9 million at 31 January 2022. The breakdown is as follows (in millions of euro):

(amounts in millions of euro)	31 January 2023	31 January 2022
Cash and cash equivalents and net financial assets	102.3	139.7
Receivables/(payables) for derivatives	(9.2)	15.2
Financial receivables/(payables) with respect to third parties	5.1	0.0
Financial receivables/(payables) with respect to subsidiaries	2.0	2.5
Financial receivables/(payables) with respect to banks	(270.3)	(329.5)
Financial receivables/(payables) with respect to other lenders	0.0	0.0
Finance lease receivables/(payables)	(1,030.8)	(959.8)
Net financial position	**(1,200.9)**	**(1,131.9)**

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 €30.3 million in 2022 (compared with €17.5 million in 2021).

OVS Maloprodaja d.o.o.

The company operates in the Croatian market, directly managing five OVS stores.
There were no store closures or new store openings in 2022.
The company is not material for the purposes of the consolidated financial statements.

OVS Department Stores d.o.o.

The company operates in the Serbian market, directly operating eight OVS stores.
In 2022, the company opened a new full-format, directly operated store in Belgrade, while one store also closed in Belgrade.
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 91 stores in franchising and two directly operated stores. There were five closures and eight new openings of stores in franchising in 2022.
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 two of these store openings took place during 2022. The company is not currently material for the purposes of the consolidated financial statements.

OVS Germany G.m.b.H.

OVS Germany G.m.b.H. was incorporated on 28 September 2022, with its registered office in Leipzig. As at the date of these consolidated financial statements, the company is wholly owned by OVS S.p.A.. In the 2022 financial year, the company opened its first STEFANEL-branded directly operated store in Düsseldorf. The company is not currently material for the purposes of the consolidated financial statements.

Vespucci Fashion, Inc.

Vespucci Fashion, Inc. was incorporated on 3 May 2022, with its registered office in New York (USA). As at the date of these consolidated financial statements, the company is 80% controlled by OVS S.p.A.. In 2022, the company opened its first PIOMBO-branded directly operated store in a major New York department store. 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 PIOMBO-branded stores, 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-licence 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.
The company recorded net profit of €1.5 million in 2022 (compared with €0.5 million in 2021).

OVS Innovazione e Sostenibilità S.r.l.

OVS Innovazione e Sostenibilità S.r.l. was incorporated on 21 June 2022, with its registered office in Venice-Mestre. As at the date of these consolidated financial statements, the company is wholly owned by OVS S.p.A.. The company was essentially inactive during 2022. The company will become active in 2023 following the approval by Puglia Sviluppo of the programme agreement presented and with a view to opening an operating unit in Bari in which the Group's important innovation and sustainability activities will be established. The company is not currently material for the purposes of the consolidated financial statements.

Energia Verde Uno S.r.l.

Energia Verde Uno S.r.l. was incorporated on 26 July 2022, with its registered office in Venice-Mestre. As at the date of these consolidated financial statements, the company continues to be inactive and is 51% controlled by OVS S.p.A.. During 2023, the company is to become the vehicle for the creation of a joint venture for the development, creation and management of certain photovoltaic projects in Italy. The company is not currently material for the purposes of the consolidated financial statements.

Management of financial and operating risks

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

Credit risk

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

during the reporting period" and "Significant events after the reporting period" below.

Liquidity risk

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

Market risk

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

Risk of change in prices and cash flows

The Group's margins are influenced by changes in the prices of the goods it deals in.
Any reduction in the price of items sold, if not accompanied by a corresponding reduction in purchase cost, generally entails a decrease in operating results.
In fact, the economic environment in the year just ended was characterised by very strong inflationary pressures. Only the careful management of this risk by the OVS Group, which caused it to secure several contracts in the previous year at prices that then proved to be very advantageous, together with an inevitable but never calibrated action on the sale lists and a further reduction in promotional activities, resulted in a gross margin of 57.1% in 2022, higher than in both 2021 and 2019, the last year before the pandemic.
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 euro 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 and the structure of the Group's debt, 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 2023 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 €80.8 million were made in 2022. The investments made in 2022 represent the second year of a three-year plan entailing more substantial investments than usual for the Group. In particular, these concerned: (i) the restructuring of 33 stores in the existing network, extraordinary maintenance and other commercial activities relating to the existing network, amounting to around €31 million, (ii) new store openings (around €18 million) under the Group's brands, (iii) the development of new IT and digital transformation systems (around €13 million), (iv) the upgrading of the logistics unit (around €12 million) in order to improve distribution efficiency, and (v) maintenance of the head office in Venice-Mestre (around €4.7 million).
The investments made in 2021 amounted to €79.8 million, including around €27 million relating to extraordinary restructuring and maintenance and €33 million for new store openings.

At Group level, the sales network comprised a total of 2,169 stores at 31 January 2023 (including the small-format stores) including 849 DOS (18 abroad), 1,217 affiliated stores (332 abroad) and 103 administered stores (68 abroad).
In 2022 (1 February 2022 – 31 January 2023), the network continued to expand and achieved further growth in terms of stores (net of closures) of 117 units, including 18 DOS and 110 affiliated stores, while the number of administered stores decreased by 11.
In 2021 (1 February 2021 – 31 January 2022), the Group increased the sales network (net of closures) by 230 units, including 71 DOS and 159 affiliated stores, while the number of administered stores remained the same.

Research and development

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

Related party transactions

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

Significant events during the reporting period

Impacts of the pandemic and the Russia-Ukraine conflict on Group performance

One of the most significant events that took place in 2022 at the European and global level was unfortunately the conflict between Russia and Ukraine, which began on 24 February 2022. The war in Ukraine had major and entirely unpredictable global consequences in 2022, not only because of the resulting serious humanitarian crisis, but above all because of its potential economic and geopolitical effects on global markets. The first effects were immediate increases in the costs of various commodities such as gas and oil, as well as steep drops in share prices in the world's biggest markets. The conflict also had a material effect on inflation and interest rates in all the Western economies and a substantial weakening of the euro against the US dollar.
The exposure of the sales of the OVS Group to franchisees located in the Russian and Ukrainian markets, rather than Russian tourists buying in other markets, is essentially nothing compared with the Group's annual turnover. Furthermore, the Group does not have goods suppliers in Russia or Ukraine.
To cope with the difficult economic situation, the Group has carried out several operations to contain the price of energy and some important raw materials, even though, in both the first and second halves of the year, it was inevitable that the price lists for the Group's goods would be adjusted.
OVS has also continued its commitment, alongside Save the Children, to providing support and protection to the Ukrainian people affected by the war.
Meanwhile, the effects of the Covid-19 pandemic gradually waned, even if, in the year just ended, there was a tail of extraordinary costs to maintain health and safety safeguards pursuant to health protocols (particularly in stores), which are expected to gradually normalise during 2023.
In this context, 2022 nevertheless saw the Group's sales reach €1,513 million, up 11.3% compared with 2021, mainly due to like-for-like growth. All the Group's brands performed positively, and both store traffic and average receipts increased markedly.
For more information, please see the notes to the financial statements.

Other significant events during the reporting period

On 1 February 2022, the Parent Company, OVS S.p.A., and The GAP Inc. signed the final agreement for the sale to OVS of the Italian business unit of the GAP Group, which consists of GAP stores in Italy.
The agreement helps to create value for the OVS Group and represents a further step in the strategic evolution of OVS, which is increasingly becoming a platform open to collaborations with other brands that are consistent with its positioning and values.
OVS is using its wealth of retail experience and its exceptional creativity to accelerate GAP's expansion in Italy, in both physical and digital channels.
It will be recalled that on 20 October 2021, The GAP Inc. announced a strategic review of its business in Europe. The transfer to OVS of the 11 Italian stores enables GAP to maintain a market presence with a more efficient partnership model and take advantage of the experience of OVS, which is the leader in the Italian clothing market. For more details on the business unit purchased, see the paragraph entitled "Business combinations" in the notes to the consolidated financial statements.
On 2 February 2022, the programme to increase the portfolio of treasury shares of the Parent Company, OVS S.p.A., became operational in order to: (i) execute, directly or through intermediaries, any investment transactions, also to contain anomalous share price trends, regularise trading and price performance and support the liquidity of the security on the market to facilitate the orderly conduct of trading outside normal fluctuations related to market performance, without prejudice in any case to compliance with current provisions, (ii) retention for subsequent uses (shares held as inventory), including: as consideration in extraordinary transactions, also exchanges or disposals of equity investments to be carried out by means of exchange, transfers or other instruments of disposal and/or use, with other entities, including allocation to service bonds convertible into company shares or bonds with warrants; and iii) to service compensation and incentive plans based on financial instruments reserved for the directors and employees of the company and/or the companies directly or indirectly controlled by the company, either through the granting of free purchase options or free shares (stock option plans and stock grant plans) pursuant to Article 114-bis of the Consolidated Finance Act (TUF), as well as plans granting bonus shares to shareholders.
It will be recalled that the above share buy-back programme was approved by the Shareholders' Meeting on 28 May 2021 and its implementation was defined by the Board of Directors on 31 January 2022; the Board resolved to grant a mandate to a top-tier intermediary

that, as of 2 February 2022, makes decisions regarding purchases of OVS shares fully independently, in accordance with contractually pre-established parameters and criteria as well as the provisions of the applicable regulations and the aforementioned Shareholders' Meeting resolution.
In accordance with the resolutions passed by the Shareholders' Meeting, buy-backs, which may take place on one or more occasions within the limits of the distributable profits and available reserves recorded in the latest financial statements approved at the time of each transaction, concerned a maximum number of shares with a total par value of not more than one-tenth of the share capital of OVS, including any shares owned by OVS and its subsidiaries.
The shares were purchased during the year at a unit price of no more or less than 15% of the reference price posted by the OVS stock during the trading session preceding each individual buy-back transaction.
The daily purchase amounts did not exceed 25% of the average daily volume of OVS shares traded during the 20 trading days preceding the buy-back dates.
The share buy-back programme was carried out for a maximum of €10 million.
Although it was valid until 28 November 2022 (unless revoked), the authorisation to make the purchases was terminated and replaced in advance following a new resolution by the Shareholders' Meeting, as detailed below.
The purchases were made on the Euronext Milan market, pursuant to Article 144-bis, paragraph 1, sub-paragraph b) of Consob Regulation no. 11971/1999 and other applicable provisions (including EU and Italian legislation on market abuse), to ensure the equal treatment of shareholders pursuant to Article 132 of the Consolidated Finance Act (TUF) and Article 5 of (EU) Regulation 596/2014, and in accordance with the operating procedures established in Borsa Italiana S.p.A.'s organisational and management regulations.
On 1 February 2022, the Parent Company also appointed two new executives with strategic responsibilities: the current Director of Sourcing, Operations and Sustainability and the current Director of OVS Retail Italia. Both managers have been with the Company for many years, and their appointment is part of a process of reorganising and strengthening the individual areas that they oversee. In particular, the former, in addition to managing all sourcing and operations, also focused on sustainability-related activities and how these play out in relation to products, while the latter is responsible for the network of all OVS stores in Italy and for the STEFANEL network. Both managers report directly to the Group Chief Executive Officer.
On 7 April 2022, OVS S.p.A. signed a loan agreement consisting of two lines of credit totalling €230 million, both sustainability-linked and with a term of five years. This transaction further improved the Group's financial structure, which had already been strengthened thanks to a strong performance in terms of cash flows generated during the two-year period 2021-2022, the recent capital increases and the issue of the sustainability-linked bond. The new lines present significant advantages in terms of cost, extension of terms and, more generally, contractual conditions in line with the Group's situation.
The loan agreement allowed the Parent Company to access financial resources aimed, inter alia, at repaying and replacing: i) two lines of credit, one revolving line for €100 million and one term line for the remaining €33 million, granted under a loan agreement signed in 2015 and amended in 2019, both with a reduced maturity, and ii) a line of credit for €100 million that is 80% guaranteed by SACE, obtained under a loan agreement, signed in 2020 to meet needs related to the Covid-19 pandemic, which was no longer consistent with the Group's financial structure.
The new lines of financing contracted, which will mature in April 2027, consist of a term line of €110 million with a grace period until 31 May 2023, followed by a repayment plan consisting of eight half-yearly instalments, and a revolving line of €120 million.
The structure of the financing agreement also provides for a decrease or increase in the cost of financing of 10 bps, depending on the achievement of specific sustainability targets aligned with those provided for the sustainability-linked bond. With this agreement, all of the Group's main lines of financing are now linked to sustainability performance.
For more details, see the notes to the consolidated financial statements and to the separate financial statements.
On 31 May 2022, the Ordinary Shareholders' Meeting of Parent Company OVS S.p.A. (the "Company") approved the financial statements at 31 January 2022, also resolving to pay an ordinary dividend of €0.04 per share for the financial year ended 31 January 2022. The detachment date for coupon no. 4 was 20 June 2022 and the payment date was 22 June 2022 (record date 21 June 2022). For further details, please see the consolidated statement of changes in shareholders' equity.
The Ordinary Shareholders' Meeting also approved, as required by the applicable regulations, by binding resolution, the first section of the report on the remuneration policy and compensation paid (remuneration policy) and, in an advisory capacity, voted in favour of the second section of that report (compensation paid).
On the same date, the Ordinary Shareholders' Meeting approved the authorisation of (i) the purchase, in one or more tranches and for a period of 18 months, up to a maximum number of shares in the Company that,

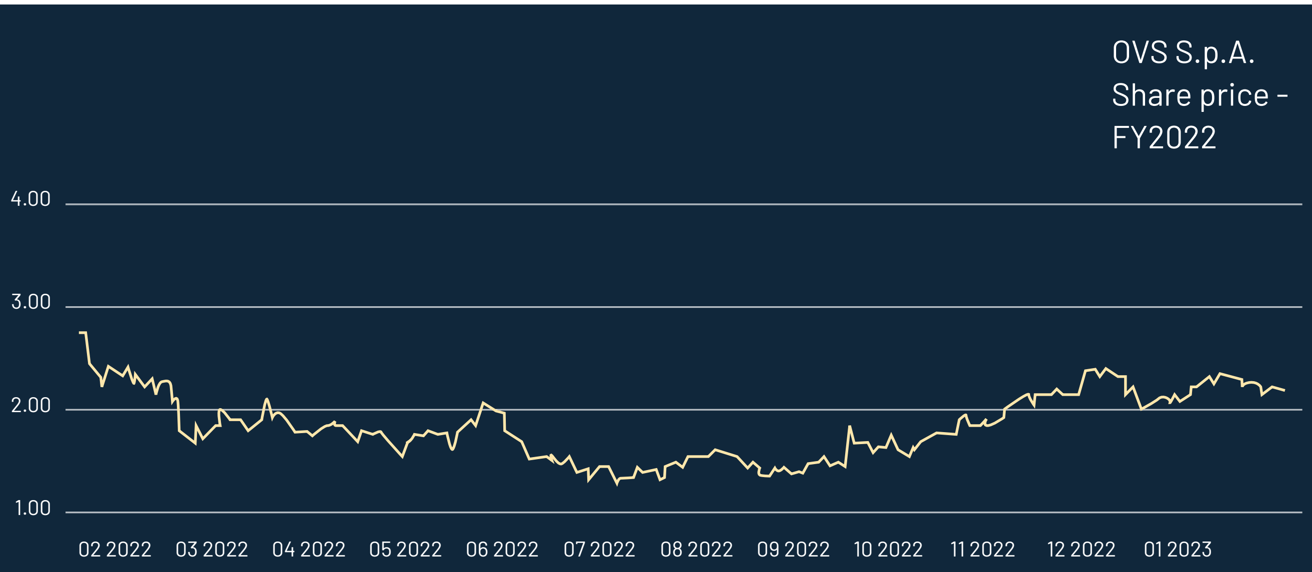
taking into account the ordinary OVS shares held from time to time by the Company and its subsidiaries, shall not exceed 10% of the Company's share capital, and therefore within the limits of the law; and (ii) the disposal of all or part of the treasury shares held.
This resolution replaced the authorisation granted to the Board of Directors by the Shareholders' Meeting held on 28 May 2021. For further information on the other characteristics of the authorisation to purchase and dispose of treasury shares, please see (i) the press release dated 21 April 2022 and (ii) the explanatory report, which is available on the Company's website at www.ovscorporate.it.
As of today (19 April 2023), the Company holds 16,099,509 treasury shares (equal to 5.5339% of the share capital), while its subsidiaries do not hold any OVS shares.
For further details, please refer to the authorisation resolution approved by the Shareholders' Meeting and the relevant explanatory report by the Board of Directors, available at www.ovscorporate.it (Governance/Shareholders' Meetings/Shareholders' Meeting of 31 May 2022).
The Ordinary Shareholders' Meeting also approved a new medium/long-term equity-based incentive plan named the "Performance Share Plan 2022-2026" (the "Plan"), which aims to align the interests of the beneficiaries with the creation of value for OVS's shareholders and investors in the long term, and to promote the permanence of the beneficiaries by incentivising them to add value to the Company and simultaneously creating a loyalty-building tool. The Plan is intended for the top management of the Company and its subsidiaries and other employees and contractors (including consultants and/or providers of intellectual work) of OVS and/or subsidiaries with roles that are strategically important for the Company's business or that are otherwise able to make a significant contribution in light of the pursuit of the strategic objectives of OVS and its subsidiaries.
When a performance objective is achieved for each three-year vesting period for measurement of the results, starting on 1 February and ending on 31 January of the third subsequent year (2022-2024/2023-2025/2024-2026), the Plan entitles each beneficiary to receive OVS shares free of charge, subject to the circumstances set out in the Plan (existence of a relationship with the company and absence of disciplinary sanctions).
The number of actual shares granted to each beneficiary in the event of achievement of the objective, under the terms and conditions of the Plan regulations, will be determined by applying different criteria, depending on whether the reference price of the OVS share is less than or equal to €3.00 or more than €3.00.
The Plan is divided into three three-year ("rolling") performance cycles (2022-2024, 2023-2025 and 2024-2026) and will expire on 31 January 2027. The maximum total number of shares to be granted to beneficiaries in order to execute the Plan is 4,500,000.
For further details of the Plan, see (i) the explanatory report on the 4th (fourth) item on the agenda of the Ordinary Shareholders' Meeting of OVS of 31 May 2022, and (ii) the information document prepared pursuant to Article 84-bis of the regulation approved by Consob Resolution 11971 of 14 May 1999, available on the Company's website at www.ovscorporate.it and on the "1Info" authorised data storage mechanism at www.1info.it.
The first three-year cycle was assigned by resolution of the Board of Directors on 14 June 2022. Also on 31 May 2022, the Extraordinary Shareholders' Meeting resolved to grant the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, for a period of five years from the date of the resolution, the authority to increase the share capital, free of charge and in one or more tranches, pursuant to Article 2349 of the Italian Civil Code, to be allotted to the beneficiary employees of the Plan, through the issue of a maximum of 4,500,000 ordinary shares at an issue value equal to the accounting par value of the OVS shares at the execution date, to be fully allocated to capital. Article 5 of the current Articles of Association was consequently amended.
On 29 April 2022, the Company's Standing Auditor, Paola Tagliavini, who was taken from the list that obtained the highest number of votes submitted by shareholder TIP – Tamburi Investment Partners S.p.A., resigned with immediate effect due to professional commitments.
In order to comply with gender balance, Emanuela Italia Fusa (from the minority list), as the only female Alternate Auditor in office, took over as a standing member of the Board of Statutory Auditors pursuant to the law and the Articles of Association.
At the Shareholders' Meeting of 31 May 2022, at the proposal of shareholder Tamburi Investment Partners S.p.A., which holds 82,744,373 ordinary shares representing 28.44% of OVS's share capital, the Board of Statutory Auditors was supplemented through the appointment as a Standing Auditor of Federica Menichetti, who will remain in office, together with the other members of the Board of Statutory Auditors, until the date of the Shareholders' Meeting called to approve the financial statements for the year ended 31 January 2023.
On 27 July 2022, OVS announced the acquisition of Les Copains, a historic brand that established itself in the '70s and '90s, and became known to the young public for its iconic striped cropped sweaters and boiled wool jackets. The acquisition, which was for the brand only, was completed in September 2022 with the payment of the balance of the auction price (totalling €1.5

million), and is part of OVS's strategy of strengthening its product development and distribution platform, in order to expand the visitor base and move ever closer to the various lifestyles of customers. The Les Copains collection will be one of the Group's brands in 2023.
Lastly, during the year, a number of legal entities were established which are directly controlled by the Parent Company, OVS S.p.A., with the aim of developing specific projects in order to optimise corporate processes and develop its business abroad. Specifically, on 3 May 2022, Vespucci Fashion Inc. was incorporated, with its registered office in New York (USA). The company opened its first directly PIOMBO-branded operated store in November 2022. On 21 June 2022, OVS Innovazione e Sostenibilità S.r.l. was incorporated, with its registered office in Venice-Mestre. On 26 July 2022, Energia Verde Uno S.r.l. was incorporated. Lastly, on 28 September 2022, OVS Germany G.m.b.H. was incorporated, with its registered office in Leipzig. The company opened its first STEFANEL-branded directly operated store in October 2022. For more details of the operations of these new Group companies, see the notes to the consolidated financial statements.
There were no other significant events in the 2022 financial year.

Other information

Notes on share performance

The OVS S.p.A. stock was listed on the Milan Stock Exchange on 2 March 2015 at a placement price of €4.10. The stock closed the previous year at €2.45 on 31 January 2022. One year later, on 31 January 2023, the stock was trading at €2.20, down by 10% compared with the end of the previous year.



2022 was a year in which the financial markets were particularly unfavourable, due to growing inflationary pressures, rising interest rates, concerns about the resilience of consumption and Russia's invasion of Ukraine.

The excellent operating and financial results achieved by the Company in 2022 were overshadowed by the market environment, particularly in the first part of the year, when OVS shares fell by 45% in the period from February to July. The OVS stock subsequently rose substantially in the period from August to January, partly due to positive stock markets, thanks to both better-than-expected consumption trends and retreating inflationary pressures, and closed the last day of trading for the year at €2.20, down 10% compared with the same closing day of the previous year.

At 14 April 2023, of the five brokers that monitor the OVS S.p.A. stock, three had given it a "buy" recommendation, and two a "neutral" recommendation.

In 2022, OVS's investor engagement activities were mainly undertaken after the publication of the Company's results and continued to focus on both participation in some of the main equity investment conferences – in particular the European Small & Mid Cap Symposium organised by Goldman Sachs and the Italian Investment Conference organised by Unicredit and Kepler Cheuvreux – and on various ad hoc roadshows specifically organised with the support of the Company's main brokers.

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, to be implemented through the granting of free stock options for ordinary newly issued shares of OVS S.p.A.. The Plan was reserved for directors who are also employees, executives 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 provided for the issue of up to 5,107,500 options, which will be granted free of charge to the Beneficiaries if certain performance targets are met, and confers on each of them the right to subscribe for one ordinary share of the Company for each option granted.
The same Shareholders' Meeting was also convened in extraordinary session to resolve upon the proposal to grant the Board of Directors, for a period of five years from the date of the resolution, the power to increase the share capital, pursuant to Article 2443 of the Italian Civil Code, in tranches, excluding option rights pursuant to Article 2441, paragraph 8 of the Italian Civil Code, for a total maximum nominal amount of €35,000,000.00, through the issue, in one or more tranches, of up to 5,107,500 ordinary shares with no par value, to be reserved for the beneficiaries of the 2015-2020 Stock Option Plan, with the consequent amendment of Article 5 of the Articles of Association.
As of 31 January 2023, 2,724,963 options had been granted under the "Stock Option Plan 2015-2020".
It should also be noted that the Shareholders' Meeting of 31 May 2017 had approved another stock option plan, called the "Stock Option Plan 2017-2022", reserved for directors who are also employees, executives 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 mature when determined performance targets are met.
As of 31 January 2023, 1,222,000 options had been allotted under the "Stock Option Plan 2017-2022".
The Ordinary Shareholders' Meeting of 31 May 2019 had then approved, pursuant to Article 114-bis of the Consolidated Law on Finance, the adoption of an incentive plan named the "Stock Option Plan 2019-2022", to be implemented through the granting of free stock options for newly issued ordinary shares of OVS S.p.A.. The Plan is reserved for directors who are also employees, executives with strategic responsibilities and/or other employees of OVS S.p.A. and its subsidiaries pursuant to Article 93 of Legislative Decree 58 of 24 February 1998, who have been identified by the Board of Directors, after consulting the Appointments and Remuneration Committee, from among those individuals who perform a key role in the achievement of the Company's strategic objectives (hereinafter, the "Beneficiaries").
The Plan is intended to create value for shareholders by improving long-term corporate performance and by attracting and retaining personnel that play a key role in the Group's development, in order to align the interests of the Beneficiaries with those of the Group's shareholders.
Up to 5,000,000 options could be issued under the Plan, granted 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 confers on each Beneficiary the right to subscribe for one ordinary share of the Company for each option granted.
The exercise price of the shares is currently set at €1.72.
As of 31 January 2023, 4,800,000 options had been granted under the "Stock Option Plan 2019-2022".
With regard to the three plans in place, it should be recalled that, in 2021, the dilutive effect of the capital increase in July 2021 had to be neutralised by adjusting the strike price and any access condition price (present only in the 2019-2022 Plan). The new values, calculated

according to the formulas commonly used in similar situations, are shown below:

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

The strike prices indicated above are also adjusted to neutralise the effects of the distribution of dividends in 2022 (€0.04 per ordinary share).
Lastly, on 31 May 2022, the Ordinary Shareholders' Meeting approved, pursuant to Article 114-bis of the Consolidated Law on Finance, the adoption of a stock grant plan named the "Performance Shares 2022 Plan" reserved for the Chief Executive Officer, executives with strategic responsibilities, employees, staff and advisors of OVS and its subsidiaries. For more information on the aforementioned incentive plan, see the section above entitled "Significant events during the year", note 7.27 in the notes to this document and the specific documentation for the Shareholders' Meeting, which is available on the Company's website.
For details of all the plans, see the reports of the Board of Directors and the information documents, pursuant to Article 84-bis of Consob Regulation 11971/1999, which are available on the Company website at www.ovscorporate.it, in the Governance/Shareholders' Meeting section.

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

For information on the shares held by directors, statutory auditors and executives 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

As of 31 January 2023, the Parent Company, OVS S.p.A., holds a total of 14,347,534 treasury shares, equal to 4.932% of the share capital (including 809,226 shares, equal to 0.356% of the share capital, purchased in 2018 for a total of €1,496,000).
During 2022, 13,538,308 treasury shares were purchased at an average carrying price of €1.812 for a total amount of €24,522,000, while no disposals were recorded.

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 2023, and their respective revenues make up less than 5% of the Group's consolidated revenues at 31 January 2023.

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

At 31 January 2019, OVS S.p.A. was a 17.835%-owned investee company of Gruppo Coin S.p.A..
On 11 March 2019, Gruppo Coin S.p.A., the vendor, and Tamburi Investment Partners S.p.A., as the buyer, reached an agreement concerning the sale of the equity investment (17.835%) held by Gruppo Coin S.p.A. in OVS S.p.A.. Due to this purchase, Tamburi Investment Partners S.p.A., which was already a shareholder of OVS with an equity investment of approximately 4.912%, obtained a total stake of around 22.747% in OVS's capital.

Lastly, as a result of the paid capital increase completed in July 2021 and subsequent purchases on the market, shareholder Tamburi Investment Partners S.p.A. currently holds a total stake of approximately 28.44% 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.

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

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

Information on Corporate Governance and Ownership Structure (disclosure pursuant to Article 123-bis of Legislative Decree No. 58/1998)

On 19 April 2023, the Company's Board of Directors approved its report on corporate governance and ownership structure for the year ended 31 January 2023. The report (the "Corporate Governance Report") was compiled pursuant to Article 123-bis of the Italian Consolidated Law on Finance.
The Corporate Governance Report contains a description of the corporate governance system adopted by the Company in the financial year 2022, information on its ownership structure and adherence to the Corporate Governance Code as of the date of the Corporate Governance Report, together with information on the Company's main governance practices and the characteristics of its risk management and internal control system for the financial reporting process.
For further information on the Company's corporate governance structure, which was adopted in application of the principles enunciated in the Corporate Governance Code, see the document entitled "Corporate Governance Report", which is available in the Governance/Shareholders' Meeting 2023 section of the Company website.

Significant events after the reporting period

On 31 March 2023, OVS obtained the single authorisation from the Government Commissioner of the Adriatica Special Economic Zone (SEZ) to begin work on the creation of the new technological hub serving the Group. With this authorisation, the OVS Group will therefore be able to implement an investment plan of around €33 million. In the region of the Bari Industrial Development Area, the following are to be built: a technological hub where the Group will focus on the development of projects with high digital content, utilising around €19 million in resources, and an innovative plant, which will support the Group's development on issues related to the reuse of clothing for the circular economy, for about another €14 million of investments, in the three-year period 2023-2025. The new establishment is expected to create 125 new jobs, including for graduates with digital skills in both artificial intelligence and cyber security, and specialist positions for reworking clothing and activities linked to the multi-function centre.
The purchase of treasury shares also continued: since 1 February 2023 to date, the Parent Company has purchased 1,751,975 treasury shares, equal to 0.6022% of the share capital, for a total amount of €4,424,000, while no shares have been disposed of.
No other significant events took place after 31 January 2023.

Business outlook

Current trading has been very positive since February 2023, with like-for-like for all brands up more than 10% compared with 2022, not least due to the excellent response to our new collections. This result should be seen as part of a more general upswing in the clothing market which, in the light of the good start to 2023 can, according to the SITA Research Institute, be revised upwards.

The results achieved to date, the numerous areas of growth and the favourable market trend, combined with raw material costs that are finally falling despite high inflation and pressure on consumer purchasing power, have made us confident of a good economic and financial performance in 2023.

Proposal for approval of the financial statements and appropriation of earnings for the 2022 financial year of OVS S.p.A.

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

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

- having heard and approved the statements of the Board of Directors;
- having examined the data in the separate financial statements of OVS S.p.A. at 31 January 2023 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 2023;

resolves

1. to approve the separate financial statements of OVS S.p.A. at 31 January 2023;
2. to approve the appropriation of the net profit for the financial year 2022 of OVS S.p.A., amounting to €24,955,954.00, as follows:
   i. €1,247,798.00 to the legal reserve;
   ii. to the Shareholders, an ordinary gross dividend of €0.06 for each of the ordinary shares in issue, therefore excluding treasury shares (date of payment on 21 June 2023, coupon no. 5 detachment date on 19 June 2023 and record date – the accounting day at the end of which the records of the accounts are valid for the purposes of entitlement to dividend payment – on 20 June 2023);
   iii. the remainder carried forward."

Mestre, Venice, 19 April 2023

for the Board of Directors
The Chief Executive Officer
Stefano Beraldo

Consolidated financial statements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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(thousands of euro)

ASSETS	Note	31.01.2023	of which related parties	31.01.2022	of which related parties
Current assets					
Cash and banks	6.1	106,019		143,150	
Trade receivables	6.2	115,194		89,293	
Inventories	6.3	477,635		389,849	
Financial assets	6.4	5,686		15,213	
Financial assets for leases	6.5	1,931		2,470	
Current tax assets	6.6	18,685		16,635	
Other receivables	6.7	17,721		16,242	
Total current assets		**742,871**		**672,852**	
Non-current assets					
Property, plant and equipment	6.8	267,662		250,782	
Right-of-use assets	6.9	957,334		922,232	
Intangible assets	6.10	595,168		599,171	
Goodwill	6.11	297,686		297,686	
Equity investments	6.13	0		0	
Financial assets	6.4	0		0	
Financial assets for leases	6.5	3,650		4,548	
Other receivables	6.7	6,639		6,907	
Total non-current assets		**2,128,139**		**2,081,326**	
TOTAL ASSETS		**2,871,010**		**2,754,178**	

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.01.2023	of which related parties	31.01.2022	of which related parties
Current liabilities					
Financial liabilities	6.14	26,487		100,782	
Financial liabilities for leases	6.15	170,033		135,083	
Trade payables	6.16	393,198	(47)	317,911	
Current tax liabilities	6.17	4,436		4,591	
Other payables	6.18	170,923	8,630	156,522	6,778
Total current liabilities		**765,077**		**714,889**	
Non-current liabilities					
Financial liabilities	6.14	253,560		228,732	
Financial liabilities for leases	6.15	873,670		839,813	
Employee benefits	6.19	27,844		32,873	
Provisions for risks and charges	6.20	6,571		6,919	
Deferred tax liabilities	6.21	30,308		20,050	
Other payables	6.18	10,810		14,059	
Total non-current liabilities		**1,202,763**		**1,142,446**	
TOTAL LIABILITIES		**1,967,840**		**1,857,335**	
SHAREHOLDERS' EQUITY					
Share capital	6.22	290,923		290,923	
Treasury shares	6.22	(26,018)		(1,496)	
Other reserves	6.22	598,645		558,973	
Net result for the year		39,202		48,500	
GROUP SHAREHOLDERS' EQUITY		**902,752**		**896,900**	
NON-CONTROLLING INTERESTS	6.22	418		(57)	
TOTAL SHAREHOLDERS' EQUITY		**903,170**		**896,843**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,871,010**		**2,754,178**	

CONSOLIDATED INCOME STATEMENT
(thousands of euro)

	Note	31.01.2023	of which related parties	31.01.2022	of which related parties
Revenues	7.23	1,512,719		1,358,899	395
Other operating income and revenues	7.24	92,394		73,766	728
Total revenues		**1,605,113**		**1,432,665**	
Purchases of raw materials, consumables and goods	7.25	684,340		590,411	
Staff costs	7.26	307,078	10,977	288,721	9,713
Depreciation, amortisation and write-downs of assets	7.28	225,750		213,914	
Other operating expenses					
Service costs	7.29	235,953	(47)	196,018	(96)
Costs for the use of third-party assets	7.29	38,212		(3,741)	(97)
Write-downs and provisions	7.29	400		3,162	(28)
Other operating charges	7.29	22,530		23,407	
Profit before net financial expenses and taxes		**90,850**		**120,773**	
Financial income	7.30	800		368	66
Financial expenses	7.30	(53,855)		(66,622)	
Foreign exchange gains and losses	7.30	18,331		18,547	
Gains (losses) from equity investments	7.30	(7)		0	
Net result for the year before tax		**56,119**		**73,066**	
Taxes	7.31	(16,547)		(24,426)	
Net result for the year		**39,572**		**48,640**	
Net result for the year attributable to the Group		**39,202**		**48,500**	
Net result for the year attributable to minority interests		**370**		**140**	
Earnings per share (in euro)	**7.32**				
- basic		0.138		0.187	
- diluted		0.139		0.185	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(thousands of euro)

	Note	31.01.2023	31.01.2022
Net result for the year (A)		**39,572**	**48,640**
Other gains (losses) that will not be subsequently reclassified in the income statement:			
- Change in consolidation reserve	6.22	0	(40)
- Actuarial gains (losses) for employee benefits	6.19-6.22	3,588	62
- Tax on items recognised in the reserve for actuarial gains (losses)	6.21-6.22	(861)	(15)
Total other comprehensive gains (losses) that will not be subsequently reclassified in the income statement		**2,727**	**7**
Other gains (losses) that will be subsequently reclassified in the income statement:			
- Change in translation reserve	6.22	(1,988)	2,099
Total other comprehensive gains (losses) that will be subsequently reclassified in the income statement		**(1,988)**	**2,099**
Total other items of comprehensive income (B)		**739**	**2,106**
Total comprehensive income for the period (A) + (B)		**40,311**	**50,746**
Total comprehensive income attributable to the Group		39,941	50,606
Total comprehensive income attributable to minority interests		370	140

CONSOLIDATED STATEMENT OF CASH FLOWS
(thousands of euro)

	Note	31.01.2023	31.01.2022
Operating activities			
Net result for the year		39,572	48,640
Provision for taxes	7.32	16,547	24,426
Adjusted for:			
Net depreciation, amortisation and write-downs of fixed assets, including for leases	7.28	225,750	213,914
Net capital gains (losses) on fixed assets, including for leases		(1,378)	1,114
Write-downs of equity investments	7.30	0	0
Losses (gains) from equity investments	7.30	7	0
Net financial expenses (income) including for leases	7.30	53,062	66,254
Expenses (income) from foreign exchange differences and currency derivatives	7.30	(42,745)	5,796
Loss (gain) on derivatives due to change in fair value	7.30	24,414	(24,343)
Allocations to provisions	6.19-6.20	1,109	1,690
Utilisation of provisions	6.19-6.20	(5,469)	(2,388)
Cash flows from operating activities before changes in working capital		**310,869**	**335,103**
Cash flow generated/(absorbed) by change in working capital	6.2-3-6-7-16-17-18-21	(25,537)	141,680
Taxes paid		(10,531)	(7,428)
Net interest received (paid) including for leases		(48,535)	(86,389)
Realised foreign exchange differences and cash flows from currency derivatives		36,713	(1,585)
Other changes		(209)	3,265
Cash flow generated (absorbed) by operating activities		**262,770**	**384,646**
Investment activities			
(Investments in) fixed assets	6.8-6.10-6.11	(80,672)	(82,291)
Disposals of fixed assets	6.8-6.10-6.11	69	928
(Increase) decrease in equity investments	6.13	0	0
Cash in/(out) after business combinations during the year		731	(2,709)
Change in consolidation scope		106	0
Cash flow generated (absorbed) by investment activities		**(79,766)**	**(84,072)**
Financing activities			
Net change in financial assets and liabilities	6.4-6.14	(58,655)	(147,277)
(Repayment) of lease liabilities/collection of lease assets	6.5-6.15	(125,628)	(168,260)
(Buy-back) of treasury shares	6.22	(24,522)	0
Increase in share capital and reserves	6.22	0	80,606
Distribution of dividends		(11,330)	0
Cash flow generated (absorbed) by financing activities		**(220,135)**	**(234,931)**
Increase (decrease) in cash and cash equivalents		**(37,131)**	**65,643**
Cash and cash equivalents at start of period		**143,150**	**77,507**
Cash and cash equivalents at end of period		**106,019**	**143,150**

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

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

	Share capital	Share premium reserve	Legal reserve	Reserve for treasury shares	Reserve for actuarial gains (losses)	Translation reserve
Balance at 01 February 2021	**227,000**	**511,995**	**9,884**	**(1,496)**	**(3,840)**	**(1,013)**
- Appropriation of earnings for financial year 2020	-	-	1,795	-	-	-
- Paid capital increase	63,923	16,683	-	-	-	-
- Management incentive plans	-	-	-	-	-	-
Transactions with shareholders	**63,923**	**16,683**	**1,795**	**-**	**-**	**-**
- Net result for the year	-	-	-	-	-	-
- Other items of comprehensive income	-	-	-	-	47	2,099
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**47**	**2,099**
Balance at 31 January 2022	**290,923**	**528,678**	**11,679**	**(1,496)**	**(3,793)**	**1,086**
Balance at 01 February 2022	**290,923**	**528,678**	**11,679**	**(1,496)**	**(3,793)**	**1,086**
- Appropriation of earnings for financial year 2021	-	-	2,496	-	-	-
- Distribution of dividends	-	-	-	-	-	-
- Buy-back of treasury shares	-	-	-	(24,522)	-	-
- Change in consolidation scope	-	-	-	-	-	-
- Management incentive plans	-	-	-	-	-	-
Transactions with shareholders	**-**	**-**	**2,496**	**(24,522)**	**-**	**-**
- Net result for the year	-	-	-	-	-	-
- Other items of comprehensive income	-	-	-	-	2,727	(1,988)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**2,727**	**(1,988)**
Balance at 31 January 2023	**290,923**	**528,678**	**14,175**	**(26,018)**	**(1,066)**	**(902)**

IFRS 2 reserve	Other reserves	Retained earnings	Net result for the year	Total shareholders' equity attributable to the OVS Group	Non-controlling interests	Total shareholders' equity
8,386	**4,341**	**(25,812)**	**35,037**	**764,482**	**(197)**	**764,285**
-	-	33,242	(35,037)	-	-	-
-	-	-	-	80,606	-	80,606
601	-	605	-	1,206	-	1,206
601	**-**	**33,847**	**(35,037)**	**81,812**	**-**	**81,812**
-	-	-	48,500	48,500	140	48,640
-	360	(400)	-	2,106	-	2,106
-	**360**	**(400)**	**48,500**	**50,606**	**140**	**50,746**
8,987	**4,701**	**7,635**	**48,500**	**896,900**	**(57)**	**896,843**
8,987	**4,701**	**7,635**	**48,500**	**896,900**	**(57)**	**896,843**
-	-	46,004	(48,500)	-	-	-
-	-	(11,422)	-	(11,422)	-	(11,422)
-	-	-	-	(24,522)	-	(24,522)
-	-	-	-	-	105	105
2,054	-	(199)	-	1,855	-	1,855
2,054	**-**	**34,383**	**(48,500)**	**(34,089)**	**105**	**(33,984)**
-	-	-	39,202	39,202	370	39,572
-	-	-	-	739	-	739
-	**-**	**-**	**39,202**	**39,941**	**370**	**40,311**
11,041	**4,701**	**42,018**	**39,202**	**902,752**	**418**	**903,170**

Notes to the financial statements

1. General information

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

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

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

As described in more detail in the Report on Operations, one of the most significant events that took place in 2022 at the European and global level was unfortunately the conflict between Russia and Ukraine, which began on 24 February 2022. The war in Ukraine had major and entirely unpredictable global consequences in 2022, not only because of the resulting serious humanitarian crisis, but above all because of its potential economic and geopolitical effects on global markets. The first effects were immediate increases in the costs of various commodities such as gas and oil, as well as steep drops in share prices in the world's biggest markets. The conflict also had a material effect on inflation and interest rates in all the Western economies and a substantial weakening of the euro against the US dollar.
The exposure of the sales of the OVS Group to franchisees located in the Russian and Ukrainian markets, rather than Russian tourists buying in other markets, is essentially nothing compared with the Group's annual turnover. Furthermore, the Group does not have goods suppliers in Russia or Ukraine.
To cope with the difficult economic situation, the Group has carried out several operations to contain the price of energy and some important raw materials, even though, in both the first and second halves of the year, it was inevitable that the price lists for the Group's goods would be adjusted.
OVS has also continued its commitment, alongside Save the Children, to providing support and protection to the Ukrainian people affected by the war.
Meanwhile, the effects of the Covid-19 pandemic gradually waned, even if, in the year just ended, there was a tail of extraordinary costs to maintain health and safety safeguards pursuant to health protocols (particularly in stores), which are expected to gradually normalise during 2023.
In this context, 2022 nevertheless saw the Group's sales reach €1,513 million, up 11.3% compared with 2021, mainly due to like-for-like growth. All the Group's brands performed positively, and both store traffic and average receipts increased markedly. Please also see the business outlook section in the Report on Operations at 31 January 2023.

3. Criteria for preparation of the consolidate financial statements

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

3.1 Structure and content of the financial statements

The consolidated financial statements of the OVS Group at 31 January 2023 were prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board. "IFRS" is intended to mean all the revised International Accounting Standards (IAS), and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC). At the reporting date for the consolidated financial statements, these had been approved by the European Union under the procedure set forth in (EC) Regulation 1606/2002 of the European Parliament and the European Council of 19 July 2002.

The consolidated financial statements of the OVS Group, which comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in consolidated shareholders' equity and the notes to the financial statements, are presented in 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 available to the Group that ensure the normal performance of its business and compliance with its current obligations, despite a macroeconomic environment still characterised by uncertainty, particularly due to the instability in the commodities markets, which has intensified since the outbreak of the conflict in Ukraine on 24 February 2022.

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 the net profit or loss for the year and each item of income and expense not posted to the income statement but recognised directly in equity pursuant to specific IFRS.

The schedules used, as specified above, provide the best representation of the OVS Group's financial position and profit performance.
The notes to the financial statements analyse, expand upon and comment on the values shown in the OVS Group's consolidated financial statements. They are accompanied by additional information deemed necessary to give a true and fair view of the Group's financial position and results.
Changes in the items recognised under assets and liabilities 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 2023 for detailed information on the nature of the Group's activity.

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

3.2 Consolidation scope

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

Company	Registered office	Share capital		% investment
Italian companies				
OVS S.p.A.	Venice - Mestre	290,923,470	EUR	Parent company
82 S.r.l.	Venice - Mestre	10,000	EUR	70%
OVS Innovazione e Sostenibilità S.r.l.	Venice - Mestre	100,000	EUR	100%
Energia Verde Uno S.r.l.	Venice - Mestre	10,000	EUR	51%
Foreign companies				
OVS Department Stores D.O.O.	Belgrade - Serbia	1,269,650,208	RSD	100%
OVS Maloprodaja D.O.O.	Zagreb - Croatia	20,000	HRK	100%
OVS Hong Kong Sourcing Limited	Hong Kong	585,000	HKD	100%
OVS India Sourcing Private Ltd	Delhi - India	15,000,000	INR	100%
COSI International Ltd	Hong Kong	10,000	HKD	100%
COSI International (Shanghai) Ltd	Shanghai - China	1,000,000	RMB	100%
OVS Fashion España S.L.	Madrid - Spain	3,100	EUR	100%
OVS France Sas	Paris - France	30,000	EUR	100%
OVS Germany GmbH	Leipzig - Germany	100,000	EUR	100%
Vespucci Fashion Inc.	New York - USA	500,000	USD	80%

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

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

During the year ended 31 January 2023, the following new companies were incorporated and included in the scope of consolidation on a line-by-line basis:
Vespucci Fashion, Inc.: a company incorporated on 3 May 2022, with its registered office in New York (USA). As at the date of these consolidated financial statements, the company is 80% controlled by OVS S.p.A.. In 2022, the company opened its first PIOMBO-branded directly operated store in a major New York department store.
OVS Innovazione e Sostenibilità S.r.l.: a company incorporated on 21 June 2022, with its registered office in Venice – Mestre. As at the date of these consolidated financial statements, the company is wholly owned by OVS S.p.A.. The company was essentially inactive during 2022. The company will become active in 2023 following the approval by Puglia Sviluppo of the programme agreement presented and with a view to opening an operating unit in Bari in which the Group's important innovation and sustainability activities will be established.
Energia Verde Uno S.r.l.: a company incorporated on 26 July 2022, with its registered office in Venice – Mestre. As at the date of these consolidated financial statements, the company continues to be inactive and is 51% controlled by OVS S.p.A.. During 2023, the company is to become the vehicle for the creation of a joint venture for the development, creation and management of certain photovoltaic projects in Italy.
OVS Germany G.m.b.H.: a company incorporated on 28 September 2022, with its registered office in Leipzig. As at the date of these consolidated financial statements, the company is wholly owned by OVS S.p.A.. In the 2022 financial year, the company opened its first STEFANEL-branded directly operated store in Düsseldorf.

3.3 Consolidation criteria

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

Equity investments held in companies over which significant influence is exercised ("associates"), which is presumed to exist when the percentage of the equity investment is between 20% and 50%, are measured using the equity method.

Application of the equity method involves aligning the carrying amount of the equity investment with shareholders' equity, adjusted where necessary to reflect the application of the IFRS endorsed by the European Commission (and includes any goodwill identified at the time of acquisition).

The share of gains/losses realised by the associate after the acquisition is recognised in the income statement, while the share of movements in reserves after the acquisition is booked in equity reserves. When the Group's share of losses in an associate is equal to or more than its non-controlling interest in this associate, taking any unsecured credit into account, the value of the investment is reduced to zero and the Group recognises no further losses other than those pertaining to it, unless and to the extent that the Group is obliged to meet them. Unrealised gains and losses on transactions with associates are derecognised according to the value of the Group's equity investment in these associates.

"Joint arrangements" (agreements under which two or more parties hold common control, within the meaning of IFRS 11) are included, where they exist, according to the equity method, if they qualify as joint ventures, or by recognising their specific shares of assets, liabilities, costs and revenues, if they qualify as joint operations.

The financial statements of the subsidiaries are consolidated line by line in the consolidated financial statements from the date at which control is assumed until the date at which this control ceases.

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

The following consolidation criteria are used:

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

3.4 Business combinations

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

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

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

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

The transfer of ownership to OVS of the GAP Italia business unit, consisting of 11 directly operated stores, was completed on 1 February 2022. The total price paid to the seller (GAP Italy S.r.l., a subsidiary of The GAP, Inc.) for the acquisition was provisionally defined as €807,000, but was then adjusted to take account of certain price adjustment items, which were definitively quantified as a decrease of €1,490,000.
The 11 stores, located in high-quality locations, have been operating seamlessly since early February 2022.

The final fair value at the acquisition date of the consideration transferred was therefore €683,000, in the form of cash and cash equivalents transferred from GAP Italy S.r.l. to OVS S.p.A..

The amounts relating to the shareholders' equity acquired and the amounts deriving from the definitive purchase price allocation process (concluded within 12 months of the acquisition date, i.e. in these financial statements at 31 January 2023) are summarised below:

€/000	Shareholders' equity acquired	Purchase price Final allocation	Adjusted shareholders' equity
Tangible assets	200	-	200
Right-of-use assets	-	20,216	20,216
Goodwill	300	(300)	-
Other non-current receivables	-		-
Inventories	866		866
Other current receivables	777		777
Cash and cash equivalents	46	2	49
Financial liabilities for leases	-	(20,216)	(20,216)
Employee benefits	(1,229)	104	(1,125)
Provisions for risks and charges	-	(1,263)	(1,263)
Other non-current payables	-		-
Deferred tax assets (liabilities)	-	387	387
Other current payables	(380)	(118)	(497)
Total	**580**	**(1,187)**	**(607)**

Residual badwill of €76,000, booked in other income and revenues (non-recurring) arose due to the difference between the total consideration transferred and the final adjusted shareholders' equity of -€607,000.

No other acquisitions took place during the year.

3.5 Financial statements in foreign currencies

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

		Final exchange rate at		Average exchange rate	
Currency	**Code**	**31.01.2023**	**31.01.2022**	**FY 2022**	**FY 2021**
US dollar	USD	1.08	1.12	1.02	1.18
Hong Kong dollar	HKD	8.49	8.70	8.21	9.14
Chinese renminbi	RMB	7.32	7.10	7.09	7.57
Croatian kuna	HRK	7.53	7.53	7.54	7.53
Serbian dinar	RSD	117.22	117.59	117.41	117.54
Indian rupee	INR	88.64	83.37	83.03	87.06

3.6 Goodwill

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

3.7 Brands

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

3.8 Intangible assets

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

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

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

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

3.9 Property, plant and equipment

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

Depreciation is booked from the month in which the assets are available and ready for use.
Depreciation is charged on a monthly basis at constant rates that allow assets to be depreciated until their useful life is ended or, in the case of disposals, until the last month of use.
Depreciation is calculated on a straight-line basis over the estimated useful lives of property, plant and machinery as shown in the following table:

Buildings	17-33 years
Light construction	10 years
Plant and equipment for lifting, loading, unloading, weighing, etc.	13 years
Miscellaneous machinery, appliances and equipment	9 years
Special facilities for communications and remote signalling	4 years
Furnishings	9 years
Alarm systems	9 years
Specific bar, restaurant and canteen facilities	12 years
Bar, restaurant and canteen furnishings	9 years
Office furniture and ordinary machinery	8 years
Electromechanical and electronic office equipment	5 years
Cash registers	5 years
Motor vehicles and internal transport	4-5 years
Leasehold improvements	Based on the residual duration of the rental contract of the asset

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

3.10 Right-of-use assets

When signing a contract, the OVS Group assesses whether it is, or contains, a lease, i.e. whether the contract confers the right to direct the use of an identified asset for a period of time in exchange for a consideration.
The Group uses a single model of recognition and measurement for all leases, except for leases of low-value assets. The Group recognises liabilities relating to lease payments and the right-of-use asset, which represents the right to use the asset underlying the contract.
The Group recognises right-of-use assets at the lease commencement date (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, net of accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liabilities. The cost of the right of use includes the amount of the lease liabilities recognised, the initial direct costs incurred and the lease payments made as of the commencement or before inception, net of any incentives received.
Right-of-use assets are depreciated on a straight-line basis from the commencement date of use of the

underlying asset 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 2022".

3.11 Impairment of tangible and intangible assets

IAS 36 stipulates that tangible and intangible assets must be tested for impairment if indicators suggest that such a problem might exist.
Impairment testing takes place at least once a year in the case of goodwill, other intangible assets with an indefinite useful life and assets not available for use.
In accordance with the Group's policies, the recoverability of the amounts recognised is assessed by comparing the carrying amount with the higher of the fair value (current realisable value) less the costs of disposal and the value in use of the asset. Value in use is defined by discounting the expected cash flows generated by the asset.
To determine value in use, expected future cash flows are discounted using a rate that reflects current market valuations of the time value of money, compared with the investment period and the specific risks associated with the activity.
For the purposes of assessing impairment, assets are analysed starting from the lowest level for which there are separately identifiable independent cash flows (cash generating units). Within the Group, the individual stores have been identified as cash generating units.
If the recoverable amount of an asset is lower than the carrying amount, the carrying amount is reduced to the recoverable amount. This reduction constitutes impairment and is charged to the income statement.
If there is an indicator of reversal of the impairment loss, the recoverable amount of the asset is recalculated and the carrying amount is increased to this new amount. The increase in the carrying amount may not, however, exceed the net carrying amount that the asset would have had if impairment had not occurred.
Goodwill write-downs cannot be reversed.
In order to provide complete information, it should be noted that in 2019, the Group approved another update of this policy (the "IAS 36 Policy on Impairment and Impairment Testing"), making several revisions, particularly in order to bring it into line with the amendments made to the accounting standards and, specifically, with the entry into force of the new IFRS 16 international accounting standard from 2019, which entailed the inclusion of a new "category" of tangible assets with a very significant overall value, relating to the rights to use the assets underlying the leases, consequently increasing both the carrying amount of the OVS Group's CGUs and their EBITDA accounting flows (due to the "removal" of the cost of lease payments). However, no significant changes were made to the methodology used and summarised above.
As was the case in previous years, when compiling the financial statements at 31 January 2023, the Group made use of an external expert to prepare the impairment testing. The methods applied, the parameters used and the results of the impairment tests are extensively commented on in the following sections of these notes.

3.12 Other equity investments

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

3.13 Financial assets

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

FINANCIAL ASSETS MEASURED AT AMORTISED COST

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

See also note 3.29 below regarding "Accounting standards, amendments and interpretations effective as of financial year 2022".

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

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

on the current offering price. If the market for a financial asset is not active (or unlisted securities are involved), the Group defines fair value using valuation techniques. These techniques include referring to advanced trading in progress, securities with the same characteristics, cash flow analyses, and price models based on the use of market indicators and aligned, as far as possible, with the assets to be valued.
In the process of formulating the valuation, the Group emphasises the use of market information over the use of internal information specific to the nature of the Group's business.

3.14 Inventories

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

3.15 Trade and other receivables

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

3.16 Cash and banks

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

3.17 Provisions for risks and charges

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

3.18 Employee benefits

PENSION PLANS

Post-employment benefits are defined under either "defined contribution" plans or "defined benefit" plans.
Defined benefit plans, such as the provision for employee severance benefits accrued before the entry into force of the 2007 Budget, are plans with guaranteed benefits for employees that are paid out at the end of the employment relationship. The liability relating to defined benefit plans is determined on the basis of actuarial assumptions and booked on an accruals basis in line with the service required to obtain the benefits; the liability is measured annually with the help of independent actuaries.
Employee severance benefits and pension provisions, which are determined using an actuarial method, provide for the recognition in the income statement

under employment cost of the rights accrued during the year, while the figurative cost is included among net financial income (expenses). Actuarial gains and losses that reflect the effects of changes in the actuarial assumptions used are instead fully recognised in a specific equity reserve in the year in which they arise, with immediate recognition in the statement of comprehensive income.
From 1 January 2007, the 2007 Budget and the associated implementing decrees introduced significant amendments to the rules on employee severance benefits, including options for employees, to be exercised by 30 June 2007, with regard to the allocation of their accruing severance benefits. Specifically, new flows of severance benefits may be directed by the employee to preselected or company pension schemes (in the latter case, the company pays severance benefit contributions into a treasury account set up with the INPS (the Italian social security and welfare institution).
As a result of these amendments, the provision for employee severance benefits accrued since the date of the employee option (defined benefit plan) has been recalculated by independent actuaries to exclude the component relating to future pay increases.
The portion of the employee severance benefits that has accrued since the option date (30 June 2007) is regarded as a defined benefit plan, and the accounting treatment is similar to that used for all other contribution payments.
Employee benefits also include pension provisions and similar obligations. This provision mainly includes liabilities and rights accrued by the employees of the former Standa, in relation to supplementary pension schemes pertaining to them; the liability associated with such defined benefit programmes is determined on the basis of actuarial assumptions and the amount recognised in the financial statements represents the present value of the OVS Group's obligation.

COMPENSATION PLANS IN THE FORM OF STOCK OPTIONS

The Group provides additional benefits to certain employees and consultants through stock option plans offering equity-settled stock options. In accordance with IFRS 2 Share-based Payments, the current value of the stock options determined at the grant date using the "Black & Scholes" method is recognised in the income statement under staff costs on a straight-line basis over the period between the grant date of the stock options and the vesting date, with a direct balancing entry in shareholders' equity.
The present value is defined on the basis of market parameters and non-granting conditions and is not subject to subsequent amendments after the date of initial determination.
The effects of granting conditions not related to the market (performance and retention conditions) are not taken into account in the evaluation of the fair value of the options granted, but are relevant to the evaluation of the number of options expected to be exercised.
At the reporting date the Group reviews its estimates of the number of options that are expected to be exercised. The effect of the review of the original estimates is recognised in the income statement over the vesting period with a balancing entry in shareholders' equity.
When the stock options are exercised, the amounts received from the employee, net of costs directly attributable to the transaction, are credited to the share capital in an amount equal to the nominal value of the issued shares, with the remaining portion credited to the share premium reserve.

3.19 Financial liabilities and trade and other payables

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

3.20 Financial liabilities for leases

At the commencement date of a lease, the Group recognises financial liabilities for leases, measuring them at the present value of the lease payments due and not yet paid at that date. The payments due include fixed payments (including substantially fixed payments) net of lease incentives received, variable lease payments that are index or rate dependent, and amounts expected to be paid for residual value guarantees. Lease payments also include the exercise price of a call option if it is reasonably certain that this option will be exercised by the Group, and lease termination penalty payments if the lease term takes into account the Group's exercise of the lease termination option.
Variable lease payments that are not dependent on an index or rate are recognised as costs in the period in which the event or condition that generated the payment occurs.
In calculating the present value of the payments due, the Group uses the incremental borrowing rate at inception if the implicit interest rate cannot be easily determined. After the commencement date, the amount of the lease liability is increased to reflect interest on the lease liability and decreased to reflect payments made. In addition, the carrying value of lease payables is recalculated in the event of any amendments to the lease or the revision of the contractual terms to change the payments; it is also recalculated in the event of changes to the valuation of the option to purchase the underlying asset or for changes in future payments that result from a change in the index or rate used to determine such payments.
Rent concessions obtained from landlords as a consequence of the Covid-19 pandemic are recorded as negative variable rents and recognised in the income statement when they meet the following conditions:

- they relate to reductions in only payments due by 30 June 2022;
- the total of contractual payments after the rent concession is essentially equal to or less than the payments provided for in the original agreement;
- no other major contractual changes have been agreed with the lessor.

See also note 3.29 below regarding "Accounting standards, amendments and interpretations effective as of financial year 2022".

3.21 Derivatives

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

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

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

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

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

3.22 Segment reporting

The information relating to business segments was provided pursuant to IFRS 8 - Operating segments, which stipulates that information be presented in a way that is consistent with the procedures used by management to make operational decisions. The operating segments and the information presented are therefore identified according to the internal reports used by management to allocate resources to the various segments and to analyse their performance.
IFRS 8 defines an operating segment as a component of an entity that: i) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); ii) whose operating results are reviewed regularly by the entity's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance; and iii) for which discrete financial information is available.
The operating segments identified by management, which incorporate all of the services and products provided to customers, are represented by the OVS division, dedicated to the marketing of clothing products for the value fashion market segment, and the Upim division, which provides clothing for women, men and children for the value segment of the Italian market, as well as products in the homeware and fragrance segments.
In 2022, the acquisition of the GAP Italia business unit resulted in the identification of a new operating division within the Group: however, given the recent entry of this business into the OVS Group and its irrelevance in terms of invested capital and turnover (less than 1% of Group figures), it is presented among "Other businesses" along with the STEFANEL brand.

3.23 Revenues and costs

On the basis of the five-step model introduced by IFRS 15, the Group recognises revenues after identifying contracts with its customers and the related services to be provided (transfer of goods and/or services), determining the consideration to which it believes it is entitled in exchange for providing each of these services, and assessing how these services are provided (at a point in time or over time).
Revenues from the sales of DOS are recognised when the customer makes the payment. More specifically, revenues from the sale of goods are recognised in the income statement when control of the product sold is transferred to the customer, usually coinciding with the delivery or shipment of the goods to the customer; revenues for services are recognised in the period in which the services are rendered, with reference to completion of the service provided and as a proportion of the total services still to be rendered.
Revenues are recognised at the fair value of the consideration received. Revenues are recognised net of value added tax, expected returns and any trade discounts, rebates and bonuses granted.
Sales in the franchising channel are recognised when the goods are shipped to the customer, as from that moment ownership, with the relevant risks and benefits, is transferred. The provision for returns and discounts, which is recorded as an adjustment to revenue, is estimated on the basis of future forecasts, taking account of historical trends, and is recognised as a variable component of the contractual fee, with the simultaneous presentation of a liability for returns in the statement of financial position. Variable components of the fee (such as those linked to returns) are recognised in the financial statements only if it is highly probable that there will be no significant future adjustment to the amount of revenue recognised. Payment times granted to Group customers do not exceed a 12-month period, so the Group does not make transaction price adjustments to take financial components into account.
Costs are recognised when they relate to goods and services acquired or used during the year, while in the case of multi-year use the costs are systematically spread. The acquisition of goods, mirroring revenue, is determined by the transfer of control over them.

3.24 Income from leases

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

3.25 Income tax

Current income tax for the year is calculated by applying the current tax rates to reasonably estimated taxable income, determined in accordance with the tax regulations in force. The expected payable, net of payments on account and withholding taxes, is recognised in the statement of financial position under "Current tax liabilities" (or under "Current tax assets" if the payments on account made and the withholdings exceed the estimated payable).
Deferred tax assets and deferred tax liabilities are determined on the basis of taxable temporary differences between the carrying amount of assets and

liabilities and their value for tax purposes, except for goodwill, which is not tax deductible, and are classified under non-current assets and liabilities.
Income tax is recognised in the income statement, except in relation to items directly credited to or debited from equity, in which case the tax effect is recognised directly in equity.
Deferred tax assets, including those relating to any previous tax losses, are recognised to the extent that it is probable that future taxable income will be available in respect of which they can be recovered.
The value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available in the future to use all or part of this receivable.
Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates in force and tax rates that have been enacted or substantively enacted at the reporting date.

3.26 Foreign exchange gains/losses

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

3.27 Earnings per share

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

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

3.28 Dividends

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

3.29 Accounting standards, amendments and interpretations effective as of financial year 2022

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 2022, having regard to the updates to the reference framework that came into effect on 1 January 2022, described below, which in any case did not have a material impact on the Group.
The measures that entered into force on 1 January 2022 are set out below.

Reference to the Conceptual Framework – amendments to IFRS 3: the amendments replace references to the previous version of the IASB's Conceptual Framework with references to the latest version issued in March 2018, not significantly amending its requirements. They add an exception to the valuation principles of IFRS 3 to avoid the risk of potential losses or gains "the day after" arising from contingent liabilities and liabilities that would fall within the scope of IAS 37 or IFRS 21 Levies, if contracted separately. The amendments also clarify that potential assets do not meet the requirements to be recognised at the acquisition date.
They have had no impact on the Group's consolidated financial statements.

Property, plant and equipment: income before use – amendments to IAS 16: the amendment prohibits the deduction from the cost of income generated before the property, plant or equipment is in the condition envisaged by management. Instead, the entity is required to recognise this income and the related costs in the income statement. This amendment has had no impact on the consolidated financial statements as there were no sales that were the subject of the amendments.

Onerous contracts – contract execution costs – amendments to IAS 37: in May 2020, the IASB published amendments to IAS 37, specifying which costs should be considered by an entity when assessing whether a contract is onerous or loss-making. The amendment provides for the application of a "directly related cost approach". Costs that relate directly to a contract for the provision of goods or services include both incremental costs and costs directly attributed to contractual activities. General and administrative expenses, meanwhile, are not directly related to a contract and are excluded unless they are explicitly chargeable to the counterparty on the basis of the contract. The application of the amendments to IAS 37 did not have any effects.

Annual Improvements 2018-2020: the IFRS improvements cycle (2018-2020 cycle) entailed specific and marginal changes, in particular to IFRS 1 First-time Adoption of International Financial Reporting Standards (concerning the measurement of the translation reserve), IFRS 9 Financial Instruments (concerning the specification of expenses to be taken into account in the calculation of the 10% test for derecognition), IAS 41 Agriculture (concerning the consideration of tax flows in the methodology for calculating the fair value of certain assets) and the Illustrative Examples of IFRS 16 Leases (concerning incentives). These improvements have had no impact on the OVS Group's consolidated financial statements.

Lastly, it should be noted that there was no longer an option to apply the second amendment to IFRS 16 Leases – Covid-19 Related Rent Concessions after 30 June 2021, which regulated the accounting by lessees of any changes granted by lessors to instalments of operating leases from 1 January 2020 but not after June 2022 due to the effects of the Covid-19 pandemic. This amendment extended the practical expedient for simplifying the accounting by lessees of rent concessions (i.e. reductions or cancellations of lease payments granted to a lessee by the lessor) obtained due to the Covid-19 pandemic.
The practical expedient simplified the accounting of such concessions when they were a direct consequence of the Covid-19 pandemic, enabling the lessee to avoid deciding whether they entailed a lease modification, but allowing it to account for them as a variable lease payment when the concession was recognised, recording it in the income statement as operating income that directly reduces the lease liability.
In light of this expiration date, any discount agreements more or less attributable to the residual consequences of the pandemic that marked the year 2022 were recorded as lease modifications in accordance with IFRS 16.

3.30 New accounting standards and interpretations endorsed by the European Union and effective for financial years starting on or after 31 January 2023 and not yet adopted by the OVS Group

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

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - On 12 February 2021, the IASB published "Definition of Accounting Estimates (Amendments to IAS 8)" in the context of which the definition of change in accounting estimates is replaced by a definition of accounting estimates. According to the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty" and that a change in accounting estimates resulting from new information or new developments is not the correction of an error.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (Making Materiality Judgements) - The amendments published on 12 February 2021 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.

IAS 12 Income Taxes - On 7 May 2021, the IASB published "Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document aims to clarify the accounting of deferred taxes in particular operations such as leases and decommissioning obligations.

Amendments to IFRS 17 Insurance Contracts - On 25 June 2020, the IASB published amendments designed to reduce costs by simplifying certain requirements of the standard, making it simpler to describe financial performance and facilitating the transition by postponing the date of entry into force of the standard to 2023 and providing additional help to reduce the effort required when adopting the standard for the first time.

Initial application of IFRS 17 and IFRS 9 - comparative information - On 9 December 2021 the IASB published a further amendment to IFRS 17. The amendment is a transition option relating to comparative information on financial assets presented at the date of first-time adoption of IFRS 17. The amendment is designed to avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, and therefore to improve the usefulness of comparative information for readers of financial statements.

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

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

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

IAS 1 Presentation of Financial Statements - On 23 January 2020, the IASB issued amendments to clarify the requirements for classifying liabilities as current or non-current. These changes will be effective from 1 January 2024, following the postponement of the date of entry into force due to the Covid-19 pandemic.

IFRS 14 - Regulatory Deferral Accounts - The approval process for the new standard aimed at companies subject to regulated tariffs, published in January 2014, which will replace the current standard, is currently suspended.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - The process of approving these amendments published by the IASB in September 2014 is currently suspended pending the conclusion of the IASB project on the equity method.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) - On 22 September 2022, the IASB approved amendments to IFRS 16 relating to sale and leaseback transactions, where the seller-lessee only recognises the amount of profit or loss that refers to the rights transferred to the purchaser-lessor. The initial valuation of the lease liability arising from these transactions is the result of how the seller-lessee measures the right-of-use asset and the profit or loss recognised at the transaction date.

As already mentioned, no accounting standards and/or interpretations for which adoption is mandatory for periods beginning on or after 1 January 2023 have been adopted early.
Furthermore, the Group will adopt the new standards and amendments on the basis of the scheduled application date, and will assess their potential impacts on the consolidated financial statements when they are endorsed by the European Union.

4. Use of estimates

The preparation of the consolidated financial statements in accordance with the IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date. The final results may differ from these estimates. Estimates are used to recognise provisions for doubtful accounts, inventory obsolescence, lives, depreciation and amortisation, impairment of assets, employee benefits, restructuring provisions, deferred tax assets, other provisions for risk and valuations of derivatives. Estimates and assumptions are reviewed periodically and the effects of any changes are immediately reflected in the income statement.
In addition to the above, and in accordance with the instructions in both Consob Communication No. 1/21 of 16/02/2021 (which in turn refers to the ESMA document of 28 October 2020) and the Warning Notice of 18 March 2022 (which in turn refers to the ESMA document of 14 March 2022 on the impacts of the Russian-Ukrainian crisis on the EU financial markets), as well as the ESMA document of 28 October 2022, it should be noted that during 2022, despite the residual effects of the pandemic and the conflict between Russia and Ukraine, which continues to influence the global economic scenario, the available forecasts for scenarios in the foreseeable future are consistent with the assumptions and hypotheses used when preparing the impairment test for the Group's consolidated

financial statements at 31 January 2022, whose estimation process for 2022 is described in detail in notes 6.11 and 6.12 below. Accordingly, no indicators of possible impairment at 31 January 2023 (trigger events) were identified in addition to the impairment losses already recorded in previous years. There were no significant changes in the volatility of the estimates for other items regarded as material (inventories and trade receivables from customers). For further details, please see in any case notes 6.2 and 6.3 below and the extensive comments in the Report on Operations.
With regard to environmental risks related to climate change, the Group presented, on a voluntary basis, its Non-Financial Disclosure 2022 on business risks related to climate change.
Among the potential and real risks analysed were the ever more frequent extreme weather phenomena, the rising costs of a variety of raw materials, the introduction of legislation to combat climate change and possible changes in consumer purchasing habits.
The Group is committed to preventing and mitigating environmental risks through a series of initiatives and projects. For further information, including a discussion of the rules, processes and control measures the Group has adopted to prevent and manage possible environmental risks, see the Non-Financial Disclosure 2022.

4.1 Impairment of tangible and intangible assets

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

4.2 Depreciation and amortisation

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

4.3 Inventory obsolescence and inventory differences

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

4.4 Provisions for doubtful accounts

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

4.5 Prepaid/deferred taxes

Deferred tax assets are booked based on expectations of taxable income in future years for the purpose of recovering them. The evaluation of expected taxable income for the accounting of deferred tax assets depends on factors that may vary over time and have significant effects on the recoverability of the deferred tax assets.

4.6 Pension funds and other employee benefits

The cost of the defined benefit pension plans is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected rates of return on investments, future salary increases, mortality rates and future pension increases. Because of the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are provided in note 6.19.
The costs recognised in the income statement in relation to incentive plans for managers (please see the explanations in note 7.26 "Staff costs") are mainly influenced by the estimated timing of the occurrence of the event that triggers vesting, as well as the actual possibility of the occurrence of the event and the presumed reference value of the plan. Therefore, this estimate depends on factors that may vary over time and variables that the directors might find it hard to predict and determine. Changes in these items may significantly influence the assessments made by the directors and therefore result in changes in the estimates.

4.7 Provisions for risks and charges

Provisions representing the risk of a negative outcome are recognised for legal and tax risks. The amount of provisions recorded in the financial statements in relation to these risks represents the best estimate to deal with potential risks. This estimate entails the use of assumptions that depend on factors that might change over time and that might therefore have significant effects compared with the current estimates used to prepare the financial statements.

4.8 Valuation of derivatives

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

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

The Group recognises the right-of-use asset and the lease liability. The right-of-use asset is initially measured at cost, and subsequently at cost, net of depreciation and cumulative impairment losses and adjusted to reflect the revaluations of the lease liability. The Group values its lease liability at the present value of lease payments due and not paid at the commencement date, discounting them using the interest rate as defined above.
The lease liability is subsequently increased by interest accruing on that liability and decreased by the lease payments owed, and is revalued in the event of a change in future lease payments due as a result of a change in the index or rate, in the event of a change in the amount that the Group expects to have to pay as a residual value guarantee or when the Group changes its assessment with regard to the exercise of a purchase, extension or termination option.
Leases in which the Group acts as lessee may provide for renewal options which therefore affect the term of the lease. Assessments of whether there is a relative certainty that this option is (or is not) exercised may significantly affect the amount of lease liabilities and right of use assets as well as the incremental borrowing rate applied when it is not possible to easily determine the interest rate implicit in the lease.

5. Information on financial risks

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

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

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

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

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

5.1 Credit risk

Credit risk represents the OVS Group's exposure to the risk of potential losses arising from default by counterparties.
There were no significant concentrations of credit risk at the end of the year under review.
To reduce credit risk, the OVS Group generally obtains guarantees in the form of sureties in respect of loans granted for the supply of goods. At 31 January 2023, the total guarantee amount was €81.0 million, including €17.1 million in overdue receivables (€74.5 million at 31 January 2022, including €18.1 million in overdue receivables).
The Group also regularly undertakes revolving transfers of credit without recourse for a limited and select number of customers. At 31 January 2023, the value of the receivables assigned was €6.3 million.
Trade receivables are recognised net of write-downs calculated on the basis of the risk of counterparty default, determined by using available information on the solvency of the customer and, also taking historical data into account, prospective losses to the extent reasonably expected. Positions that are particularly significant, and that are objectively partially or totally irrecoverable, are written down individually.
Trade receivables totalled €115.2 million at 31 January 2023 (€89.3 million at 31 January 2022).
Receivables written down (partially or fully) amounted to €12.0 million at 31 January 2023 (€11.9 million at 31 January 2022).
Overdue net receivables amounted to €31.9 million (€26.5 million at 31 January 2022).
The following tables provide a breakdown of trade receivables at 31 January 2023 and at 31 January 2022, grouped according to maturity and net of the provision for doubtful accounts:

(amounts in millions of euro)	**At 31 January 2023**	**Not yet matured**	**Matured within 90 days**	**Matured between 90 and 180 days**	**Matured beyond 180 days**
Trade receivables	127.2	83.6	29.6	2.3	11.7
Provision for doubtful accounts	(12.0)	(0.3)	(0.2)	(0.2)	(11.3)
Net value	115.2	83.3	29.4	2.1	0.4

(amounts in millions of euro)	**At 31 January 2022**	**Not yet matured**	**Matured within 90 days**	**Matured between 90 and 180 days**	**Matured beyond 180 days**
Trade receivables	101.2	63.0	23.2	1.5	13.5
Provision for doubtful accounts	(11.9)	(0.2)	0	(0.2)	(11.5)
Net value	89.3	62.8	23.2	1.3	2.0

The following table analyses financial assets, including for leases according to the contractual maturities on which collection will take place, at 31 January 2023 and 31 January 2022:

(amounts in millions of euro)	Balance at 31 January 2023	< 1 year	1-5 years	> 5 years	Total
Financial assets for leases	5.5	1.9	3.5	0.1	5.5
Other loans receivable from third parties	5.1	5.1	0	0	5.1

(amounts in millions of euro)	Balance at 31 January 2022	< 1 year	1-5 years	> 5 years	Total
Financial assets for leases	7.0	2.5	4.0	0.5	7.0

5.2 Liquidity risk

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

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

The OVS Group's liquidity requirements are monitored by the treasury department to ensure effective access to financial resources and adequate liquidity investment/yield levels.

To further strengthen the financial solidity already achieved by the Group with the shares and instruments implemented during the previous year (a share capital increase of around €80 million and the issue of a sustainability-linked bond loan of around €160 million), in April 2022, Parent Company OVS S.p.A. signed a new loan agreement (the 2022 Loan) with a restricted pool of banks for a total of €230 million, which is intended to repay, inter alia, the residual existing bank debt.

For a detailed description of the above operations, please see the notes below on "Shareholders' equity" and "Bank debt", respectively.

In light of the above, management believes that the funds and lines of credit currently available, in addition to those generated by operating and financing activities, will enable the OVS Group to meet its requirements in respect of investment activities, management of working capital and the repayment of debt when it is contractually due.

For more information about the changes that took place in the OVS Group's capital and financial structure during the financial year, see also note 6.14 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 euro)	Balance at 31 January 2023	< 1 year	1-5 years	> 5 years	Total
Trade payables	393.2	393.2	0	0	393.2
Payables to banks (*)	111.9	16.9	95.0	0	111.9
Financial liabilities for leases	1,043.7	170.0	509.3	364.4	1,043.7
Bond loan	160.0	0	0	160.0	160.0
Financial expenses payable to banks (**)		11.9	31.0	0	42.9
Financial expenses for leases		39.5	99.7	40.4	179.6
Total	**1,708.8**	**631.5**	**735.0**	**564.8**	**1,931.3**

(*) The amount includes interest accrued but not yet paid at 31 January 2023.
(**) The amount was calculated by applying the forward curve recorded at 31 January 2023 to the loan repayment plan. For the Revolving Line, an average utilisation level of 50% was assumed.

The same breakdown for 31 January 2022 is as follows:

(amounts in millions of euro)	Balance at 31 January 2022	< 1 year	1-5 years	> 5 years	Total
Trade payables	317.9	317.9	0	0	317.9
Payables to banks (*)	171.4	101.2	70.2	0	171.4
Financial liabilities for leases	974.9	135.1	464.4	375.4	974.9
Other financial payables	160.0	0	0	160.0	160.0
Financial expenses payable to banks (**)		8.1	17.9	0	26.0
Financial expenses for leases		40.1	103.4	45.2	188.7
Total	**1,624.2**	**602.4**	**655.9**	**580.6**	**1,838.9**

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

The following table shows the breakdown of the derivatives entered into by the OVS Group and their fair value at year-end compared with the previous year:

	2022		2021	
(amounts in millions of euro)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Forward derivatives	0.5	9.7	15.2	0
Total	**0.5**	**9.7**	**15.2**	**0**
Current portion:				
Forward derivatives	0.5	9.7	15.2	0
Total current portion	**0.5**	**9.7**	**15.2**	**0**
Non-current portion:				
Forward derivatives	0	0	0	0
Total non-current portion	**0**	**0**	**0**	**0**

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 a net cash absorption of €58.7 million) break down as follows: full repayment of the SACE loan for -€100.0 million, full repayment of the old Term B2 for -€66.7 million, income deriving from the new Amortising Line for +€110 million, an incremental change in financial debt due to interest for -€0.5 million, an incremental change in loans receivable from third parties for -€5.1 million and other minor changes for +€3.6 million.

5.3 Market risk

INTEREST RATE RISK

The OVS Group uses external financial resources in the form of debt and employs liquidity available in bank deposits. Fluctuations in market interest rates may affect the cost and returns of various forms of financing and investment, thus affecting the OVS Group's level of financial expenses and income. In particular, the 2022 Loan (taken out on 7 April 2022 and disbursed on 8 April 2022) bears interest at the 3-month Euribor variable rate for the Amortising Line and the 1-3-6-month Euribor for the revolving line. There is no obligation to hedge interest rate risk for this 2022 Loan. The bond loan, on the other hand, provides for a fixed rate of 2.25% to maturity (10 November 2027), with the exception of a possible step-up of an additional 25 bps from 2024 if certain ESG parameters are not met. To address interest rate risks, in previous years interest rate derivatives (caps) were used with the aim of mitigating, under economically acceptable conditions, the potential impact of changes in interest rates on the income statement.
In view of the composition of the Group's debt, only partially exposed to changes in interest rates, specific hedges of the risk of interest rate fluctuations are currently not in place. However, transactions may be implemented based on the current high market volatility.

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 2023. 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 euro)	- 40 bps	+ 40 bps
At 31 January 2023	(0.6)	0.6

The same figure at 31 January 2022 is shown below:

Effect of change on financial expenses - income statement

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

FOREIGN EXCHANGE RISK

Exposure to the risk of exchange rate fluctuations derives from the OVS Group's commercial activities, which are also conducted in currencies other than the euro. Revenues and costs denominated in foreign currencies can be affected by exchange rate fluctuations, with an impact on sales margins (economic risk), and payables and receivables in foreign currencies may be affected by the conversion rates used, with an impact on the income statement (transactional risk).
The main exchange rate to which the OVS Group is significantly exposed is the EUR/USD, in relation to purchases in dollars made in the Far East and on other markets in which the dollar is the trading currency.
The Group is also exposed to the EUR/HKD exchange rate in relation to the translation risk of investee company OVS Hong Kong Sourcing Limited. The conversion effects of the other foreign companies for which the euro is not the functional currency are marginal.
Exchange rate fluctuations may result in the realisation or reporting of foreign exchange gains or losses. The OVS Group also hedges orders, including those that are highly probable although not obtained, pursuing the management aim of minimising exposure to risk.
The OVS Group purchases most of its products for sale from foreign suppliers for which the reference currency is the US Dollar (USD). In order to ensure reliability in the planning of sales prices and the relative industrial margin (understood as the difference between sales prices in EUR and the purchase costs of products in USD), the OVS Group routinely enters into derivative contracts designed to stabilise the exchange rate of goods purchases. The nature of these instruments is quite simple, as they are purchases of forward USD currency (forward derivatives) implemented in relation to estimated inflows and with timelines associated with the foreseeable outflow of cash, usually with a time horizon of 12 to 24 months from the date of signing the associated contracts. The instruments in question are initially entered into, in particular, taking into account quantifications (based on estimates) determined on the basis of purchases of the previous collection and considering the business outlook. Such operational hedges of purchase flows take place, in fact, by collection and by month. The instruments are then constantly monitored and updated by the OVS Group in relation to potential changes in purchase and payment flows and therefore to the variable need for stabilisation of exchange rates during the operational development of commercial planning.

It should be noted that in exceptional cases the Group may liquidate hedging derivative contracts for the expected purchase of goods. No such operation was necessary during 2022.

The derivatives described are recognised at 31 January 2023 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.
During the year under review, the nature and structure of exposure to foreign exchange risk and the hedging policies followed by the OVS Group did not change substantially compared with the consolidated financial statements for the year ended 31 January 2022.

At 31 January 2023, this measurement was negative for €9.2 million, relating to the fair value of the contracts in place at year-end, as the forward exchange rate for the portfolio at 31 January 2023 was 1.0637, while the average EUR/USD exchange rate at year-end was 1.0833. This figure is added to the release to the income statement with a negative effect of the positive fair value recognised at 31 January 2022 of €15.2 million, with a total negative effect in the income statement of €24.4 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 €/000	Fair value in €/000
At 31 January 2023	from 12/04/2022 to 26/01/2023	from 01/02/2023 to 05/04/2024	378,500	from 1.0154 to 1.1116	355,829	(9,200)

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 euro)	-5%	+5%
At 31 January 2023	9.0	(8.2)

The same analysis at 31 January 2022 is as follows:

Effect of change on result and shareholders' equity

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

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 2023, the translation reserve in equity reserves would have been subject to a positive/negative change of €1.4 million and €1.3 million, respectively.

5.4 Capital management risk

The Group manages and if necessary modifies the equity structure with the adjustments that it considers to be most in line with changes that may occur from time to time in general economic conditions and strategic objectives. In relation to equity risk, the Group's primary objective is to ensure that the company continues as a going concern in order to ensure a fair economic return to shareholders and others while maintaining a good risk rating in the debt capital market.

In pursuit of this objective, the Group's capital management works, inter alia, to ensure that covenants linked to financial debts to banks and bondholders and that define capital structure requirements are honoured.

There are no noteworthy minority share purchase agreements.

5.5 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 2022 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 2023:

	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	Derivatives	Total
Cash and banks			106,019			106,019
Trade receivables			115,194			115,194
Current financial assets			5,149		537	5,686
Financial assets for current leases			1,931			1,931
Other current receivables			17,721			17,721
Equity investments	0					0
Non-current financial assets					0	0
Financial assets for non-current leases			3,650			3,650
Other non-current receivables	4,875		1,764			6,639
Current financial liabilities				26,487		26,487
Financial liabilities for current leases				170,033		170,033
Trade payables				393,198		393,198
Other current payables				170,923		170,923
Non-current financial liabilities				253,560		253,560
Financial liabilities for non-current leases				873,670		873,670
Other non-current payables				10,810		10,810

The same reconciliation for 31 January 2022 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	Derivatives	Total
Cash and banks			143,150			143,150
Trade receivables			89,293			89,293
Current financial assets					15,213	15,213
Financial assets for current leases			2,470			2,470
Other current receivables			16,242			16,242
Equity investments	0					0
Non-current financial assets					0	0
Financial assets for non-current leases			4,548			4,548
Other non-current receivables	4,185		2,722			6,907
Current financial liabilities				100,782		100,782
Financial liabilities for current leases				135,083		135,083
Trade payables				317,911		317,911
Other current payables				156,522		156,522
Non-current financial liabilities				228,732		228,732
Financial liabilities for non-current leases				839,813		839,813
Other non-current payables				14,059		14,059

6. Notes to the consolidated statement of financial position

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

6.1 Cash and banks

	31.01.2023	31.01.2022	change
Cash and banks	106,019	143,150	(37,131)

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

	31.01.2023	31.01.2022	change
1) Bank and post office deposits	100,196	136,885	(36,689)
2) Checks	4	6	(2)
3) Cash on hand	5,819	6,259	(440)
Total	**106,019**	**143,150**	**(37,131)**

Cash and cash equivalents consists of cash, bank and post office deposits, cheques and cash on hand at the head office and stores in the direct sales network.
For a detailed examination of the main changes in the Group's cash and cash equivalents during the year, see the consolidated statement of cash flows.

6.2 Trade receivables

	31.01.2023	31.01.2022	change
Trade receivables	115,194	89,293	25,901

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

	31.01.2023	31.01.2022	change
Trade receivables			
Receivables for retail sales	451	429	22
Receivables for wholesale sales	112,784	88,419	24,365
Receivables for services provided	6,273	4,854	1,419
Disputed receivables	7,722	7,486	236
Trade receivables from related parties	0	0	0
Subtotal	**127,230**	**101,188**	**26,042**
(Provision for doubtful accounts)	(12,036)	(11,895)	(141)
Total	**115,194**	**89,293**	**25,901**

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

The provision for doubtful accounts amounted to €12,036,000 at 31 January 2023. During the year, €1,059,000 was utilised and an allocation of €1,200,000 was made.
Changes in the provision for doubtful accounts are shown below:

(thousands of euro)	
Balance at 31 January 2022	**11,895**
Allocations during the year	1,200
Uses during the year	(1,059)
Balance at 31 January 2023	**12,036**

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

(thousands of euro)	
Balance at 31 January 2021	**11,180**
Allocations during the year	1,500
Uses during the year	(785)
Balance at 31 January 2022	**11,895**

The accrual to the "Provision for doubtful accounts" expresses the presumed realisable amount of receivables that are still collectable at the closing date of the financial year and has been adjusted to the risk assessments related to the particular economic situation in Italy and Europe.
The drawings for the period relate to receivable positions for which elements of certainty and accuracy, or the presence of insolvency procedures, determine the total or partial derecognition of the position.

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

6.3 Inventories

	31.01.2023	31.01.2022	change
Inventories	477,635	389,849	87,786

The breakdown of inventories is shown in the following table:

(thousands of euro)	**31.01.2023**	**31.01.2022**
Goods	535,761	448,164
Gross stock	**535,761**	**448,164**
Provision for depreciation	(41,246)	(43,454)
Provision for inventory differences	(16,880)	(14,861)
Total provision for stock write-downs	**(58,126)**	**(58,315)**
Total	**477,635**	**389,849**

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 significant increase is mainly due to early orders for goods with advance deliveries (made to avoid possible delays in deliveries already experienced in the first part of 2022).

The provision for depreciation reflects management's best estimate based on the breakdown by type and season of inventories, considerations arising from past experience and the outlook for sales volumes, including in light of the macroeconomic situation. The provision for inventory differences includes the estimate of inventory differences at the end of each of the periods under review, in view of the fact that the OVS Group carries out a physical inventory in February or June of each year.
These provisions are based on the management best estimate and are therefore believed by management to be consistent with their respective purposes.
Changes in the provision for depreciation and the provision for inventory differences for the year ended 31 January 2023 are shown below:

(thousands of euro)	Provision for depreciation	Provision for inventory differences	Total
Balance at 31 January 2022	**43,454**	**14,861**	**58,315**
Allocation	26,928	13,324	40,252
Utilisation	(29,136)	(11,305)	(40,441)
Balance at 31 January 2023	**41,246**	**16,880**	**58,126**

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

(thousands of euro)	Provision for depreciation	Provision for inventory differences	Total
Balance at 31 January 2021	**33,126**	**11,328**	**44,454**
Allocation	39,327	13,547	52,874
Utilisation	(28,999)	(10,014)	(39,013)
Balance at 31 January 2022	**43,454**	**14,861**	**58,315**

6.4 Current and non-current financial assets

	31.01.2023	31.01.2022	change
Current financial assets	5,686	15,213	(9,527)
Non-current financial assets	0	0	0

The breakdown of the "Financial assets" item into current and non-current at 31 January 2023 and at 31 January 2022 is shown below:

(thousands of euro)	31.01.2023	31.01.2022
Derivatives (current portion)	537	15,213
Other loans receivable from third parties	5,149	0
Total current financial assets	**5,686**	**15,213**
Derivatives (non-current portion)	0	0
Total non-current financial assets	**0**	**0**
Total	**5,686**	**15,213**

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.
Other loans receivable from third parties include short-term loans granted by the Parent Company, OVS S.p.A., to third-party Italian entities remunerated at market interest rates.

6.5 Financial assets for current and non-current leases

	31.01.2023	31.01.2022	change
Financial assets for current leases	1,931	2,470	(539)
Financial assets for non-current leases	3,650	4,548	(898)

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

6.6 Current tax assets

	31.01.2023	31.01.2022	change
Current tax assets	18,685	16,635	2,050

The balance mainly consists of receivables for excess IRES (corporate tax) and IRAP (regional production tax) payments on account (€8,497,000 and €1,741,000 respectively) paid on a historical basis, already net of the payable for taxes accrued during the period. During 2021, OVS S.p.A. joined the national tax consolidation scheme provided for by Articles 117 et seq. of Presidential Decree No. 117 of 22 December 1986 ("TUIR") and the Ministerial Decree of 1 March 2018, with the subsidiary, 82 S.r.l. (the consolidated entity). The

national tax consolidation will continue uninterrupted during the period 2021-2023. The agreement also provides for the automatic renewal of the option for a further three years pursuant to Article 14, paragraph 1, of the Ministerial Decree of 1 March 2018.
The remaining balance of the item consists of receivables for withholding tax on fees (€1,909,000), tax credits of €6,466,000 (€2,970,000 of which has been used in 2023) and taxes withheld at source.

6.7 Other current and non-current receivables

	31.01.2023	31.01.2022	change
Other current receivables	17,721	16,242	1,479
Other non-current receivables	6,639	6,907	(268)

Other receivables break down as follows:

	31.01.2023	31.01.2022	change
Other receivables	2,879	3,088	(209)
Receivables from insurance companies for claims reimbursement	202	385	(183)
Receivables from personnel	916	1,042	(126)
Accrued income and prepaid expenses - rents and service charges	4,383	4,690	(307)
Accrued income and prepaid expenses - insurance	162	825	(663)
Accrued income and prepaid expenses - interest on security deposits	24	24	0
Accrued income and prepaid expenses - other	9,155	6,188	2,967
Total current receivables	**17,721**	**16,242**	**1,479**
Security deposits	4,875	4,184	691
Minor investments	74	20	54
Other receivables	1,690	2,703	(1,013)
Total non-current receivables	**6,639**	**6,907**	**(268)**

The "Other receivables" item in current receivables relates to guarantee deposits made for new leases amounting to €331,000 and receivables for business unit disposals amounting to €1,427,000, while the remainder refers to social security receivables and advances to suppliers and shippers.
Receivables from insurance companies mainly comprise the scheduled reimbursement for damage to goods during transport (€183,000) and damage due to theft at the OVS store in Surano (€13,000).
The item "Accrued income and prepaid expenses - other" primarily includes prepayments for advertising and marketing services of €2,445,000 and the share of deferred financial fees (€202,000) incurred to obtain the revolving lines of credit described in more detail in note 6.14 ("Financial liabilities") below.
The remaining impact mainly refers to prepaid expenses on utilities costs, costs for services and reimbursement of training costs.
"Other non-current receivables" include security deposits that mainly relate 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 €414,000 and the medium/long-term portion of deferred financial fees of €642,000.

6.8 Property, plant and equipment

	31.01.2023	31.01.2022	change
Property, plant and equipment	267,662	250,782	16,880

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 stores.

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

Pursuant to IAS 36, for businesses showing signs of impairment the Group assessed the recoverability of the relative assets using the discounted cash flow method.
The analysis performed at the end of the year showed immaterial impairment (approximately €578,000).

6.9 Right-of-use assets

	31.01.2023	31.01.2022	change
Right of use assets	957,334	922,232	35,102

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

6.10 Intangible assets

	31.01.2023	31.01.2022	change
Intangible assets	595,168	599,171	(4,003)

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

Intangible assets at 31 January 2023 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 2023, these amounts included:

- €377.5 million for the OVS brand, with an indefinite life (included under "Concessions, licences and brands");
- €13.3 million for the Upim, with an indefinite life (included under "Concessions, licences and brands");
- €3.4 million for the STEFANEL brand, registered during 2021 due to the acquisition of the STEFANEL business unit in March 2021, with an indefinite life (included under "Concessions, licences and trademarks");
- €46.5 million for the OVS franchising network, amortised over 20 years (included under "Other intangible assets");
- €18.5 million for the Upim franchising network, amortised over 20 years (included under "Other intangible assets");
- €78.2 million for licences relating to OVS stores, amortised over 40 years (included under "Concessions, licences and brands");
- €20.3 million for licences relating to Upim stores, amortised over 40 years (included under "Concessions, licences and brands");
- The Les Copains brand, acquired during 2022 for €1.5 million.

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

The recoverability of the value of the brands was measured using the discounted cash flow method for the cash generating units (CGUs) to which these brands are allocated. Please see the following section, "Impairment testing", for the outcome of the assessments carried out.

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

6.11 Goodwill

	31.01.2023	31.01.2022	change
Goodwill	297,686	297,686	0

The goodwill mainly relates to the acquisition of Gruppo Coin by Icon on 30 June 2011 (the carrying amount was originally €451,778,000, allocated to the OVS CGU, which was written down by €155,000,000 in 2019 following impairment testing).
For the results of the impairment testing carried out at 31 January 2023, please see the following section.

6.12 Impairment testing

Pursuant to IAS 36, the Group verifies the recoverability of intangible assets with an indefinite useful life (goodwill and brands) when indicators of impairment are identified, and in any event at the closing date of the year, while for tangible assets and other assets with a finite useful life this takes place when indicators of impairment are identified. The recoverable amount of the CGUs to which the individual assets are allocated is verified by calculating their value in use and/or fair value.
The cash generating units identified by management coincide with the OVS, Upim, STEFANEL (since 2021) and GAP Italia (since 2022) operating segments, which include all services and products provided to customers.

OVS CGU

Impairment testing entailed the comparison of the carrying amount of the 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 2023 Budget and the business plan for the three years from 2023 to 2025 (the "Plan"), both drawn up by management and the former approved by the Board of Directors on 8 February 2023. Provisional cash flows for the OVS CGU were determined according to levels of turnover growth and EBITDA, based on both past operating and profit performance and on future projections, also taking the ongoing context of uncertainty into account;
- future cash flows, standardised to use for the terminal value, were constructed by consistently applying a growth rate "g" for EBITDA of 2.0% a year, applied to EBITDA in the final year of the Plan (in line with the most recent projections of the International Monetary Fund). Annual investments were estimated consistently on the basis of depreciation and amortisation in the last year of the Plan (€32.5 million): this amount is believed to be representative of the standardised investments needed to maintain existing fixed assets, while annual investments of €116.1 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 7.8% and was determined based on the following assumptions: i) the risk-free rate used was 3.3%, corresponding to the return on ten-year Italian government bonds (average over the last 12 months); ii) the equity risk premium used was 5.9%, an average rate in line with both the results of the long-term analysis for industrialised countries and professional practices; iii) the beta coefficient was estimated based on a panel of comparable listed companies operating in the retail clothing sector and was 0.9; iv) borrowing costs (4.4%) were estimated as the one-month average of the ten-year EurIRS rate (average over the last 12 months), plus a spread of 200 bps; and v) the debt/equity ratio used was calculated based on the average figure presented by a panel of comparable companies.

Based on the above considerations, the value in use of the OVS CGU at 31 January 2023 was €1,957.1 million. The comparison between the VIU (€1,957.1 million) and the carrying amount (net invested capital) of the OVS CGU (€1,694.0 million, including the effects of IFRS 16), shows that the value in use of the CGU is higher than its carrying amount: therefore, based on the flows approved by management in January 2023, 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 2022 in relation to the OVS CGU.

UPIM CGU

Although no substantial goodwill amount has been allocated for the Upim CGU, the Group has carried out impairment testing on it, in view of the fact that it includes an amount allocated to the brand of €13.3 million, with an indefinite useful life.

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

- the projected cash flows for the Upim operating segment were extrapolated from the 2023 Budget and the business plan for the three years from 2023 to 2025 (the "Plan"), both drawn up by management and the former approved by the Board of Directors. Provisional cash flows for the OVS CGU were determined according to levels of turnover growth and EBITDA, based on both past operating and profit performance and on future projections, also taking the ongoing context of uncertainty into account;
- expected future cash flows, standardised to use for the terminal value, were constructed by consistently applying a growth rate "g" for EBITDA of 2.0% a year (in line with the most recent projections of the International Monetary Fund) 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 (€12.2 million): this amount is believed to be representative of the standardised investments needed to maintain existing fixed assets, while annual investments of €32.0 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 7.8% and was determined based on the following assumptions: i) the risk-free rate used was 3.3%, corresponding to the return on ten-year Italian government bonds (average over the last 12 months); ii) the equity risk premium used was 5.9%, an average rate in line with both the results of the long-term analysis for industrialised countries and professional practices; iii) the beta coefficient was estimated based on a panel of comparable listed companies operating in the retail clothing sector and was 0.9; iv) borrowing costs (4.4%) were estimated as the one-month average of the ten-year EurIRS rate (average over the last 12 months), plus a spread of 200 bps; and v) the debt/equity ratio used was calculated based on the average figure presented by a panel of comparable companies.

Based on the above considerations, the VIU of the Upim CGU at 31 January 2023 was €457.4 million. The comparison between the VIU (€457.4 million) and the carrying amount (net invested capital) of the Upim CGU (€356.9 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 2022 in relation to the Upim CGU.

Lastly, with regard to the STEFANEL and GAP Italia CGUs, it should be noted that, although the former includes the eponymous brand, which amounts to €3.4 million and also has an indefinite useful life, like the Group's other brands, given the recent acquisition of both (less than a year for the latter and just over a year in operation for the former) and in view of the low value of the CGUs themselves (invested capital less than 3% of total consolidated invested capital and, specifically, 1.8% of the STEFANEL CGU and 0.7% of the Italia GAP CGU), it was not deemed necessary to proceed with specific impairment tests at 31 January 2023 for this year. The recoverability of the carrying amounts of both CGUs will be verified during 2023.

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

Licences relating to some OVS and Upim stores and right-of-use assets of the various Group stores 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 2023 Budget, except where reasonably predictable.

Based on the analysis carried out, in the year ended 31

January 2023, there were no write-downs or reversals of previous write-downs relating to right of use assets, while, with regard to licences, ten OVS commercial licences and one Upim commercial licence were written down by a total net book value of €2,040,000; the net book values of five OVS commercial licences and one Upim commercial licence previously written down were also written back for a total value of €3,095,000 at 31 January 2023.

6.13 Equity investments

	31.01.2023	31.01.2022	change
Equity investments	0	0	0

At 31 January 2021, the value of the equity investment in the consortium company Centomilacandele S.C.p.A. held by OVS S.p.A. (31.63%), amounting to €136,000, had already been fully written down when this company was placed in liquidation during the year 2020.
There were no other changes in 2022.

6.14 Current and non-current financial liabilities

	31.01.2023	31.01.2022	change
Current financial liabilities	26,487	100,782	(74,295)
Non-current financial liabilities	253,560	228,732	24,828

The breakdown of the "Current financial liabilities" and "Non-current financial liabilities" items at 31 January 2023 and 31 January 2022 is shown below:

(thousands of euro)	**31.01.2023**	**31.01.2022**
Current bank payables	1,740	71,000
Current portion of non-current debt	15,010	29,782
Other current financial payables	9,737	0
Current financial liabilities	**26,487**	**100,782**
Non-current bank payables	253,560	228,732
Other non-current financial payables	0	0
Non-current financial liabilities	**253,560**	**228,732**

The OVS Group's current and non-current bank payables at 31 January 2023 are shown below:

			At 31 January 2023		
(thousands of euro)	**Maturity date**	**Interest rate**	**Total**	**of which non-current portion**	**of which current portion**
Due for financial expenses			1,740	-	1,740
Current bank payables			**1,740**	**-**	**1,740**
Sustainability-linked bond loan	10/11/2027	2.25%	160,000	160,000	-
Amortising Line (2022 Loan)	07/04/2027	Euribor +2.25%	110,000	95,000	15,000
SG loan	30/06/2024		210	26	184
Finance costs			(1,640)	(1,466)	(174)
Non-current bank payables			**268,570**	**253,560**	**15,010**

The lines of credit available to the Group at 31 January 2023 mainly relate to a loan agreement signed on 7 April 2022 (the "2022 Loan Agreement") for a total principal amount of €230,000,000, disbursed on 8 April 2022 (the "2022 Loan"), which provides for the granting of:

- a sustainability-linked amortising line for a principal amount of €110,000,000 (the "Amortising Line"). This line provides for a grace period, followed by eight half-yearly instalments of €7,500,000 each, starting on 31 May 2023, and a final instalment of €50,000,000;
- a sustainability-linked revolving line of €120,000,000 (the "Revolving Line" or "RCF" and, together with the Amortising Line, the "Lines of Credit"),

and the sustainability-linked fixed-rate bond loan (the "Bond Loan") issued on 10 November 2021 for a total nominal amount of €160,000,000.

The 2022 Loan Agreement allows the Parent Company to access financial resources aimed, inter alia, at repaying and replacing: i) two lines of credit, one revolving line for €100 million and one term line for the remaining €33 million, granted under a loan agreement signed in 2015 and amended in 2019, both with a reduced maturity, and ii) a line of credit for €100 million that is 80% guaranteed by SACE, obtained under a loan agreement, signed in 2020 to meet needs related to the Covid-19 pandemic, which is no longer consistent with the Group's financial structure.

Below is a summary description of the current conditions underlying the loans outstanding at 31 January 2023.

With regard to the 2022 Loan, the applicable interest rate for the Amortising Line at 31 January 2023 is equal to the sum of (i) the margin (the "Amortising Line Margin") of 2.25% per annum and (ii) the 3-month Euribor. For the RCF, meanwhile, the interest rate applicable at 31 January 2023 is equal to the sum of (i) the margin (the "RCF Margin" and, together with the Amortising Line Margin, the "Margin") of 1.75% per annum and (ii) the Euribor. The Euribor parameter will be set at zero if the parameter is negative. The interest rate is calculated on a quarterly basis for the Amortising Line, and on a monthly, quarterly or half-yearly basis, depending on what is indicated in the relevant request for use, for the Revolving Line.

As of the date of delivery of the compliance certificate (as described and regulated in the 2022 Loan Agreement) for the results for the 2022 financial year (i.e. at 31 January 2023), the Margin may be further reduced or increased according to the ratio of average total net debt (as defined in the 2022 Loan Agreement) to EBITDA (as defined in the 2022 Loan Agreement), calculated every half-year on the basis, as the case may be, of the consolidated financial statements at 31 January of each year and the half-year report (both subject to revision), prepared pursuant to IFRS. In particular, the 2022 Loan Agreement provides that the determination of the Margin – as of the financial year ending 31 January 2023 – shall be calculated as follows:

- if the ratio of average debt to EBITDA is greater than or equal to 3.50:1, the applicable Amortising Line Margin will be 2.60% per annum and the applicable RCF Margin will be 2.10% per annum;
- if the ratio of average debt to EBITDA is less than 3.50:1 but greater than or equal to 3.00:1, the applicable Amortising Line Margin will be 2.45% per annum and the applicable RCF Margin will be 1.95% per annum;
- if the ratio of average debt to EBITDA is less than 3.00:1 but greater than or equal to 2.50:1, the applicable Amortising Line Margin will be 2.35%

and the applicable RCF Margin will be 1.85% per annum;

- if the ratio of average debt to EBITDA is less than 2.50:1 but greater than or equal to 2.00:1, the applicable Amortising Line Margin will be 2.25% per annum and the applicable RCF Margin will be 1.75% per annum;
- if the ratio of average debt to EBITDA is less than 2.00:1 but greater than or equal to 1.50:1, the applicable Amortising Line Margin will be 2.15% per annum and the applicable RCF Margin will be 1.65% per annum;
- if the ratio of average debt to EBITDA is less than 1.50:1 but greater than or equal to 1.00:1, the applicable Amortising Line Margin will be 2.05% per annum and the applicable RCF Margin will be 1.55% per annum; and
- if the ratio of average debt to EBITDA is less than 1.00:1, the applicable Amortising Line Margin will be 1.90% per annum and the applicable RCF Margin will be 1.40% per annum.

As of the financial year ending 31 January 2025, the applicable Margin pursuant to the 2022 Loan Agreement will also be linked to a selection of certain key performance indicators (KPIs) in line with the provisions of the bond loan, which will be discussed in more detail below. This mechanism for variability in the Margin according to the KPIs from 2024 provides for a maximum step-up/step-down of 10 bps.

At 31 January 2023, the ratio of average debt to EBITDA was 1.26x.

The final due date of the 2022 Loan, which also coincides with the repayment date of the Lines of Credit, is fixed as 7 April 2027, without prejudice to the early repayment provisions in the 2022 Loan Agreement.

The 2022 Loan Agreement does not provide for any security package to guarantee the fulfilment of the related obligations.

Under the 2022 Loan Agreement, OVS S.p.A. has also undertaken, inter alia, 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 2022 Loan Agreement.
In terms of financial obligations, the only parameter that the Parent Company, OVS S.p.A., has undertaken to comply with the leverage ratio (as defined in the 2022 Loan Agreement), i.e. the OVS Group's ratio of average net debt to EBITDA, on a consolidated basis. From 31 January 2022, this parameter must be equal to or less than 3.50:1 for each testing period (i.e. each 12-month period ending in a reporting date (i.e. 31 January and 31 July of each year)), according to a calculation based on the consolidated financial statements and consolidated interim reports of OVS Group. This parameter must be less than or equal to 3.00:1 as of the period ending on the reporting date of 31 January 2024.

The 2022 Loan Agreement is governed by Italian law and any disputes relating thereto are under the exclusive jurisdiction of the Court of Milan.
Any breach of the covenants provided for in the 2022 Loan Agreement constitutes a default event that may be remedied, inter alia, as follows:

- with respect to the non-payment of any amount due pursuant to a Finance Document (as defined in the 2022 Loan Agreement), provided that it is due to technical or administrative error or a Disruption Event (as defined in the 2022 Loan Agreement), within three working days of the relevant expiry; and
- with regard to default events other than non-payment and breach of the financial parameter, within 21 days of the date on which the Agent (i.e. MPS Capital Services Banca per le Imprese S.p.A.) sent a written communication to OVS or from the day on which OVS became aware of the non-compliance with this contractual covenant.

If the default is not rectified, MPS Capital Services Banca per le Imprese S.p.A., as the Agent, may (but is not obliged, unless requested to do so by the Majority Lenders (as defined pursuant to the 2022 Loan Agreement)), inter alia, request early payment of the 2022 Loan.

The main characteristics of the Bond Loan are set out below.
The Bond Loan is governed by UK law and any disputes relating thereto are under the exclusive jurisdiction of the UK courts.
The nominal value of the bond loan is €160,000,000 and it has a term of six years from the issue date, with a maturity date of 10 November 2027, subject to the early redemption provisions established in the bond loan regulations.
As part of the Bond Loan offer, 160,000 bonds with a nominal value of €1,000 each were subscribed at an issue price equal to 100% of the nominal value.
The gross annual yield of the bond loan is 2.25% per annum.
Furthermore, as described in the Prospectus for the

Bond Loan, in the KID (Key Information Document) for the bonds of the Bond Loan (the "Bonds") and the Sustainability-Linked Bond Framework relating to the sustainability objectives of OVS, all available to the public on the Parent Company's website (www.ovscorporate.it), it should be noted that, in view of the "sustainability-linked" nature of the Bonds, as of 2024 the interest rate on the Bonds may be increased, until the maturity date of the Bonds, by a margin of up to 0.25% per annum for each interest period starting on or after the interest payment date immediately following any failure by OVS to achieve the sustainability performance objectives in relation to certain KPIs provided for in the Bond Loan Regulations by 2024, or in the event of any failure on the part of OVS to periodically report on these key performance indicators at the maturities established in the Bond Loan Regulations.
In order to ensure that investors have public updates on the progress of the achievement of each KPI, the relevant targets and any other significant event during the year of interest for investors for the monitoring of the KPIs, OVS will publish an annual Sustainability-Linked Bond Progress Report ("SLB Progress Report") by and no later than 120 days after the end of each financial year (ending on 31 January every year).

The ESG objectives underlying the Sustainability-Linked Bond Loan are aligned with the Group's sustainability path and reflect the main elements in the OVS strategic plan, including:

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

It should be recalled that as of 10 November 2021, the obligations underlying the Bonds are traded on the Regulated Market of the Official List of the Irish Stock Exchange - Euronext Dublin (Euronext Dublin) and on the Electronic Bond Market ("MOT") organised and managed by Borsa Italiana S.p.A..
On the basis of quotations as of 31 January 2023, the fair value of the bond at year-end was €147,248,000.

Both the 2022 Loan Agreement and the Bond Loan provide for a "change of control" clause, albeit with different consequences.
More specifically, pursuant to the 2022 Loan Agreement, the occurrence of a change of control results in the mandatory early repayment of any amount of the loan disbursed and not yet repaid.
In the case of the Bond Loan, however, if a change of control event occurs, the Company is required to offer bondholders early redemption of their bonds amounting to 101% of the nominal value of the outstanding bonds together with interest accruing up to the early redemption date. This redemption will only take place if the request is made by at least 20% of the nominal value of the bonds in issue and will affect only the bondholders that have requested it.

The average interest rate on the Group's financial debt in the 2022 financial year was 2.461%.

The breakdown of the consolidated net debt of the OVS Group at 31 January 2023 and 31 January 2022, presented according to the outline in Consob Communication DEM/6064293 of 28 July 2006, supplemented by Consob's Warning Notice no. 5/21, also including the effects on debt of IFRS 16, is as follows:

(thousands of euro)	31.01.2023	31.01.2023 Excluding IFRS 16	31.01.2022	31.01.2022 Excluding IFRS 16
A. Cash and cash equivalents	106,019	106,019	143,150	143,150
B. Cash equivalents	0	0	0	0
C. Other current financial assets	7,617	5,686	17,683	15,213
D. Liquid assets (A)+(B)+(C)	**113,636**	**111,705**	**160,833**	**158,363**
E. Current financial debt	(11,477)	(11,477)	(71,000)	(71,000)
F. Current portion of non-current financial debt	(185,043)	(16,159)	(164,865)	(30,878)
G. Current debt (E)+(F)	**(196,520)**	**(27,636)**	**(235,865)**	**(101,878)**
H. Net current debt (G)+(D)	**(82,884)**	**84,069**	**(75,032)**	**56,485**
I. Non-current financial debt	(967,230)	(95,255)	(908,545)	(71,575)
J. Debt instruments	(160,000)	(160,000)	(160,000)	(160,000)
K. Trade and other non-current payables	0	0	0	0
L. Non-current debt (I)+(J)+(K)	**(1,127,230)**	**(255,255)**	**(1,068,545)**	**(231,575)**
M. Total debt (H)+(L)	**(1,210,114)**	**(171,186)**	**(1,143,577)**	**(175,090)**
Non-current financial receivables	**3,650**	**0**	**4,548**	**0**
Net financial position	**(1,206,464)**	**(171,186)**	**(1,139,029)**	**(175,090)**

The following table shows the breakdown of current and non-current financial payables at 31 January 2023 and at 31 January 2022:

(thousands of euro)	31.01.2023	31.01.2023 Excluding IFRS 16	31.01.2022	31.01.2022 Excluding IFRS 16
Current bank payables	1,740	1,740	71,000	71,000
Derivatives	9,737	9,737	0	0
Payables for finance leases	170,033	1,149	135,083	1,096
Current portion of non-current financial debt	15,010	15,010	29,782	29,782
Current financial payables	**196,520**	**27,636**	**235,865**	**101,878**
Non-current bank payables	253,560	253,560	228,732	228,732
Derivatives	0	0	0	0
Payables for finance leases	873,670	1,695	839,813	2,843
Non-current financial payables	**1,127,230**	**255,255**	**1,068,545**	**231,575**

6.15 Financial liabilities for current and non-current leases

	31.01.2023	31.01.2022	change
Financial liabilities for current leases	170,033	135,083	34,950
Financial liabilities for non-current leases	873,670	839,813	33,857

Financial lease liabilities are recognised in accordance with the application of IFRS 16 with effect from 2019.
As indicated in note 3.29 "Accounting Policies, Amendments and Interpretations Effective from FY2022" of this Annual Financial Report, any discount arrangements more or less attributable to the residual consequences of the pandemic in FY2002 were recorded as lease modifications in accordance with IFRS 16.

It should also be noted that current finance lease liabilities include a portion of lease payments and interest (€20,800,000) that had not been paid at the date of the financial statements as subject of negotiation 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	
	31.01.2023	**31.01.2022**	**31.01.2023**	**31.01.2022**
Within 1 year	188,738	175,173	149,233	135,083
From 1 to 5 years	609,033	567,725	509,301	464,359
Beyond 5 years	404,694	420,666	364,369	375,454
Total	**1,202,465**	**1,163,564**	**1,022,903**	**974,896**

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

	31.01.2023	**31.01.2022**
Minimum payments owed for finance leases	1,202,465	1,163,564
(Future financial expenses)	(179,562)	(188,668)
Present value of payables for finance leases	**1,022,903**	**974,896**

6.16 Trade payables

	31.01.2023	**31.01.2022**	**change**
Trade payables	393,198	317,911	75,287

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 €216,781,000; it also includes exposure in foreign currency (mainly USD) amounting to USD196,057,000.
The significant increase is mainly due to early orders for goods with advance deliveries (made to avoid possible delays in deliveries already experienced in the first part of 2022).

6.17 Current tax liabilities

	31.01.2023	**31.01.2022**	**change**
Current tax liabilities	4,436	4,591	(155)

This item mainly includes the final instalment 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 financial statements of the Parent Company, carried out in 2020, to be paid by 31 July 2023.
Current taxes accrued during the year for IRES and IRAP by the Parent Company have been fully offset with excess payments on account.
The remaining portion relates to the current tax payables of the subsidiaries 82 S.r.l. and OVS Hong Kong Sourcing Ltd.

6.18 Other current and non-current payables

	31.01.2023	**31.01.2022**	**change**
Other current payables	170,923	156,522	14,401
Other non-current payables	10,810	14,059	(3,249)

The breakdown of the "Other payables" item into current and non-current at 31 January 2023 and at 31 January 2022 is shown below:

	31.01.2023	31.01.2022	change
Payables to personnel for holidays not taken and related contributions	8,051	8,324	(273)
Payables to employees for deferred salaries, overtime, bonuses and related contributions	33,516	32,342	1,174
Payables to Directors and Statutory Auditors for compensation	545	519	26
Other payables	46,202	34,949	11,253
Payables to pension and social security institutions	7,529	6,661	868
VAT payables	37,333	38,799	(1,466)
Other tax payables	4,491	3,563	928
Other payables - to customers	559	432	127
Accrued expenses and deferred income - rents	2,068	3,144	(1,076)
Accrued expenses and deferred income - utilities	5,876	4,837	1,039
Accrued expenses and deferred income - insurance	770	559	211
Accrued expenses and deferred income - other	23,983	22,393	1,590
Total current payables	**170,923**	**156,522**	**14,401**
Tax payables	0	3,714	(3,714)
Accrued expenses and deferred income - other	10,810	10,345	465
Total non-current payables	**10,810**	**14,059**	**(3,249)**

Payables to employees relate to benefits accrued and not paid out at 31 January 2023.
"Other payables" mainly relate to the recognition of €27,722,000 for the value of expected returns on sales made, pursuant to IFRS 15 (€18,764,000 at 31 January 2022).
The balance also includes advance payments by customers for pre-orders of goods and purchases of vouchers amounting to €9,424,000, and payables for deposits and securities received from customers to guarantee affiliation agreements of €8,401,000.
The increase in payables to pension and social security institutions reflects payables to the INPS.
At the reporting date, the Group had a VAT payable deriving from retail and wholesale sales and to a lesser extent from the sale of goods and services.

The "Other tax payables" item includes IRPEF (personal tax) on employees, payables to tax offices and payables for unpaid withholding tax.
The "Other accrued expenses/deferred income" item includes €13,849,000 of accrued expenses for local taxes, €814,000 of travel expenses, €484,000 of bank charges, €2,276,000 of deferred income for contributions payable by partners and lessors and €4,870,000 of unredeemed reward points relating to customer loyalty programmes (€5,400,000 at 31 January 2022).

"Non-current payables" also include €8,964,000 as the non-current portion of deferred income for contributions recognised by lessors after store restructurings and conversions. These contributions were discounted based on the term of the lease. The same item includes €1,846,000 relating to the deferral of the contribution deriving from investments in new capital goods; it should be noted that the investments have been booked including the contribution amount, which was spread throughout the period of depreciation of the goods concerned.

6.19 Employee benefits

	31.01.2023	31.01.2022	change
Employee benefits	27,844	32,873	(5,029)

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:

(thousands of euro)	31.01.2023	31.01.2022
Balance at start of year	**32,873**	**35,146**
Acquisition of business units	1,125	0
Increase during the year	210	134
Decrease during the year	(25)	0
Actuarial (gains)/losses	(3,589)	(62)
Benefits paid	(2,750)	(2,345)
Balance at end of year	**27,844**	**32,873**

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	3.32%
Annual inflation rate (1)	5.9% for 2023, 2.3% for 2024, 2.0% from 2025
Annual increase in employee severance benefits	5.9% for 2023, 3.2% for 2024, 3.0% from 2025

(1) Based on expected employee severance indemnities, the average inflation rate was 2.36%.

The iBoxx Eurozone Corporates AA 7-10 index at the calculation date was used as the benchmark for the discount rate. This expiry relates to the average remaining period of service at the company of the employees of Group Companies, weighted with the expected payments.
For the choice of the annual inflation rate, reference was made to the Update Note to the DEF 2022, the economic and financial document for 2022 (NADEF 2022) published on 4 November 2022, which shows the value of the consumption deflator for the years 2023, 2024 and 2025, amounting to 5.9%, 2.3% and 2.0% respectively. On the basis of the above and the current trend in inflation, it was deemed appropriate to use the rates indicated and from 2026 a constant rate of 2.0%.

SENSITIVITY ANALYSIS

As required by the revised version of IAS 19, a sensitivity analysis was carried out on changes in the key actuarial assumptions included in the calculation model.
The above scenario was used as the baseline scenario; from this, the most significant assumptions - i.e. the average annual discount rate, the average inflation rate and the turnover rate, were increased and decreased. The results obtained are summarised in the following table:

	Annual discount rate		Annual inflation rate		Annual turnover rate	
(amounts in millions of euro)	**+0.50%**	**-0.50%**	**+0.25%**	**-0.25%**	**+2.00%**	**-2.00%**
OVS	26.9	28.8	28.1	27.6	28.0	27.7

FUTURE CASH FLOWS

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

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

The average number of personnel during the year just ended was 101 managers, 6,585 white-collar workers and 239 blue-collar workers.
At 31 January 2023, the Group had 101 managers, 6,599 white-collar workers and 239 blue-collar workers in its employ.

6.20 Provisions for risks and charges

	31.01.2023	31.01.2022	change
Provisions for risks and charges	6,571	6,919	(348)

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

(thousands of euro)	31.01.2023	31.01.2022
Balance at start of year	**6,919**	**4,927**
Allowances for the year	1,109	1,690
Acquisition of business units	1,263	345
Used/released during the year	(2,720)	(43)
Balance at end of year	**6,571**	**6,919**

The provision is made for the risk of disputes with suppliers in relation to product sales and marketing, public entities, former employees and third parties of various kinds.
The outcome of these risks cannot be defined with certainty, and the amount recorded therefore represents the best estimate of the presumed charge at year-end.
The provision for the year of €1.1 million relates to legal or contractual risks. The further increase of €1,263,000 is due to the purchase price allocation of the GAP Italia business unit acquired during the year and mainly relates to the estimated costs of departure incentives.
The decrease refers to drawings on previous provisions made for disputes with former employees and various legal cases.

6.21 Deferred tax liabilities

	31.01.2023	31.01.2022	change
Deferred tax liabilities	30,308	20,050	10,258

The changes in 2022 are shown below:

(thousands of euro)	Balance at 31.01.2022	Allocated/ released to income statement	Allocated/ released to statement of comprehensive income	Balance at 31.01.2023
Provision for stock write-downs	13,628	150		13,778
Appropriation for local taxes	2,754	505		3,259
Provisions for risks and charges	1,660	(387)	303	1,576
Doubtful accounts	2,955	4		2,959
Tangible and intangible assets	(48,655)	(6,438)	84	(55,009)
IFRS 15 Sales with a right of return	2,219	788		3,007
IFRS 16 Leases	(163)	(143)		(306)
Employee severance benefits calculated according to IAS 19	1,198	0	(861)	337
Tax losses	2,918	(2,918)		0
Other minor	1,436	(1,345)		91
Total net prepaid (deferred)	**(20,050)**	**(9,784)**	**(474)**	**(30,308)**

The same details are shown for the previous year:

(thousands of euro)	Balance at 31.01.2021	Allocated/ released to income statement	Allocated/ released to statement of comprehensive income	Balance at 31.01.2022
Provision for stock write-downs	10,570	2,826	232	13,628
Appropriation for local taxes	2,149	605		2,754
Provisions for risks and charges	1,169	395	96	1,660
Doubtful accounts	2,524	431		2,955
Tangible and intangible assets	(42,166)	(6,035)	(454)	(48,655)
IFRS 9 - Credit losses	0	0		0
IFRS 15 Sales with a right of return	1,854	365		2,219
IFRS 16 Leases	(359)	196		(163)
Employee severance benefits calculated according to IAS 19	1,213	0	(15)	1,198
Tax losses	19,640	(16,722)		2,918
Other minor	921	515		1,436
Total net prepaid (deferred)	**(2,485)**	**(17,424)**	**(141)**	**(20,050)**

Deferred tax liabilities related to the higher carrying amount, compared with the amount for tax purposes, of intangible assets in the financial statements were mainly due to their recognition at fair value according to the acquisition method at the time of business combinations in previous years.
The following should be noted: the total use of tax losses carried forward entirely absorbed by the positive result for the year, and the provision during the year for deferred tax liabilities on the statutory/tax differential of the brands already realigned in 2020.

6.22 Shareholders' equity

Shareholders' equity amounted to €903.2 million.
Further details of all the changes in the items included in shareholders' equity are provided in the relative accounting schedule.

SHARE CAPITAL

At 31 January 2023, the share capital of OVS S.p.A. amounted to €290,923,470, comprising 290,923,470 ordinary shares with no par value.
OVS was incorporated on 14 May 2014 with share capital of €10,000.
The Transferral of the OVS-Upim Business Unit by the

then sole shareholder Gruppo Coin, which took effect as of 31 July 2014, entailed a share capital increase from €10,000 to €140,000,000, with a premium of €249,885,000.
On 24 February 2015, the global offer for subscription and sale of ordinary shares of OVS S.p.A., with the aim of listing this company on the MTA, was successfully completed.
The subscription operation entailed a further capital increase of €87,000,000, increasing the share capital from €140,000,000 to €227,000,000, divided into 227,000,000 ordinary shares with no par value.
Lastly, the aforementioned paid capital increase, in tranches, completed in July 2021, entailed an increase in the share capital of €63,923,470, from €227,000,000 to €290,923,470, divided into 290,923,470 ordinary shares with no par value.

TREASURY SHARES

At 31 January 2023, the Parent Company, OVS S.p.A., held a total of 14,347,534 treasury shares, equal to 4.932% of the share capital, for a total amount of €26,018,000, including 809,226 treasury shares, equal to 0.356% of the share capital, for a total amount of €1,496,000 purchased in 2018, while in 2022, 13,538,308 treasury shares were purchased at an average carrying price of €1.812, for a total amount of €24,522,000. No disposals took place in 2022.
These transactions were carried out as part of the authorisations to purchase treasury shares approved by the Shareholders' Meeting of the Parent Company on 31 May 2018, 28 May 2021 and most recently on 31 May 2022.

OTHER RESERVES

The breakdown of other reserves is as follows:

The **share premium reserve**, amounting to €528.7 million, derives from the increases in the capital of OVS S.p.A., as previously mentioned, and is shown net of listing costs of €7,590,000 (gross costs of €10,469,000 and deferred tax of €2,879,000), and the capital increase of July 2021, amounting to €394,000 (gross costs of €518,000 and deferred costs of €124,000).
With regard to the accounting treatment applied to these costs, pursuant to IAS 32, following the positive outcome of the listing process, the ratio between the number of new shares/number of shares post-listing determined the percentage of charges registered as a direct reduction in shareholders' equity, while the remainder was recognised under costs in the income statement.
The **legal reserve** came to €14.2 million, and was created when earnings for previous years were appropriated.
There are also **other reserves**, with a positive net balance of €55.8 million, which mainly include retained earnings of €42.0 million, the effects of the direct recognition in shareholders' equity of actuarial gains/(losses) relating to employee severance benefits, the translation reserve and the effects of booking management incentive plans in equity reserves in accordance with the provisions of IFRS 2 (see also note 7.26 ("Staff costs") and the impacts of the adoption of IFRS 9 and IFRS 16 on the date of the respective transition.

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

in thousands of euro	**2022**	**2021**
Value at start of year	**(3,793)**	**(3,840)**
Change in provision for employee severance benefits under IAS 19	3,588	62
Deferred tax effect	(861)	(15)
Total change	*2,727*	47
Value at end of year	**(1,066)**	**(3,793)**

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

MINORITY INTEREST CAPITAL AND RESERVES

Minority interests mainly relate to 82 S.r.l., which is 70% owned by OVS S.p.A. and 30% owned by Massimo Piombo. The amount shown includes €3,000 for share capital and €403,000 for net results accrued as at 31 January 2023.
They also include the minority interests of two subsidiaries established in 2022: Vespucci Fashion Inc. (€14,000) and Energia Verde Uno S.r.l. (-€3,000).

DIVIDENDS PAID AND PROPOSED

In 2022, Parent Company OVS S.p.A. distributed to its shareholders an ordinary gross dividend of €0.04 for each of the ordinary shares in issue.
An ordinary gross dividend of €0.06 is proposed for the appropriation of earnings for 2022.

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

7. Notes to the consolidated income statement

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

7.23 Revenues

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

	31.01.2023	31.01.2022
Revenues from retail sales	1,471,442	1,354,057
VAT on retail sales	(264,836)	(244,577)
Net sales	**1,206,606**	**1,109,480**
Revenues from sales to affiliates, administered and wholesale	305,477	248,750
Subtotal net sales	**1,512,083**	**1,358,230**
Revenues from services	636	669
Total	**1,512,719**	**1,358,899**

7.24 Other operating income and revenues

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

	31.01.2023	31.01.2022
Revenues from services provided	64,597	48,191
Rental income and leases	12,555	13,042
Compensation for damage	115	1,101
Capital gains from asset disposals	2,257	1,088
Other revenues	12,870	10,344
Total	**92,394**	**73,766**

Revenues from services provided mainly relate to fees earned from commercial partners in concessions at the OVS Group's stores, as well as professional services, the recovery of transport expenses, the recovery of advertising expenses, promotional contributions and charges for staff costs and other services provided.
The item "Rental income and leases" mainly includes rent from concession partners at OVS and Upim stores; it should be emphasised that this type of agreement is not based on IFRS 16, except to a marginal extent.
The "Other revenues" item mainly comprises contributions from suppliers and lessors, reimbursements of start-up costs and various contingent assets.

7.25 Purchases of raw materials, consumables and goods

Purchases of raw materials, supplies, consumables and goods mainly consist of purchases of products for sale and amount to €684,340,000.
The item breaks down as follows:

	31.01.2023	31.01.2022
Purchases of raw materials, consumables and goods	772,126	560,150
Change in inventories	(87,786)	30,261
Total	**684,340**	**590,411**

The consideration in euro for purchases abroad, mainly in dollars, including ancillary costs, is €651,096,000.

7.26 Staff costs

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

	31.01.2023	31.01.2022
Wages and salaries	223,913	211,197
Social security charges	65,032	61,452
Employee severance benefits	13,889	13,459
Other staff costs	2,137	1,360
Directors' fees	2,107	1,254
Total	**307,078**	**288,721**

The significant increase compared with 2021 is mainly due to the return to full operation of the entire sales network and therefore to the reduced use of employment support tools, still present in the comparative year as a result of the pandemic.
For the purposes of completeness, it should also be noted the acquisition of GAP Italia business unit which, at the acquisition date (1 February 2022) had 141 employees.
The number of employees, expressed as the "full-time equivalent" headcount, was 6,088 at the end of the year, compared with 5,906 at 31 January 2022.

7.27 Share-based payments

Since June 2015, key employees of the Parent Company and its subsidiaries have been granted options to purchase OVS S.p.A. shares under the Company's stock option plans (hereinafter also the "Plans"). In order to create value for shareholders by improving long-term corporate performance and promoting the loyalty and retention of key personnel for the Group's development, the Company's Shareholders' Meeting approved, on 26 May 2015 and 31 May 2017 respectively, two capital increases for the issue of shares to be offered for subscription to the beneficiaries of two separate stock option plans. On the basis of these capital increases, the authorised capital stands at €39,080,000.00. Information on the modalities for exercising options is provided below.
Lastly, 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 granting of free stock options for newly issued ordinary shares of OVS S.p.A.. The Plan is reserved for directors who are also employees, executives with strategic responsibilities and/or other employees of OVS S.p.A. and its subsidiaries pursuant to Article 93 of Legislative Decree 58 of 24 February 1998, who have been identified by the Board of Directors, after consulting the Appointments and Remuneration Committee, from among those individuals who perform a key role in the achievement of the Company's strategic objectives (hereinafter, the "Beneficiaries"). The Shareholders' Meeting also approved a capital increase for the issue of shares to be offered for subscription to beneficiaries of the 2019-2022 Plan. Based on this capital increase, the authorised capital has a nominal value of €5,000,000, through the issue of a maximum of 5,000,000 newly issued ordinary shares of OVS.
Information on the modalities for exercising options is provided below.
The aforementioned shareholders' meetings delegated to the Board of Directors the widest powers to implement the capital increases in one or more tranches, granting employees options, as deemed appropriate by the Board, and thus, inter alia:

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

In execution of the powers received from the Shareholders' Meeting, the Board of Directors granted a total of 13,836,375 options, none of which had been exercised by 31 January 2023.
In total, the Board of Directors, in execution of the powers granted to it, approved the following Plans:

Plan	Grantable	Granted	Exercised
2015-2020	-	5,101,375	-
2017-2022	145,000	3,935,000	-
2019-2022	200,000	4,800,000	-
Total	**345,000**	**13,836,375**	**-**

On 8 June 2015, pursuant to the mandate granted by the Extraordinary Shareholders' Meeting of 26 May 2015, the Board of Directors resolved to carry out a paid share capital increase by the deadline of 8 June 2025, by issuing, in one or more tranches, up to 5,107,500 new ordinary shares of OVS, constituting 1.76% 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 €4.08 per share (for the 2015-2020 Plan), €5.26 per share (for the 2017-2022 Plan) and €1.72 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 granted 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 Consolidated Law on Finance, 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 Consolidated Law on Finance; 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 and 2022 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 financial year 2022, i.e. in the period from 1 August 2022 to 31 January 2023, is at least €2.11, unless the Board decides otherwise).

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 €12,484,000 (of which €10,629,000 was accounted for at 31 January 2022), were recognised with a balancing entry in shareholders' equity. It should also be noted that during the 2022 financial year, no Beneficiaries left the Group as "good leavers": accordingly, there were no reversals of the IFRS 2 reserve relating to options accrued but subject to cancellation as they are not exercised by the deadline provided for in the event of termination of the employment relationship.

The movements recorded in the various Stock Option Plans in 2022 are as follows:

Stock Option Plan	Exercise price	Currency	No. of options at 31/01/2022	Options granted	Options cancelled	Options exercised	Options lapsed	No. of options at 31/01/2023
2015-2020 Plan	4.08	Euro	2,598,963	126,000	-	-	-	2,724,963
2017-2022 Plan	5.26	Euro	1,182,000	40,000	-	-	-	1,222,000
2019-2022 Plan	1.72	Euro	4,800,000	-	-	-	-	4,800,000
Total			**8,580,963**	**166,000**	**-**	**-**	**-**	**8,746,963**

At 31 January 2023, 8,746,963 options were potentially exercisable (accrued or accruable).
No options were exercised in 2022.
For the purposes of completeness, it should also be noted that the strike prices of the three plans indicated above have to be adjusted to neutralise the effects of the distribution of dividends during 2022 (€0.04 per ordinary share).

It should again be noted that, on 31 May 2022, the Ordinary Shareholders' Meeting approved a new medium/long-term equity-based incentive plan named the "Performance Share Plan 2022-2026" (the "Plan"), which aims to align the interests of the beneficiaries with the creation of value for OVS's shareholders and investors in the long term, and to promote the permanence of the beneficiaries by incentivising them to add value to the Company and simultaneously creating a loyalty-building tool. The Plan is intended for the top management of the Company and its subsidiaries and other employees and contractors (including consultants and/or providers of intellectual work) of OVS and/or subsidiaries with roles that are strategically important for the Company's business or that are otherwise able to make a significant contribution in light of the pursuit of the strategic objectives of OVS and its subsidiaries.
When a performance objective is achieved for each three-year vesting period for measurement of the results, starting on 1 February and ending on 31 January of the third subsequent year (2022-2024/2023-2025/2024-2026), the Plan entitles each beneficiary to receive OVS shares free of charge, subject to the circumstances set out in the Plan (existence of a relationship with the company and absence of disciplinary sanctions). The number of actual shares granted to each beneficiary in the event of achievement of the objective, under the terms and conditions of the Plan regulations, will be determined by applying different criteria, depending on whether the reference price of the OVS share is less than or equal to €3.00 or more than €3.00.
The Plan is divided into three three-year ("rolling") performance cycles (2022-2024, 2023-2025 and 2024-2026) and will expire on 31 January 2027. The maximum total number of shares to be granted to beneficiaries in order to execute the Plan is 4,500,000.
For further details of the Plan, see (i) the explanatory report on the 4th (fourth) item on the agenda of the Ordinary Shareholders' Meeting of OVS of 31 May 2022, and (ii) the information document prepared pursuant to Article 84-bis of the regulation approved by Consob Resolution 11971 of 14 May 1999, available on the Company's website at www.ovscorporate.it and on the "1Info" authorised data storage mechanism at www.1info.it.
The first three-year cycle was assigned by resolution of the Board of Directors on 14 June 2022. Also on 31 May 2022, the Extraordinary Shareholders' Meeting resolved to grant the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, for a period of five years from the date of the resolution, the authority to increase the share capital, free of charge and in one or more tranches, pursuant to Article 2349 of the Italian Civil Code, to be granted to the beneficiary employees of the Plan, through the issue of a maximum of 4,500,000 ordinary shares at an issue value equal to the accounting par value of the OVS shares at the execution date, to be fully allocated to capital. Article 5 of the current Articles of Association was amended accordingly.
Pursuant to IFRS 2, the 2022 Performance Share Plan is also defined as equity-settled. Accordingly, the fair value of the Plan was estimated at the grant date, using the Black-Scholes method. The overall fair value pertaining to the reporting period has therefore been recognised in the income statement. In particular, staff costs at 31 January 2023 attributable to the granting of OVS shares, amounting to €286,000, were recognised under the above plan with a balancing entry in shareholders' equity.

Lastly, on 20 December 2019, the Chief Executive Officer, the executives with strategic responsibilities and another three managers of the Parent Company, OVS S.p.A., signed agreements with the shareholder TIP in the form of a call option agreement on a portion of the OVS shares held by TIP. 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; the options may be exercised between 1 January 2023 and 30 June 2023.

7.28 Depreciation, amortisation and write-downs of assets

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

	31.01.2023	31.01.2022
Amortisation of intangible assets	19,981	19,715
Depreciation of tangible assets	46,354	43,668
Depreciation of right-of-use assets	157,876	147,997
Write-downs of tangible and intangible assets	1,538	2,534
Total	**225,750**	**213,914**

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 of changes during the year, see Appendix 2.
It should be noted that the amount relating to write-downs of tangible and intangible assets in the appendices in question has been included in the amounts shown in the "Disposals" and "Write-downs" columns.
Write-downs refer to assets written down due to store closures that have already taken place or are planned, and/or any results of impairment testing on stores.

7.29 Other operating expenses

SERVICE COSTS

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

	31.01.2023	31.01.2022
Advertising	32,681	31,121
Utilities	52,849	33,002
Miscellaneous sales costs	67,548	59,422
Professional and advisory services	27,604	23,083
Travel and other staff expenses	11,969	8,656
Insurance	3,751	3,260
Maintenance, cleaning and security	37,423	35,749
Other services	1,879	1,491
Remuneration of the Board of Statutory Auditors/Supervisory Board	249	234
Total	**235,953**	**196,018**

COSTS FOR THE USE OF THIRD-PARTY ASSETS

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

	31.01.2023	31.01.2022
Rental costs and ancillary charges	33,862	(7,295)
Leasing of plant, equipment and vehicles	4,350	3,554
Total	**38,212**	**(3,741)**

The item "Rental costs and ancillary charges" mainly includes rents deriving from leases accounted for outside the scope of IFRS 16, variable rent components within the scope of the standard and the service charges of the sales network. The leases were entered into under arm's length conditions.
With regard to the comparison year, it should be noted that the application of the practical measures of discounts and/or exemptions from payments on leases due to the Covid-19 crisis resulted in a gain in the income statement of around €35 million (including around €17 million related to 2020, but formalised in 2021), taking the net balance of the item at 31 January 2022 to -€7,295,000.
The temporary period of application of the above expedients came to an end in 2022, and at the same time there was a gradual recovery in the domestic economic environment that took the rents for the period to contractual levels.

WRITE-DOWNS AND PROVISIONS

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

	31.01.2023	31.01.2022
Doubtful accounts	1,200	1,472
Provisions for risk	(800)	1,690
Total	**400**	**3,162**

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

OTHER OPERATING CHARGES

Other operating charges break down as follows:

	31.01.2023	31.01.2022
Materials and equipment for offices and points of sale	6,718	6,631
Taxes	9,647	8,925
Capital losses	364	2,279
Charitable donations	621	614
Corporate expenses	620	609
Other general and administrative costs	723	863
Other operating expenses	3,837	3,486
Total	**22,530**	**23,407**

The "Other operating expenses" item mainly comprises €1,192,000 relating to rebates, fines and rounding liabilities and €204,000 for discounts on partner goods distributed to customers during special events; the same item also includes transactional agreements with lessors and suppliers for €514,000, and miscellaneous reimbursements for expenses.

7.30 Financial income (expenses)

FINANCIAL INCOME

	31.01.2023	31.01.2022
Financial income on bank current accounts	28	2
Financial income from miscellaneous sources	421	8
Income from financial lease assets	351	358
Income to affiliate	0	0
Total	**800**	**368**

FINANCIAL EXPENSES

	31.01.2023	31.01.2022
Financial expenses on bank current accounts	3	8
Financial expenses on loans	8,890	17,803
Expenses from finance lease liabilities	39,578	43,925
Interest cost on provision for employee severance benefits	210	12
Other financial expenses/fees	5,174	4,875
Total	**53,855**	**66,622**

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 sections above.
The weighted average IBR applied in 2022 was 4.33%.

FOREIGN EXCHANGE GAINS AND LOSSES

	31.01.2023	31.01.2022
Foreign exchange gains	61,724	4,585
Foreign exchange losses	(18,979)	(10,381)
Gains (losses) on changes in fair value on forward derivatives	(24,414)	24,343
Total	**18,331**	**18,547**

GAINS (LOSSES) FROM EQUITY INVESTMENTS

	31.01.2023	31.01.2022
Gains (losses) from equity investments	(7)	0
Total	**(7)**	**0**

7.31 Taxes

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

	31.01.2023	31.01.2022
IRES of Italian companies	2,331	1,433
IRAP of Italian companies	4,009	5,419
Taxes of foreign companies	561	246
Deferred taxes (net change)	9,646	17,328
Total	**16,547**	**24,426**

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

(thousands of euro)	31.01.2023	%	31.01.2022	%
Net result for the year before tax	56,119		73,066	
Theoretical income tax (IRES)	(13,469)	(24.0)%	(17,536)	(24.0)%
IRAP	(4,009)	(7.1)%	(5,419)	(7.4)%
Tax effect of permanent differences and other differences	931	1.7%	(1,471)	(2.0)%
Taxes	**(16,547)**		**(24,426)**	
Effective tax rate		**(29.5)%**		**(33.4)%**

The effective tax expense for 2022 was 29.5% (an improvement on 33.4% in 2021) and differs from the theoretical tax charge due to some permanent items increasing the tax base for the year.
The net balance of deferred tax liabilities includes the full use of the residual benefit on the previous tax losses of the Parent Company (see note 6.21 (Deferred tax liabilities) above).

7.32 Earnings per share

The share capital is divided into 290,923,470 shares with no par value.
The calculation of earnings per share shown in the following table is based on the ratio of earnings attributable to the Group to the weighted average number of shares of OVS S.p.A. outstanding in the year, net of treasury shares held (14,347,534 shares, equal to 4.932% of the share capital), weighted for the period of ownership.

	31.01.2023	31.01.2022
Result for the year (in thousands of euro)	39,202	48,500
Number of ordinary shares at end of year	290,923,470	290,923,470
Average weighted number of shares outstanding for the calculation of basic earnings per share	283,258,689	259,441,849
Basic earnings per share (in euro)	**0.138**	**0.187**
Diluted earnings per share (in euro)	**0.139**	**0.185**

Diluted earnings per share were essentially in line with basic earnings per share, since at 31 January 2023 the dilutive effects of the various stock option plans (see note 7.27 above for details) were not material.

8. Relations with related parties

The following table summarises the OVS Group's lending and borrowing relations with related parties, as defined by IAS 24, at the reporting date.
Following the alignment of the Consob Regulation with the parameters laid down by IAS 24 for determining related parties, in June 2021, Coin S.p.A. ceased to be a related party, as previously understood according to the Consob determinations. For this reason, income statement balances are reported up to that date, while statement of financial position balances are no longer reported after that date.

	Related parties				
(thousands of euro)	Centomilacan-dele S.c.p.a. in liquidation	Directors and executives with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Trade payables					
At 31 January 2023	47	0	47	(393,198)	0.0%
At 31 January 2022	0	0	0	(317,911)	0.0%
Other current payables					
At 31 January 2023	0	(8,630)	(8,630)	(170,923)	5.0%
At 31 January 2022	0	(6,778)	(6,778)	(156,522)	4.3%

Centomilacandele S.C.p.A. in liquidation is a non-profit consortium company that was engaged in the supply of electricity and natural gas under the best possible conditions to the consortium entities. It was placed in liquidation in August 2020. Business relations with the company had already ceased in 2020.

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

(thousands of euro)	Related parties: Centomilacandele S.c.p.a. in liquidation	Related parties: Directors and executives with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Year ended 31 January 2023					
Revenues	0	0	0	1,512,719	0.0%
Other operating income and revenues	0	0	0	92,394	0.0%
Purchases of raw materials, consumables and goods	0	0	0	(684,340)	0.0%
Staff costs	0	(10,977)	(10,977)	(307,078)	3.6%
Service costs	47	0	47	(235,953)	0.0%
Costs for the use of third-party assets	0	0	0	(38,212)	0.0%
Write-downs and provisions	0	0	0	(400)	0.0%
Other operating charges	0	0	0	(22,530)	0.0%
Financial income	0	0	0	800	0.0%
Financial expenses	0	0	0	(53,855)	0.0%
Gains (losses) from equity investments	0	0	0	(7)	0.0%

At 31 January 2022, the OVS Group's economic relations with related parties were as follows:

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

The main economic relations with related parties in 2021 related 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 2022 (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:

(thousands of euro)	Related parties: Centomilacandele S.c.p.A. in liquidation	Related parties: Directors and executives with strategic responsibilities	Total	Total cash flow from the cash flow statement	Percentage of balance sheet item
Year ended 31 January 2023					
Cash flow generated (absorbed) by operating activities	0	(8,154)	(8,154)	262,770	(3,1)%
Cash flow generated (absorbed) by investment activities	0	0	0	(79,766)	0.0%
Cash flow generated (absorbed) by financing activities	0	0	0	(220,135)	0.0%
Year ended 31 January 2022					
Cash flow generated (absorbed) by operating activities	130	(4,056)	(3,926)	384,646	(1.0)%
Cash flow generated (absorbed) by investment activities	0	0	0	(84,072)	0.0%
Cash flow generated (absorbed) by financing activities	28	0	28	(234,931)	0.0%

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

9. Information on operating segments

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

- OVS, active in the value fashion market, offering stylish and high-quality clothing at competitive prices, with a focus on the latest trends and fashions;
- Upim, active in the value segment of the Italian market, offering women's, men's and children's clothing products, homeware and fragrance, with particularly competitive price positioning and a key focus on the family; and
- with the acquisition of STEFANEL in March 2021 and GAP Italia in February 2022, two new business units were identified within the Group. However, given the smaller size of these recent acquisitions compared with the consolidated accounting balances, they are included in the "Other businesses" category.

The results of the operating segments are measured by analysing revenues and adjusted EBITDA, with the latter defined as earnings before depreciation and amortisation, asset write-downs, financial income and expenses and tax, net of non-recurring income and expenses and other non-monetary accounting effects, as well as the effect of application of IFRS 16.

Specifically, management believes that revenues and adjusted EBITDA provide a good performance indicator as they are not affected by tax legislation or depreciation/amortisation policy.

(thousands of euro)	31 January 2023 OVS	Upim	Other businesses	Total	31 January 2022 OVS	Upim	Other businesses	Total
Revenues by segment	**1,125,071**	**345,522**	**42,126**	**1,512,719**	1,054,419	**294,394**	**10,086**	**1,358,899**
Adjusted EBITDA	**149,197**	**33,998**	**(3,024)**	**180,171**	124,566	**27,195**	**(4,578)**	**147,183**
% of revenues	**13.3%**	**9.8%**	**(7.2)%**	**11.9%**	11.8%	**9.2%**	**(45.4)%**	**10.8%**
Non-recurring expenses				(6,263)				(8,008)
Forex reclassification				(35,549)				(2,544)
Stock option plan				(1,855)				(1,206)
IFRS 16 effects				180,096				199,262
EBITDA				**316,600**				**334,687**
Depreciation, amortisation and write-downs of assets				(225,750)				(213,914)
Profit before net financial expenses and taxes				**90,850**				**120,773**
Financial income				800				368
Financial expenses				(53,855)				(66,622)
Foreign exchange gains and losses				18,331				18,547
Gains (losses) from equity investments				(7)				0
Net result for the year before tax				**56,119**				**73,066**
Taxes				(16,547)				(24,426)
Net result for the year				**39,572**				**48,640**

10. Other information

10.1 Contingent liabilities

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

10.2 Sureties and guarantees relating to third parties

These amounted to €90,300,000 (€83,786,000 at 31 January 2022) and were granted on behalf of the Group by banks or insurance companies, mainly to guarantee Italian leases.

10.3 Other commitments

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

10.4 Directors’ and Statutory Auditors’ fees

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

(thousands of euro)	Directors	Auditors
Year ended 31 January 2023	2,028	182
Year ended 31 January 2022	1,095	182

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

(amounts in thousands of euro)	Result for the year	Shareholders' equity
Financial statements of OVS SpA at 31.01.2023, prepared according to the international reporting standards (IFRS)	**24,956**	**878,055**
Shareholders' equity and profit for the year of the fully consolidated subsidiaries, net of the carrying amount of the equity investments	27,585	21,309
Elimination of infra-group dividends	(17,532)	0
Elimination of unrealised infra-group results net of the relative tax effect	(27)	(858)
Exchange rate gains or losses from the translation of financial statements in foreign currencies	0	(902)
Elimination of inter-company write-downs	4,220	5,148
Non-controlling interests	370	418
Consolidated financial statements of OVS at 31.01.2023, prepared according to international reporting standards (IFRS)	**39,572**	**903,170**

10.6 Significant non-recurring events and operations

In accordance with Consob Communication no. DEM/6064293 of 28 July 2006, the Group's results for 2022 were influenced by non-recurring net expenses of €4,760,000.

	31.01.2023	31.01.2022
Revenues	0	0
Other operating income and revenues	(76)	0
Staff costs	342	781
Depreciation, amortisation and write-downs of assets	0	660
Service costs	4,993	6,130
Other operating charges	1,004	437
Taxes	(1,503)	(1,922)
Total	**4,760**	**6,086**

Non-recurring charges refer to:

- other operating income and revenues of €76,000 related to residual badwill resulting from the acquisition of the GAP Italia business unit;
- staff costs of €342,000 relating to transactions with employees;
- service costs of €4,993,000, mainly relating to expenses of €3,590,000 directly attributable to the Covid-19 emergency, start-up costs in new foreign markets of €663,000 and other net one-off costs of €441,000;
- other operating expenses of €1,004,000, mainly relating to expenses of €135,000 directly attributable to the Covid-19 emergency, penalties of €526,000 and damage due to atmospheric events of €215,000;
- the tax effect on the above non-recurring items of €1,503,000.

In accordance with the above Consob Communication, it should also be noted that in 2022, no atypical and/or unusual transactions were entered into as defined by the Communication.

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

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

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

The following table, which was prepared pursuant to Article 149-duodecies of the Consob Regulation for Issuers, shows the fees for 2022 and 2021 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:

(thousands of euro)	2022	2021
a) Independent auditor's fees for the provision of auditing services:		
- to Parent Company OVS S.p.A.	294	278
- to subsidiaries (services provided by companies in the PwC network)	33	38
b) Independent auditor's fees for the provision of services other than auditing:		
- to Parent Company OVS S.p.A. for audit services for the issuance of certification	46 (1)	21 (1)
- to Parent Company OVS S.p.A. for audit services for the issuance of certification (services provided by companies in the PwC network)	10 (2)	0
- to Parent Company OVS S.p.A. for other services	0	0
c) Fees for entities in the PwC network for the provision of services:		
- to Parent Company OVS S.p.A.	0	148 (3)

(1) These fees relate to "audit-related" services for the limited review of the consolidated Non-Financial Statement and tax compliance stamps of various kinds.
(2) These fees relate to activities related to the issue of a certificate on the progress report required annually on the Bond Loan.
(3) These fees relate to activities relating to the issuance of comfort letters on the prospectus for the capital increase and the prospectus for the bond issue.

11. Significant events after the reporting period

On 31 March 2023, OVS obtained the single authorisation from the Government Commissioner of the Adriatica Special Economic Zone (SEZ) to begin work on the creation of the new technological hub serving the Group. With this authorisation, the OVS Group will therefore be able to implement an investment plan of around €33 million. In the region of the Bari Industrial Development Area, the following are to be built: a technological hub where the Group will focus on the development of projects with high digital content, utilising around €19 million in resources, and an innovative plant, which will support the Group's development on issues related to the reuse of clothing for the circular economy, for about another €14 million of investments, in the three-year period 2023-2025. The new establishment is expected to create 125 new jobs, including for graduates with digital skills in both artificial intelligence and cyber security, and specialist positions for reworking clothing and activities linked to the multi-function centre.
The purchase of treasury shares also continued: since 1 February 2023 to date, the Parent Company has purchased 1,751,975 treasury shares, equal to 0.6022% of the share capital, for a total amount of €4,424,000, while no shares have been disposed of.
No other significant events took place after 31 January 2023.

12. Appendices to the consolidated financial statements

The following documents contain additional information on the consolidated financial statements for the year ended 31 January 2023.

Appendices:

- 1 Property, plant and equipment at 31 January 2023;
- 2 Right-of-use assets at 31 January 2023;
- 3 Intangible assets at 31 January 2023;
- 4 Property, plant and equipment at 31 January 2022;
- 5 Right-of-use assets at 31 January 2022;
- 6 Intangible assets at 31 January 2022.

APPENDIX 1

PROPERTY, PLANT AND EQUIPMENT

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

	Situation at 31.01.2022	Movements during the year: Purchases	Sales/disposals	Amortisation/ write-downs	Situation at 31.01.2023
Leasehold improvements					
initial cost	222,410	11,276	(5,316)	0	228,370
write-downs	(35)	0	22	(75)	(88)
amortisation	(168,611)	0	4,634	(8,991)	(172,968)
net	**53,764**	**11,276**	**(660)**	**(9,066)**	**55,314**
Land and buildings					
initial cost	6,823	0	0	0	6,823
write-downs	0	0	0	0	0
amortisation	(1,919)	0	0	(32)	(1,951)
net	**4,904**	**0**	**0**	**(32)**	**4,872**
Plant and machinery					
initial cost	314,088	14,965	(3,018)	0	326,035
write-downs	(31)	0	20	(162)	(173)
amortisation	(237,387)	0	2,533	(12,766)	(247,620)
net	**76,670**	**14,965**	**(465)**	**(12,928)**	**78,242**
Industrial and commercial equipment					
initial cost	367,271	26,630	(7,825)	0	386,076
write-downs	(52)	0	33	(298)	(317)
amortisation	(268,385)	0	6,743	(21,487)	(283,129)
net	**98,834**	**26,630**	**(1,049)**	**(21,785)**	**102,630**
Other assets					
initial cost	65,936	4,000	(101)	0	69,835
write-downs	0	0	0	0	0
amortisation	(58,115)	0	95	(3,078)	(61,098)
net	**7,821**	**4,000**	**(6)**	**(3,078)**	**8,737**
Assets under construction and payments on account					
initial cost	8,789	12,690	(3,612)	0	17,867
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**8,789**	**12,690**	**(3,612) (1)**	**0**	**17,867**
Total					
initial cost	985,317	69,561	(19,872)	0	1,035,006
write-downs	(118)	0	75	(535) (3)	(578)
amortisation	(734,417)	0	14,005	(46,354)	(766,766)
net	**250,782**	**69,561 (4)**	**(5,792) (2)**	**(46,889)**	**267,662**

(1) Of this amount, €3,612,000 represents assets under construction at 31/01/2022, reclassified to the specific asset categories in 2022.
(2) Includes €2,059,000 relating to fixed assets disposed of and written down in the period due to the closure of stores.
(3) Includes €578,000 relating to assets written down after impairment testing of stores, already net of write-backs of €43,000 in previous years.
(4) Acquisitions/increases of the year include Property, plant and equipment from the acquisition of the GAP Italia business unit which took place on 01/02/2022 for €200,000.

APPENDIX 2

RIGHT OF USE ASSETS

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

	Situation at 31.01.2022	Movements during the year: Increases	Remeasure-ment	Decreases	Amortisation/ write-downs	Situation at 31.01.2023
Land and buildings						
initial cost	1,292,339	124,107	67,683	(27,988)	0	1,456,141
write-downs	0	0	0	0	0	0
amortisation	(374,965)	0	0	27,988	(156,395)	(503,372)
net	**917,374**	**124,107**	**67,683**	**0**	**(156,395)**	**952,769**
Plant and machinery						
initial cost	640	0	0	0	0	640
write-downs	0	0	0	0	0	0
amortisation	(166)	0	0	0	(71)	(237)
net	**474**	**0**	**0**	**0**	**(71)**	**403**
Industrial and commercial equipment						
initial cost	3,641	0	0	0	0	3,641
write-downs	0	0	0	0	0	0
amortisation	(713)	0	0	0	(365)	(1,078)
net	**2,928**	**0**	**0**	**0**	**(365)**	**2,563**
Other assets						
initial cost	5,835	620	568	(833)	0	6,190
write-downs	0	0	0	0	0	0
amortisation	(4,379)	0	0	833	(1,045)	(4,591)
net	**1,456**	**620**	**568**	**0**	**(1,045)**	**1,599**
Total						
initial cost	1,302,455	124,727	68,251	(28,821)	0	1,466,612
write-downs	0	0	0	0	0	0
amortisation	(380,223)	0	0	28,821	(157,876)	(509,278)
net	**922,232**	**124,727 (1)**	**68,251**	**0**	**(157,876)**	**957,334**

(1) Acquisitions/increases of the year include €20,216,000 as the balances of the acquisition of the GAP Italia business unit which took place on 01/02/2022; for further details on the definitive PPA, please refer to the paragraph "Business combinations" of the Notes.

APPENDIX 3

INTANGIBLE ASSETS

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

	Situation at 31.01.2022	Movements during the year: Purchases	Sales/disposals	Amortisation/ write-downs	Situation at 31.01.2023
Rights to industrial patents and intellectual property rights					
initial cost	177,753	11,962	0	0	189,715
write-downs	0	0	0	0	0
amortisation	(152,305)	0	0	(10,476)	(162,781)
net	**25,448**	**11,962**	**0**	**(10,476)**	**26,934**
Concessions, licences and trademarks					
initial cost	518,112	1,723	(1,774)	0	518,061
write-downs	(8,170)	0	1,638	1,055	(5,477)
amortisation	(10,579)	0	136	(1,240)	(11,683)
net	**499,363**	**1,723**	**0**	**(185)**	**500,901**
Assets under construction and payments on account					
initial cost	220	375	(220)	0	375
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**220**	**375**	**(220)** (1)	**0**	**375**
Other intangible assets					
initial cost	165,764	1,083	0	0	166,847
write-downs	0	0	0	0	0
amortisation	(91,624)	0	0	(8,265)	(99,889)
net	**74,140**	**1,083**	**0**	**(8,265)**	**66,958**
Total					
initial cost	861,849	15,143	(1,994)	0	874,998
write-downs	(8,170)	0	1,638	1,055 (2)	(5,477)
amortisation	(254,508)	0	136	(19,981)	(274,353)
net	**599,171**	**15,143**	**(220)**	**(18,926)**	**595,168**
Goodwill					
initial cost	297,686	0	0	0	297,686
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**297,686**	**0**	**0**	**0**	**297,686**

(1) Of this amount, €220,000 represents assets under construction at 31/01/2022, reclassified to the specific asset categories in 2022.
(2) Includes €2,040,000 relating to assets written down after impairment testing of stores, already net of write-backs of €3,095,000 in previous years.

APPENDIX 4

PROPERTY, PLANT AND EQUIPMENT

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

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

(1) Of this amount, €1,915,000 represents assets under construction at 31/01/2021, reclassified to the specific asset categories in 2021.
(2) Includes €2,947,000 relating to fixed assets disposed of and written down in the period due to the closure of stores.
(3) Includes €118,000 relating to assets written down after impairment testing or projected disposal of stores.

APPENDIX 5

RIGHT OF USE ASSETS

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

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

APPENDIX 6

INTANGIBLE ASSETS

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

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

(1) Of this amount, €933,000 represents assets under construction at 31/01/2021, reclassified to the specific asset categories in 2021.
(2) Includes €462,000 relating to fixed assets disposed of and written down in the period due to the closure of stores.
(3) Includes €2,011,000 relating to assets written down after impairment testing of stores, already net of write-backs of €3,003,000 in previous years.


Summer
Beach

Certification of the consolidated Financial Statements pursuant to Article 81-ter of Consob Regulation no. 11971 of 14 May 1999, as subsequently amended and supplemented

1. We, the undersigned, Stefano Beraldo, the Chief Executive Officer, and Nicola Perin, the Director responsible for preparing the corporate accounting statements of OVS S.p.A., hereby declare, also taking account of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:
   - the adequacy with respect to the characteristics of the Company and
   - the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements in the period from 1 February 2022 to 31 January 2023.

2. The evaluation of the adequacy of the administrative and accounting procedures used in the preparation of the consolidated financial statements at 31 January 2023 was based on a process defined by OVS S.p.A. consistent with the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (CoSO), which is a generally accepted international framework.

3. Moreover:
   3.1 the consolidated financial statements at 31 January 2023:
      a. have been prepared in compliance with the international accounting standards recognised by the European Union pursuant to (EC) Regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002 as subsequently supplemented;
      b. correspond to the accounting books and records;
      c. are suitable to provide a true and fair representation of the financial position and results of the Issuer and all the companies included within the scope of consolidation.
   3.2 The Report on Operations includes a reliable analysis of the operating performance and results and the situation of the Issuer and all the companies included within the scope of consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

Mestre, Venice, 19 April 2023

Stefano Beraldo
Chief Executive Officer

Nicola Perin
Financial Reporting Officer

Independent Auditor’s Report on the Consolidated Financial Statements

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Independent auditor’s report

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

To the shareholders of OVS SpA

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of OVS Group (the Group), which comprise the consolidated statement of financial position as of 31 January 2023, 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 2023, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38 of 28 February 2005.

Basis for opinion

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

Key audit matters

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

PricewaterhouseCoopers SpA

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Key audit matters	*Auditing procedures performed in response to key audit matters*
Assessment of the recoverability of the balances of 'Goodwill', 'Intangible assets' and "Right of use" assets *Notes 6.9, 6.10, 6.11 and 6.12 to the consolidated financial statements of OVS Group at 31 January 2023* The consolidated financial statements of OVS Group at 31 January 2023 include goodwill for Euro 297,686 thousand, intangible assets for Euro 595,168 thousand, comprising indefinite-lived intangible assets for Euro 394,199 thousand and intangible assets with definite lives for Euro 200,969 thousand, and right of use assets for Euro 957,334 thousand. Goodwill relates almost entirely to the OVS division. Indefinite-lived intangible assets comprise the OVS, UPIM and Stefanel brands, carried at Euro 377,492 thousand, Euro 13,307 thousand and Euro 3,400 thousand, respectively. The above amounts originated from the recognition of business combinations carried out in previous years. Right of use assets mainly relate to leases for store premises. In accordance with the applicable financial reporting standards, management of OVS Group tests goodwill and indefinite-lived intangible assets for impairment at least annually, based on the estimate of the values in use of the cash generating units to which the goodwill and intangible assets are allocated. Value in use is obtained by discounting the future cash flows estimated for the next three years and the terminal value ("impairment test"). The figures used for the impairment test were derived from the business plan for the financial years from 2023 to 2025 developed on the basis of budget 2023 approved by the board of directors of OVS SpA on 8 February 2023.	We obtained the business plan for the financial years from 2023 to 2025 developed on the basis of budget 2023 approved by the board of directors of OVS SpA on 8 February 2023, the valuation models and documentary evidence used by management, and approved by the board of directors of OVS SpA on 19 April 2023, to determine the recoverable amount of the cash generating units to which goodwill, intangible assets and right of use assets are allocated. Also with the support of valuation experts belonging to the PwC network, we analysed the methodological approach used by OVS Group management to determine the recoverable amounts, we verified the mathematical accuracy of the valuation models used and we compared the value in use thus obtained with the carrying amount of each material cash generating unit. We analysed the reasonableness of OVS Group management's assumptions about the identification of the cash generating units and the process of allocation to the latter of goodwill, intangible assets and right of use assets, verifying their consistency with the Group's structure and operating segments. We analysed the forecasts of each cash generating unit to which the assets tested for impairment are allocated that were used to assess their recoverability, verifying the consistency of the figures with the business plan for the financial years from 2023 to 2025 developed on the basis of budget 2023 approved by the board of directors of OVS SpA on 8 February 2023 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

2 of 6

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on compliance with other laws and regulations

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

The directors of OVS SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) n° 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the consolidated financial statements as of 31 January 2023, to be included in the annual report.

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

In our opinion, the consolidated financial statements as of 31 January 2023 have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

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 2023, including their consistency with the relevant consolidated financial statements and their compliance with the law.

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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 2023 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 2023 and are prepared in compliance with the law.

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

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

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

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

Treviso, 10 May 2023

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(Partner)

As disclosed by the directors, the accompanying consolidated financial statements of OVS Group constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) n° 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Separate financial statements of OVS S.p.A.

at 31 January 2023

STATEMENT OF FINANCIAL POSITION
(euro units)

ASSETS	Note	31.01.2023	of which related parties	31.01.2022	of which related parties
Current assets					
Cash and banks	6.1	102,303,737		139,741,815	
Trade receivables	6.2	127,072,790	14,525,876	99,799,370	11,984,571
Inventories	6.3	471,353,119		385,122,400	
Financial assets	6.4	5,685,699		15,453,386	240,000
Financial assets for leases	6.5	1,931,398		2,470,483	
Current tax assets	6.6	18,643,953		16,604,104	
Other receivables	6.7	16,883,252		15,825,370	
Total current assets		**743,873,948**		**675,016,928**	
Non-current assets					
Property, plant and equipment	6.8	263,991,631		247,523,095	
Right of use assets	6.9	950,564,162		915,162,811	
Intangible assets	6.10	590,704,723		597,029,957	
Goodwill	6.11	297,686,092		297,686,092	
Equity investments	6.13	8,872,546		8,444,641	
Financial assets	6.4	2,032,637	2,032,637	2,289,946	2,289,946
Financial assets for leases	6.5	3,650,178		4,547,797	
Other receivables	6.7	5,492,252		6,324,488	
Total non-current assets		**2,122,994,221**		**2,079,008,827**	
TOTAL ASSETS		**2,866,868,169**		**2,754,025,755**	

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.01.2023	of which related parties	31.01.2022	of which related parties
Current liabilities					
Financial liabilities	6.14	26,486,604		100,781,785	
Financial liabilities for leases	6.15	168,168,705		133,205,348	
Trade payables	6.16	421,673,966	32,314,522	338,326,125	20,920,594
Current tax liabilities	6.17	3,945,488		4,543,497	
Other payables	6.18	169,289,091	8,630,023	155,077,496	6,777,766
Total current liabilities		**789,563,854**		**731,934,251**	
Non-current liabilities					
Financial liabilities	6.14	253,560,306		228,732,267	
Financial liabilities for leases	6.15	868,303,983		833,728,054	
Employee benefits	6.19	27,826,350		32,853,410	
Provisions for risks and charges	6.20	8,055,432		7,864,445	
Deferred tax liabilities	6.21	30,693,574		20,394,935	
Other payables	6.18	10,809,926		14,058,732	
Total non-current liabilities		**1,199,249,571**		**1,137,631,843**	
TOTAL LIABILITIES		**1,988,813,425**		**1,869,566,094**	
SHAREHOLDERS' EQUITY					
Share capital	6.22	290,923,470		290,923,470	
Treasury shares	6.22	(26,018,062)		(1,496,475)	
Other reserves	6.22	588,193,382		545,107,665	
Net result for the year		24,955,954		49,925,001	
TOTAL SHAREHOLDERS' EQUITY		**878,054,744**		**884,459,661**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,866,868,169**		**2,754,025,755**	

INCOME STATEMENT
(euro units)

	Note	31.01.2023	of which related parties	31.01.2022	of which related parties
Revenues	7.23	1,507,152,804	15,228,152	1,350,697,637	11,557,246
Other operating income and revenues	7.24	90,240,990	214,934	73,136,335	1,160,056
Total revenues		**1,597,393,794**		**1,423,833,972**	
Purchases of raw materials, consumables and goods	7.25	726,685,796	41,717,111	616,697,956	29,028,988
Staff costs	7.26	295,886,117	10,777,850	278,733,901	9,712,748
Depreciation, amortisation and write-downs of assets	7.28	221,935,247		209,906,475	
Other operating expenses					
Service costs	7.29	232,538,800	402,984	193,522,588	361,422
Costs for the use of third-party assets	7.29	37,114,422		(4,780,309)	(96,962)
Write-downs and provisions	7.29	400,000		2,499,010	(27,506)
Other operating charges	7.29	21,378,679	(211,441)	22,540,039	
Profit before net financial expenses and taxes		**61,454,733**		**104,714,312**	
Financial income	7.30	865,573	66,932	482,814	182,715
Financial expenses	7.30	(53,321,411)		(66,061,456)	
Foreign exchange gains and losses	7.30	16,341,091		20,600,641	
Gains (losses) from equity investments	7.30	15,022,504	15,029,464	14,095,218	14,095,218
Net result for the year before tax		**40,362,490**		**73,831,529**	
Taxes	7.31	(15,406,536)		(23,906,528)	
Net result for the year		**24,955,954**		**49,925,001**	

STATEMENT OF COMPREHENSIVE INCOME
(thousands of euro)

	Note	31.01.2023	31.01.2022
Net result for the year (A)		**24,956**	**49,925**
Other gains (losses) that will not be subsequently reclassified in the income statement:			
- Actuarial gains (losses) for employee benefits	6.19-6.22	3,588	62
- Tax on items recognised in the reserve for actuarial gains (losses)	6.21-6.22	(861)	(15)
Total other comprehensive gains (losses) that will not be subsequently reclassified in the income statement		**2,727**	**47**
Total other items of comprehensive income (B)		**2,727**	**47**
Total comprehensive income for the period (A) + (B)		**27,683**	**49,972**

STATEMENT OF CASH FLOWS
(thousands of euro)

	Note	31.01.2023	31.01.2022
Operating activities			
Net result for the year		24,956	49,925
Provision for taxes	7.32	15,407	23,907
Adjusted for:			
Net depreciation, amortisation and write-downs of fixed assets, including for leases	7.28	221,935	209,906
Net capital gains (losses) on fixed assets, including for leases		(817)	1,099
Write-downs of equity investments	7.30	4,091	4,377
Losses (gains) from equity investments	7.30	(19,120)	(18,472)
Net financial expenses (income) including for leases	7.30	52,462	65,577
Expenses (income) from foreign exchange differences and currency derivatives	7.30	(40,755)	3,743
Loss (gain) on derivatives due to change in fair value	7.30	24,414	(24,343)
Allocations to provisions	6.19-6.20	1,109	1,690
Utilisation of provisions	6.19-6.20	(5,469)	(3,051)
Cash flows from operating activities before changes in working capital		**278,213**	**314,358**
Cash flow generated by change in working capital	6.2-3-6-7-16-17-18-21	(15,800)	143,228
Taxes paid		(10,479)	(7,428)
Net interest received (paid) including for leases		(47,989)	(85,481)
Realised foreign exchange differences and cash flows from currency derivatives		34,640	(515)
Other changes		1,779	1,206
Cash flow generated (absorbed) by operating activities		**240,364**	**365,368**
Investment activities			
(Investments in) fixed assets	6.8-6.10-6.11	(76,142)	(78,850)
Disposals of fixed assets	6.8-6.10-6.11	69	928
(Increase) decrease in equity investments	6.13	(3,980)	(4,335)
Dividends received		19,120	18,472
Cash in (out) after business combinations during the year		731	(2,709)
Cash flow generated (absorbed) by investment activities		**(60,202)**	**(66,494)**
Financing activities			
Net change in financial assets and liabilities	6.4-6.14	(58,071)	(147,608)
(Repayment) of lease liabilities/collection of lease assets	6.5-6.15	(123,677)	(166,115)
Increase in share capital and reserves	6.22	0	80,606
Buy-back of treasury shares	6.22	(24,522)	0
Distribution of dividends		(11,330)	0
Cash flow generated (absorbed) by financing activities		**(217,600)**	**(233,117)**
Increase (decrease) in cash and cash equivalents		**(37,438)**	**65,757**
Cash and cash equivalents at start of period		**139,742**	**73,985**
Cash and cash equivalents at end of period		**102,304**	**139,742**

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

	Share capital	Share premium reserve	Legal reserve	Reserve for treasury shares
Balance at 01 February 2021	**227,000**	**511,995**	**9,884**	**(1,496)**
- Appropriation of earnings for financial year 2020	-	-	1,795	-
- Paid capital increase	63,923	16,683	-	-
- Management incentive plans	-	-	-	-
Transactions with shareholders	**63,923**	**16,683**	**1,795**	**-**
- Net result for the year	-	-	-	-
- Other items of comprehensive income	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**-**
Balance at 31 January 2022	**290,923**	**528,678**	**11,679**	**(1,496)**
Balance at 01 February 2022	**290,923**	**528,678**	**11,679**	**(1,496)**
- Appropriation of earnings for financial year 2021	-	-	2,496	-
- Distribution of dividends	-	-	-	-
- Buy-back of treasury shares	-	-	-	(24,522)
- Management incentive plans	-	-	-	-
Transactions with shareholders	**-**	**-**	**2,496**	**(24,522)**
- Net result for the year	-	-	-	-
- Other items of comprehensive income	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**-**
Balance at 31 January 2023	**290,923**	**528,678**	**14,175**	**(26,018)**

Reserve for actuarial gains (losses)	IFRS 2 reserve	Retained earnings	Net result for the year	Total shareholders' equity
(3,840)	**8,386**	**(35,154)**	**35,902**	**752,677**
-	-	34,107	(35,902)	-
-	-	-	-	80.606
-	601	605	-	1,206
-	**601**	**34,712**	**(35,902)**	**81,812**
-	-	-	49,925	49,925
47	-	-	-	47
47	**-**	**-**	**49,925**	**49,972**
(3,793)	**8,987**	**(442)**	**49,925**	**884,461**
(3,793)	**8,987**	**(442)**	**49,925**	**884,461**
-	-	47,429	(49,925)	-
-	-	(11,422)	-	(11,422)
-	-	-	-	(24,522)
-	2,054	(199)	-	1,855
-	**2,054**	**35,808**	**(49,925)**	**(34,089)**
-	-	-	24,956	24,956
2,727	-	-	-	2,727
2,727	**-**	**-**	**24,956**	**27,683**
(1,066)	**11,041**	**35,366**	**24,956**	**878,055**


SUMMER

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 €321,042,500.00
Subscribed and paid-up share capital €290,923,470.00

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

Activities of the Parent Company
OVS S.p.A. is the leading player in the Italian women's, men's and children's clothing market, with a market share of over 9%. It has over 2,100 stores in Italy and abroad, operating under the OVS, Upim and STEFANEL brands. The Company has been listed on Borsa Italiana since March 2015.

This English version of the consolidated financial statements of OVS Group constitute a non-official version which has not been prepared in accordance with the provisions of the Commission Delegated Regulation (EU) 2019/815. The official version of the financial statements, which was prepared in accordance with the aforementioned Regulation, has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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