OVS Group
Annual Report at 31 January 2020

OVS S.p.A.
Venice

COMPANY INFORMATION

Registered office of the Parent Company

OVS S.p.A.

Via Terraglio 17 – 30174

Venice - Mestre

Legal details of the Parent Company

Authorised share capital €227,000,000.00

Subscribed and paid-up share capital €227,000,000.00

Venice Companies Register no. 04240010274

Tax and VAT code 04240010274

Corporate website: www.ovscorporate.it

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CORPORATE BODIES

Board of Directors

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

*Franco Moscetti was appointed by the Shareholders' Meeting of 31 May 2019, following the resignation of Chairman Nicholas Stathopoulos on 11 March 2019, with effect from 31 May 2019.

(1) Member of the Control, Risks and Sustainability Committee

(2) Member of the Appointments and Remuneration Committee

Board of Statutory Auditors

Stefano Poggi Longostrevi *	Chairman
Roberto Cortellazzo Wiel	Standing Auditor
Eleonora Guerriero	Standing Auditor
Antonella Missaglia	Alternate Auditor
Emanuela Italia Fusa **	Alternate Auditor

*Stefano Poggi Longostrevi is currently Chairman of the Board of Statutory Auditors as of 1 June 2018, having been reappointed by the Shareholders' Meeting of 31 May 2019.
** Emanuela Italia Fusa was appointed by the Shareholders' Meeting of 31 May 2019.

Independent auditor

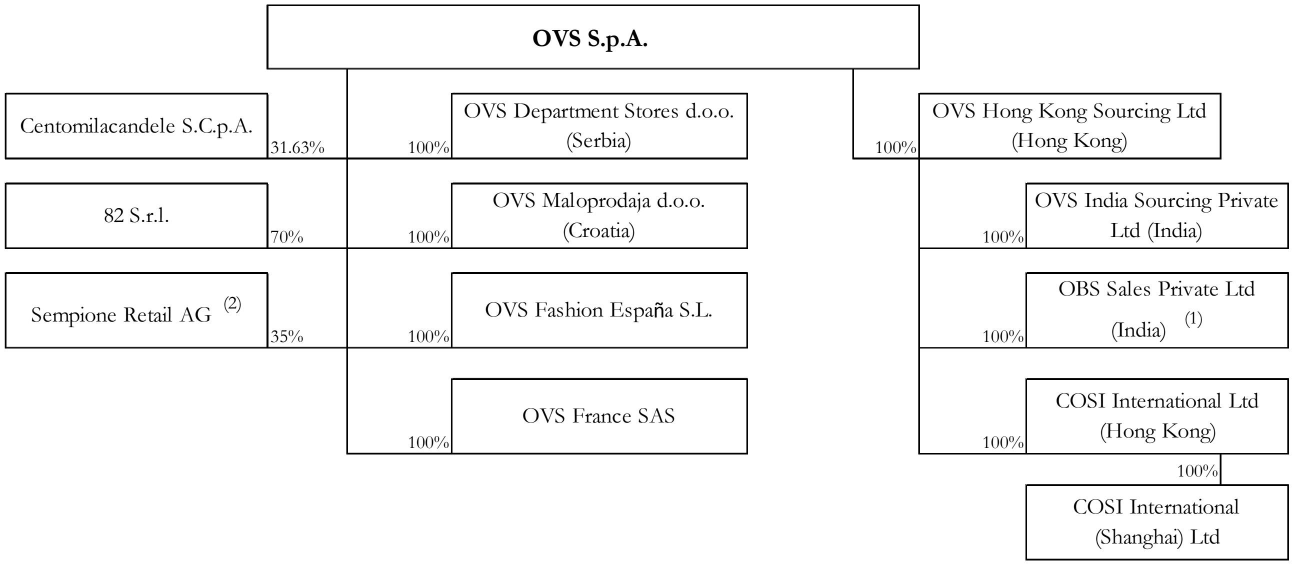
PricewaterhouseCoopers S.p.A.

Financial Reporting Officer

Nicola Perin

Group structure at 31 January 2020

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



(1) Winding up
(2) Declaration of bankruptcy dated November 06, 2018

Report on Operations at 31 January 2020

Important changes to the international accounting standards referred to in the preparation of this Annual Report became effective in 2019.
Accordingly, the comments on operating performance and the main economic and financial results achieved in 2019 are preceded by the following methodological note.

Foreword on methodology

The Annual Report at 31 January 2020 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 2020.

In this Report on Operations at 31 January 2020, in addition to the indicators provided for in the financial statements and in compliance with the International Financial Reporting Standards (IFRSs), some alternative performance indicators used by management to monitor and assess the Group's performance are also presented. In particular, with the introduction of the new IFRS 16 international accounting standard, relating to the accounting treatment of leases, with effect from 1 February 2019, a number of adjustments were introduced to make the figures at 31 January 2020 comparable with those of previous years. These regarded: 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. As 2019 was the first year of adoption of the new standard, the results are commented on excluding IFRS 16 in order to maintain a consistent basis of comparison with 2018. The impacts of the application of IFRS 16 have therefore been reported separately, and the reconciliation with the financial statements is further detailed in the section entitled "Impacts of the IFRS 16 accounting standard and alternative performance indicators" on page 19 below.

Group operating performance

The year just ended demonstrated the Group's capacity for recovery, after a significant decline in performance in 2018, reflecting both factors external to the Group, mainly related to extremely adverse weather conditions in the second half of the year, and business relations with the former Swiss customer, which gradually deteriorated.
In a market context that once again declined sharply (-3.9% in Italy), the Group continued the strengthening of its Italian market that has been taking place for years, benefiting not only from an improvement in the range of products and services offered by the OVS brand, but also from the maturity achieved by the Upim brand: the diversification of the two brands in Italy will also be a crucial factor for the Group's growth in the coming years.

Good results achieved were born from a clear strategic response to the evolution of the market:
- we have significantly reduced purchases of goods;
- we privileged by leveraging our positioning, especially starting from the second half of the year, a setting of the collections more based on the sustainability and quality of the garments than on their content fashion as an end in itself.

All this has allowed us to make less use of the promotional lever, resulting as a benefit of profitability, the generation of cash and the reduction of arrival stocks. We are convinced that this choice was correct and we will continue in this direction. Less emphasis on pursuing growth at all costs equal sales which, in a market context which has been waning for years, has led to an excess of all groups of stocks and consequent excesses of markdown activity. More attention instead to the quality of goods sold, and therefore to full price sales.
As expected, the Group’s sales, amounting to almost €1.4 billion, were down slightly compared with the previous year: the strategy of simultaneously reducing purchases of goods and promotional leverage, while inevitably causing a slight decrease in sales, also gave a significant boost to the Group’s profitability and cash generation.
Adjusted EBITDA for both brands grew significantly: by €7 million for the OVS business unit, and by €5 million for Upim. The Group's return to profitability levels more in line with those of previous years was achieved in the second half of the year, when the increase in adjusted EBITDA was €31 million overall, up 49% compared with the second half of the previous year.
The growth in EBITDA contributed to the Group's significant deleveraging, further underpinned by the significant cash generation seen in the last three quarters of the year: in the first quarter of 2019, normal cash absorption was recorded, due to the seasonal nature of the business (€70 million); in the following nine months, cash generation was more than €135 million.
Unfortunately, the excellent results achieved in 2019 have been overshadowed by the Covid-19 tragedy affecting our country and the world, which will be described in more detail in the following sections.

Key information on operations at 31 January 2020

The results for 2019 show further growth, with an improvement in all economic and financial variables. In particular, market share continued to increase, reaching 8.1%.

Adjusted net sales amounted to €1,370.1 million, down slightly compared with the previous year (-1.5%), due to the strategy implemented during the year, characterised by lower inflows of goods and less use of promotional leverage. The Group once again outperformed its reference market, which contracted by 3.9% in the same period.

Adjusted EBITDA amounted to €156.3 million, up by €12.1 million compared with the previous year, due to substantial growth in performance in the second half of the year (+€31 million). Reported EBITDA, amounting to €293 million, mainly reflects the positive impact of IFRS 16, certain non-recurring expenses and the non-reclassification of currency hedges relating to goods sold during the year.

The **Adjusted net result for the year** was €57.7 million, also up (+€2.6 million) compared with the previous year. The reported loss of €140.4 million reflects, as well as some minor impacts due to non-recurring expenses and non-cash costs, the recognition of IFRS 16 and write-downs resulting from impairment testing. The tests, conducted in accordance with company policies and the latest information provided by the most authoritative interpretative sources and by the supervisory authority, which has been released sequentially due to the Covid-19 pandemic, resulted in a non-cash write-down of €161 million, mainly relating to goodwill.

The **Adjusted net financial position** was €309.9 million, thanks to cash generation during the year of €65.9 million. The reported net financial position, meanwhile, amounted to €1,191.4 million, mainly reflecting increased liabilities of €889 million due to IFRS 16.

The **number of stores** at the end of the year was 1,770, a net increase of 23 stores compared with the previous year.

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

Key performance indicators

€mln	31 January 20 Reported	31 January 20 Adjusted	31 January 19 Reported	31 January 19 Adjusted	chg. (Adjusted)	chg. % (Adjusted)
Net Sales (*)	**1,374.8**	**1,370.1**	**1,391.6**	**1,391.6**	**(21.6)**	**(1.5%)**
EBITDA	**293.0**	**156.3**	**74.4**	**144.2**	**12.1**	**8.4%**
% on net sales	*21.3%*	*11.4%*	*5.3%*	*10.4%*		
EBIT	**(84.0)**	**97.4**	**7.2**	**85.6**	**11.7**	**13.7%**
% on net sales	*-6.1%*	*7.1%*	*0.5%*	*6.2%*		
EBT	**(134.4)**	**77.9**	**32.8**	**67.9**	**9.9**	**14.6%**
% on net sales	*-9.8%*	*5.7%*	*2.4%*	*4.9%*		
Net Profit	**(140.4)**	**57.7**	**25.3**	**55.2**	**2.6**	**4.7%**
% on net sales	*-10.2%*	*4.2%*	*1.8%*	*4.0%*		
Net Financial Debt	**1,191.4**	**309.9**	**365.0**	**375.8**	**(65.9)**	**(17.5%)**
Market Share (%)		**8.1**		**8.0**		**1.5%**

(1) The net sales used to calculate the financial KPIs in 2018 did not include sales deriving from the cooperation agreement with the former Swiss Sempione Fashion Group.

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 as of 1 February 2019, as well as non-monetary impacts related to impairment testing of tangible and intangible assets pursuant to IAS 36.
In particular, the results were mainly adjusted to take account of the impact of impairment testing of €161.4 million on EBIT and €160.0 million on the reported net result for the year, as well as the impacts relating to IFRS 16: €170.5 million on EBITDA, €22.4 million on EBIT and €21.0 million on the reported net result for the year.
EBITDA in 2019 was also adjusted as follows: (i) €22.2 million in net foreign exchange gains for forward hedging on purchases of goods in foreign currency, reclassified from “Net financial expenses (income) to “Purchases of raw materials, consumables and goods”, (ii) €4.1 million in one-off costs; (iii) €7.4 million relating to the Austrian company Serenissima Retail GmbH (sold at the end of the year) and (iv) €0.1 million in costs relating to stock option plans (non-cash costs).
Other adjustments that impacted EBIT and profit before tax concerned: (i) costs of €8.6 million related to the amortisation of intangible assets due to the purchase price allocation (PPA) of past business combinations; and (ii) adjusted financial income of €19.7 million, mainly relating to foreign exchange gains arising from the valuation of items denominated in foreign currency, including with respect to forward derivatives and realised foreign exchange gains (the latter reclassified to “Purchases of raw materials, consumables and goods”).
Lastly, the adjusted net result for the year reflects taxes recalculated following the aforementioned adjustments, entailing an increase in expenses of €14.2 million.

The main adjustments of the results for 2018 were as follows: (i) €79 million relating to the termination of the relationship with the former Sempione Fashion Group; (ii) €9.5 million relating to financial costs reclassified to the gross margin, to reflect the effective impact of EUR/USD hedging on goods sold during the year, and finally (iii) €0.3 million relating to costs for stock option plans with no cash impact. Other adjustments that impacted EBIT and profit before tax concerned: (i) costs of €8.6 million related to the amortisation of intangible assets due to the purchase price allocation (PPA) of previous business combinations; and (ii) adjusted financial income of €53.0 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 differences.
Lastly, the adjusted net result for the period reflected taxes recalculated following the aforementioned adjustments, entailing an increase in expenses of €5.3 million.

Adjusted consolidated results

The following table shows the adjusted consolidated results for 2019, classified by nature, compared with the previous year (in millions of euro).

€mln	31 January 20 Reported	31 January 20 Adjusted	31 January 19 Reported	31 January 19 Adjusted	chg. (Adjusted)	chg. % (Adjusted)
Net Sales [1]	**1,374.8**	**1,370.1**	**1,391.6**	**1,391.6**	**(21.6)**	**(1.5%)**
Purchases of consumables	616.7	591.9	667.5	665.5	(73.7)	(11.1%)
Gross Margin	**758.0**	**778.2**	**789.7**	**791.6**	**(13.4)**	**(1.7%)**
GM%	*55.1%*	*56.8%*	*56.7%*	*56.9%*		
Personnel costs	290.5	286.8	292.6	289.6	(2.7)	(0.9%)
Costs for services	179.1	178.1	197.9	194.8	(16.7)	(8.6%)
Rent costs	(38.1)	130.6	132.7	133.6	(3.0)	(2.3%)
Provisions	7.0	3.0	28.0	4.2	(1.2)	n.a.
Other operating costs	26.5	23.5	63.9	25.3	(1.8)	(7.0%)
Total operating costs	465.1	621.9	715.2	647.4	(25.4)	(3.9%)
EBITDA	**293.0**	**156.3**	**74.4**	**144.2**	**12.1**	**8.4%**
EBITDA%	*21.3%*	*11.4%*	*5.3%*	*10.4%*		
Depreciation & Amortization	376.9	58.9	67.2	58.6	0.3	0.6%
EBIT	**(84.0)**	**97.4**	**7.2**	**85.6**	**11.7**	**13.7%**
EBIT %	*-6.1%*	*7.1%*	*0.5%*	*6.2%*		
Net financial (income)/charges	50.5	19.5	(25.6)	17.7	1.8	10.2%
PBT	**(134.4)**	**77.9**	**32.8**	**67.9**	**9.9**	**14.6%**
Taxes	5.9	20.1	7.5	12.8	7.3	57.3%
Net Income	**(140.4)**	**57.7**	**25.3**	**55.2**	**2.6**	**4.7%**

(1) The net sales used to calculate the financial KPIs in 2018 did not include sales deriving from the cooperation agreement with the former Swiss Sempione Fashion Group.

The following table shows the consolidated results by business segment for 2019 compared with the same period of the previous year (in millions of euro).

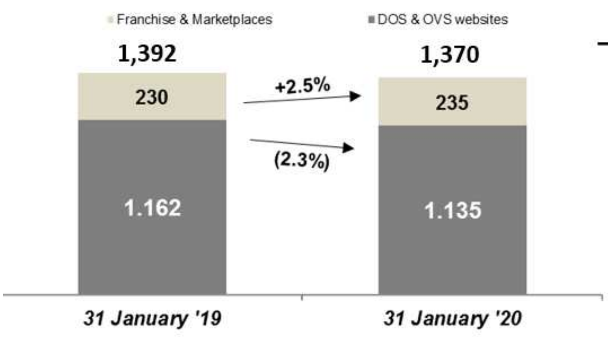
€mln	31 January 20 Adjusted	31 January 19 Adjusted	Chg %
Net Sales			
OVS	1,117.4	1,151.1	(2.9%)
UPIM	252.7	240.5	5.1%
Sempione Fashion	0.0	65.5	(100.0%)
Total Net Sales	**1,370.1**	**1,457.2**	**(6.0%)**
EBITDA			
OVS	126.4	118.9	6.3%
EBITDA margin	*11.3%*	*10.3%*	
UPIM	29.9	25.3	18.1%
EBITDA margin	*11.8%*	*10.5%*	
Total EBITDA	**156.3**	**144.2**	**8.4%**
EBITDA margin	***11.4%***	***10.4%***	
Depreciation	(58.9)	(58.6)	0.6%
EBIT	**97.4**	**85.6**	**13.7%**
Net financial income/(charges)	(19.5)	(17.7)	10.2%
PBT	**77.9**	**67.9**	**14.6%**
Taxes	(20.1)	(12.8)	57.3%
Net Result	**57.7**	**55.2**	**4.7%**

Comments on the main items in the consolidated income statement

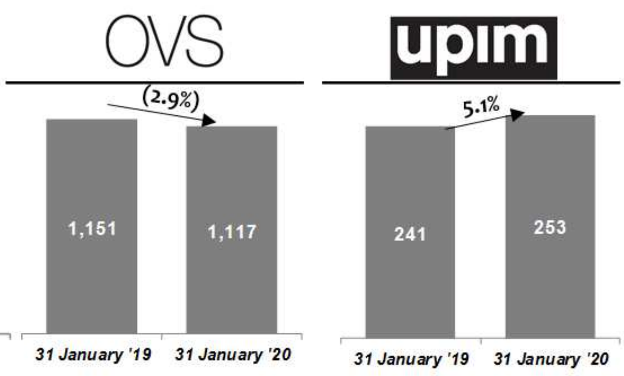
Net sales

(amounts in millions of euro)

NET SALES: aggregate performance



NET SALES: performance by brand



Total sales for the year decreased slightly (-€21.6 million, or -1.5%), reflecting the strategies described

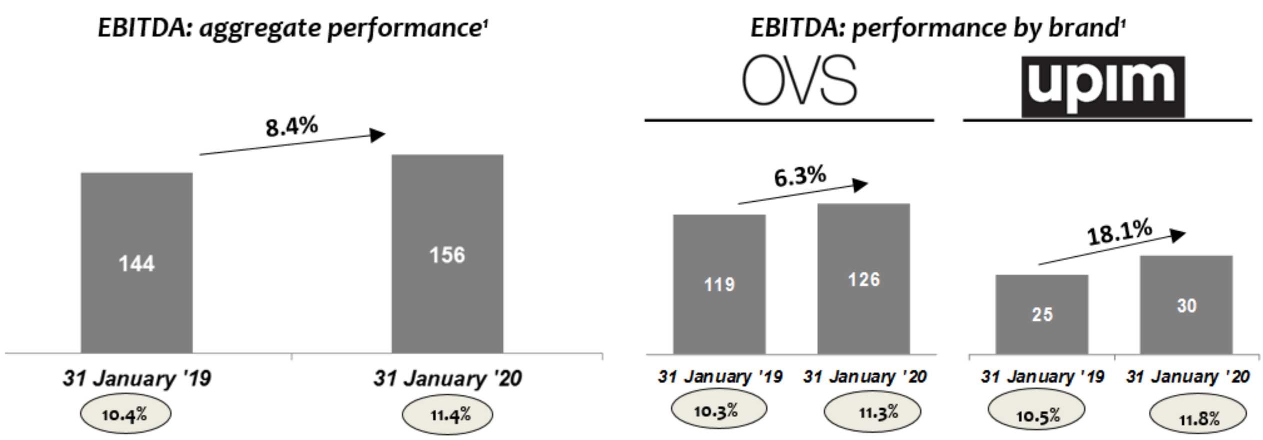
above, which resulted in fewer inflows of goods, benefiting cash generation, and less use of promotional leverage, benefiting EBITDA generation. Moreover, from the point of view of the weather, the spring of 2019 was characterised by very low temperatures in Italy, reducing traffic throughout the sector. By contrast, the second half of the year was marked by a steady recovery in the top line (in the first half of the year sales were down by -2.4%, compared with a decline of -0.8% in the second).
It was the OVS brand that, thanks to lower inflows and less promotional leverage, contributed most to the recovery in margins and cash generation, although this strategy inevitably resulted in lower sales of this brand (-2.9%).
Franchising network sales grew by 2.5%, partly due to the increased number of openings in the last 12 months. Direct network sales made a significant contribution to stock reduction and growth in the Group's margins.

Gross margin

The gross margin on sales was essentially flat compared with the previous year, at 56.8% of net sales, compared with 56.9% in 2018. After the first half of the year, when the Group had to make use of promotional leverage to finish absorbing the remaining goods originally intended for the former Swiss Sempione Fashion Group, and weak demand for the 2019 S/S collection due to the overly cold spring weather, the Group significantly reduced its promotional activities from August onwards, fully recovering the margins lost in the first six months of the year. It should be noted, however, that in 2019 the intake margin again benefited from the effect of the sourcing synergies developed by the Group due to international expansion.

EBITDA

(amounts in millions of euro)



Note: EBITDA margin is calculated excluding the sell-in to the former Group Sempione Fashion.

Adjusted EBITDA came in at €156.3 million, up by €12.1 million compared with the €144.2 million recorded in 2018. By contrast with last year, EBITDA growth is entirely attributable to the second half of the year (+€31 million), due to increased full-price sales, which allowed the Group to return to profitability levels more in line with its normal performance.

Both brands registered growth in profitability, with OVS's adjusted EBITDA up by €7.5 million (from 10.3% to 11.3% of sales) and Upim's adjusted EBITDA up by €4.6 million (from 10.5% to 11.8% of sales).

EBIT

EBIT, adjusted to better reflect the Group's operating performance, amounted to €97.4 million, up €11.7 million compared with €85.6 million in 2018. There was a slight increase in the depreciation and amortisation balance for the year due to the impact on the entire year of significant investments in the previous year, particularly in network expansion and operations.

Net result for the year

Adjusted net profit for the year was €57.7 million, an increase compared with 2018 (+€2.6 million), reflecting higher EBITDA but also an increase in financial expenses, together with an increase in the tax rate from 18% to 26%, due to tax benefits in 2018 deriving from the Patent Box and from R&D.

Meanwhile, the reported net result for the year was very adversely affected, mainly due to the non-cash write-downs resulting from the impairment tests carried out at year-end. The tests, conducted in accordance with company policies, the reference standards and the latest information provided by the most authoritative interpretative sources and by the supervisory authority, which has been released sequentially due to the Covid-19 pandemic, resulted in write-downs of around €161 million. Finally, the reported net result includes the accounting effects of the first year of application of IFRS 16 (a loss of approximately €21 million), also irrelevant in terms of impact on cash, and other minor non-recurring and/or non-cash expenses of €17.1 million.

Non-recurring income and expenses

The adjusted consolidated results of the OVS Group included, at 31 January 2020, non-recurring and non-operating income and expenses totalling €11.4 million before tax. These include: (i) €4.1 million of one-off costs; (ii) €7.4 million of losses relating to Austrian company Serenissima Retail GmbH (including the remaining assets held for sale of the Charles Voegele network in Austria); and (iii) €0.1 million of non-recurring net financial income.

For further details, please see the specific section of the notes to the financial statements entitled "Significant non-recurring events and operations".

Net financial position

€mln	31 January '20 ANTE IFRS16	31 January '19
Net Debt	**302.2**	**365.0**
Net Debt MTM of Derivatives excluded	**309.9**	**375.8**
EBITDA LTM Adjusted	**156.3**	**144.2**
Leverage on EBITDA	**2.0x**	**2.6x**

At 31 January 2020, the Group's adjusted net financial position was €309.9 million, net of the positive mark-to-market effect of €7.6 million. This excludes the negative effects of the application of the new IFRS 16 accounting standard, totalling €889 million.
The increase in EBITDA, together with the sharp decrease in the net financial position, resulted in a significant reduction in financial leverage, from 2.61x to 1.98x. In 2019, an average interest rate for the period of 3.50% + 3M Euribor was applied.

Despite the decrease in the leverage recorded on 31 January 2020, the application of an average interest rate of approximately 3.65% + 3M Euribor is expected on 2020, given the average increase applicable to the margin due to the Amendment and Restatement Agreement (which from 19 September 2019 foresees an increase between 25 and 50 bps depending on the various lines).

Summary statement of financial position

The table below shows the consolidated statement of financial position for 2019 compared with the end of the previous year (in millions of euro).

€mln	31 January '20 Reported	31 January '20 - Excluded IFRS 16	31 January '19 Reported	Chg. Vs exc.IFRS 16
Trade Receivables	86.0	86.0	98.4	(12.4)
Inventory	393.1	393.1	411.0	(17.9)
Trade Payables	(321.1)	(330.7)	(351.0)	20.3
Trade Working Capital	**157.9**	**148.4**	**158.4**	**(10.0)**
Other assets/(liabilities)	(99.5)	(85.7)	(86.3)	0.6
Net Working Capital	**58.4**	**62.7**	**72.1**	**(9.4)**
Tangible and Intangible Assets	2,037.1	1,173.8	1,359.5	(185.7)
Net deferred taxes	(127.8)	(127.6)	(124.4)	(3.2)
Other long term assets/(liabilities)	(5.8)	(17.5)	(31.4)	13.9
Pension funds and other provisions	(41.7)	(41.7)	(43.2)	1.5
Net Capital Employed	**1,920.2**	**1,049.7**	**1,232.6**	**(182.9)**
Net Equity	728.8	747.4	867.7	(120.3)
Net Financial Debt	1,191.4	302.3	364.9	(62.7)
Total source of financing	**1,920.2**	**1,049.7**	**1,232.6**	**(182.9)**

The Group's net invested capital, amounting to €1.049.7 billion, has been adjusted to take account of the absence at 31 January 2019 of the significant accounting impacts due to a change in accounting standards (first year of application of IFRS 16), which resulted in an increase in non-current assets of €863.3 million at 31 January 2020.
The book value of shareholders' equity (excluding only the application of IFRS 16 and therefore according to the same accounting standards as in 2018) decreased by €120.3 million, while the adjusted net financial position improved by €62.7 million, mainly due to cash generation for the year.

Shareholders' equity

Consolidated shareholders' equity amounted to €728.8 million at 31 January 2020, down from €867.7 million in the previous year.
Consolidated shareholders' equity, adjusted to exclude the effects of IFRS 16, amounted to €747.4 million at 31 January 2020 (€907.4 million also excluding the impacts of impairment testing under IAS 36).
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 statement of cash flows for 2019, adjusted to exclude the effects of the new IFRS 16 accounting standard, compared with the statement of cash flows for the previous year, reclassified according to management criteria (in millions of euro).

€mln	31 January '20 Ante IFRS16	31 January '19
EBITDA Adjusted	**156.3**	**144.2**
Adjustments	(11.6)	(69.8)
EBITDA Reported	**144.7**	**74.4**
Change in Trade Working Capital	10.0	(60.9)
Other changes in Working Capital	(2.1)	21.6
Capex	(43.1)	(60.9)
Operating Cash Flow	**109.5**	**(25.8)**
Financial charges	(20.1)	(14.9)
Severance indemnity payment	(3.1)	(2.2)
Corporate taxes & Others	(6.9)	(3.2)
Others	(13.6)	(11.8)
Net Cash Flow (excl derivatives MtM and IFRS 16)	**65.9**	**(57.8)**
MtM derivatives	(3.1)	70.6
Net cash flow	**62.7**	**12.8**

Operating cash flow

Cash generation in the year was substantial, at €65.9 million, up €123.7 million compared with the previous year, in which net cash absorption was recorded due to the termination of the commercial relationship with the former Swiss customer, Sempione Fashion. This performance was mainly due to an increase in EBITDA and a decrease in commercial working capital of around €10 million. Analysing the individual components of this result, the performance was even more remarkable: although trade payables decreased by around €20 million, mainly due to the reduction in the exposure to goods purchased in 2018 for the former Swiss customer, trade receivables also decreased by around €12.4 million and inventory levels fell by a significant €17.9 million. Another factor that contributed to the improvement in the adjusted net financial position was the decrease in investments from €60.9 million in 2018 to €43.1 million in 2019, mainly due to a smaller expansion of the sales network.

Dividends

On 8 May 2020, the Board of Directors resolved that no dividends would be paid out to shareholders, in the form of either distributions of earnings or of reserves, throughout 2020.

Reconciliation of consolidated results for 2019

The following table shows the Group's consolidated results for 2019, presenting separately the effect of the application of IFRS 16, impairment testing pursuant to IAS 36, net non-recurring expenses before IFRS 16, stock option expenses, amortisation of intangible assets deriving from the purchase price allocation of previous business combinations, and income and expenses relating to foreign exchange gains or losses, both realised and from the valuation of items in foreign currencies (mainly USD) at the reporting date, including with respect to contractualised forward derivatives.

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

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

The following is the reconciliation table for the financial year 2018:

€mln	31 January 2019	of which non-recurring	of which Stock Option plan; derivatives; PPA; foreign exchange differences		31 January 2019 adjusted
Net sales	1,457.2	0.0	0.0		1,457.2
Other income	68.9	1.0	0.0		67.9
Revenues and other income	**1,526.1**	**1.0**	**0.0**		**1,525.1**
Purchases of consumables	667.5	11.5	(9.5)	(a)	665.5
Personnel cost	292.6	2.7	0.3	(b)	289.6
Other opereting costs	491.6	65.8	0.0		425.8
EBITDA	**74.4**	**(79.0)**	**9.2**		**144.2**
Depreciation & Amortization	67.2	0.0	8.6	(c)	58.6
EBIT	**7.2**	**(79.0)**	**0.6**		**85.6**
Net financial income/(charges)	25.6	(0.2)	43.5	(d)	(17.7)
PBT	**32.8**	**(79.2)**	**44.1**		**67.9**
Taxes	(7.5)	19.0	(13.7)		(12.8)
Net Profit	**25.3**	**(60.2)**	**30.4**		**55.2**

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

With regard to the results at 31 January 2020, it should be noted that:

- Revenues and income, which came in at €1,442.4 million, mainly include the retail sales generated by the OVS and Upim brands.
- The gross operating margin or adjusted EBITDA, as the difference between revenues and operating costs, net of the effects of IFRS 16, excluding depreciation and amortisation (including amortisation of intangible assets deriving from the purchase price allocation of previous business combinations) and write-downs, 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 €156.3 million, equal to 11.4% of sales.
- The reported and adjusted result before tax was a loss of €134.4 million and a profit of €77.9 million, respectively (net of the effects of IFRS 16, write-downs following impairment testing pursuant to IAS 36, non-recurring costs and other costs shown in the fourth column of the table).
- Net taxes amounted to €6.0 million. Last year, the Group benefited from Patent Box tax relief of €2,796 thousand for the three-year period 2015-2017.
- The reported and adjusted net result for the year was, respectively, a loss of €140.4 million and a profit of €57.7 million, net of the above expenses.

Impacts of IFRS 16 and alternative performance indicators

Application of IFRS 16 as of 1 February 2019

The consolidated income statement for 2019 is shown below, including and excluding the effects of the new accounting standard.

€mln	31 January 2020 Reported	*IFRS 16 effects*	31 January 2020 excluded IFRS 16
Revenues	1,374.8	-	1,374.8
Other operating income and revenues	67.7	*2.0*	69.7
Total revenues	**1,442.4**	***2.0***	**1,444.5**
Purchase of raw materials, consumables and goods	616.7	-	616.7
Staff costs	290.5	*0.1*	290.6
Depreciation, amortisation and write-downs of assets	376.9	*(148.0)*	228.9
Other operating expenses			
Service costs	179.1	*1.3*	180.4
Costs for the use of third-party assets	29.6	*172.5*	202.1
Write-downs and provisions	7.0	-	7.0
Other operating charges	26.5	*(1.4)*	25.2
Result before net financial expenses and taxes	**(84.0)**	***(22.4)***	**(106.4)**
Financial income	1.1	*(1.1)*	0.0
Financial expenses	72.4	*(51.9)*	20.5
Exchange rate gains and losses	19.7	-	19.7
Gains (losses) from equity investments	1.1	-	1.1
Net result for the period before tax	**(134.4)**	***28.3***	**(106.1)**
Taxes	5.9	*7.4*	13.3
Net Result for the year	**(140.4)**	***21.0***	**(119.4)**

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

€mln	31 January 2020 Reported	*IFRS 16 effects*	31 January 2020 excluded IFRS 16
Net Sales	**1,374.8**		**1,374.8**
Gross Margin	**758.0**		**758.0**
% on net sales	*55.1%*		*55.1%*
EBITDA	**293.0**	***(170.5)***	**122.5**
% on net sales	*21.3%*		*8.9%*
EBIT	**(84.0)**	***(22.4)***	**(106.4)**
% on net sales	*-6.1%*		*-7.7%*
EBT	**(134.4)**	***28.3***	**(106.1)**
% on net sales	*-9.8%*		*-7.7%*
Net Profit	**(140.4)**	***21.0***	**(119.4)**
% on net sales	*-10.2%*		*-8.7%*

As already indicated in the introduction, with the adoption of the new IFRS 16 accounting standard from 1 February 2019, the main economic and financial indicators have been significantly affected and are not comparable with data from previous periods. With regard to the income statement figures presented above, the recognition of €148.0 million of depreciation of right of use assets under tangible assets, together with €50.8 million of net interest expenses on net lease liabilities, replacing €170.5 million of net rental costs (for leases and sub-leases under the new standard), resulted in an increase in the operating result and EBITDA compared with the comparative figures for 2018. In particular, it should be noted that the combination of depreciation on a straight-line basis of right of use assets and the use of an incremental borrowing rate (IBR) to determine lease liabilities (discounting future rental payments), compared with IAS 17, resulted in higher financial expenses in the income statement in the first years of the lease and in subsequently decreasing financial expenses. Therefore, in order to make these figures comparable, albeit not perfectly (given the non-linear incidence of interest on lease liabilities in the periods), in the year of transition (2019) the operating result and EBITDA were adjusted to "exclude IFRS 16", as shown in the above tables.

The following table shows the reclassified consolidated statement of financial position at 31 January 2020, including and excluding the effects of IFRS 16.

€mln	31 January 2020 Reported	*IFRS 16 effects*	31 January 2020 excluded IFRS 16
Trade Receivables	86.0	*0.0*	86.0
Inventory	393.1	*0.0*	393.1
Trade Payables	(321.1)	*(9.6)*	(330.7)
Net Operating Working Capital	**157.9**	***(9.6)***	**148.4**
Other current assets/(liabilities)	(99.5)	*13.9*	(85.7)
Net Working Capital	**58.4**	***4.3***	**62.7**
Tangible and Intangible Assets	2,037.1	*(863.3)*	1,173.8
Net deferred taxes	(127.8)	*0.2*	(127.6)
Other non-current assets/(liabilities)	(5.8)	*(11.7)*	(17.5)
Pension funds and other provisions	(41.7)	*0.0*	(41.7)
Net Capital Employed	**1,920.2**	***(870.6)***	**1,049.7**
Net Equity	728.8	*18.5*	747.4
Net Financial Debt	1,191.4	*(889.1)*	302.3
Total source of financing	**1,920.2**	***(870.6)***	**1,049.7**

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 2019" above.

Net Capital Employed: 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 Capital Employed: consists of net invested capital excluding the impacts of the introduction of the new 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**: consists of net (financial) debt excluding impacts on current and non-current lease liabilities and on current and non-current financial assets for leases resulting from the introduction of the new IFRS 16 accounting standard.

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 introduction of the new 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 2019 of the Parent Company, OVS S.p.A., presenting separately the effects of the application of IFRS 16, impairment testing pursuant to IAS 36, net non-recurring expenses before IFRS 16, stock option expenses, amortisation of intangible assets deriving from the purchase price allocation (PPA) of previous business combinations, and income and expenses relating to foreign exchange gains or losses, both realised and from the valuation of items in foreign currencies (mainly USD) at the reporting date, including with respect to contractualised forward derivatives.

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

The following is the reconciliation table for the financial year 2018:

€mln	31 January 2019	of which non-recurring	of which Stock Option plan; derivatives; PPA; foreign exchange differences	31 January 2019 adjusted
Net sales	1,458.1	0.0	0.0	1,458.1
Other income	67.9	1.0	0.0	66.9
Revenues and other income	**1,526.0**	**1.0**	**0.0**	**1,525.0**
Purchases of consumables	703.6	4.8	(9.5)	708.3
Personnel cost	280.4	2.7	0.3	277.4
Other opereting costs	468.8	53.3	0.0	415.5
EBITDA	**73.2**	**(59.8)**	**9.2**	**123.8**
Depreciation & Amortization	66.0	0.0	8.6	57.4
EBIT	**7.2**	**(59.8)**	**0.6**	**66.4**
Gains (losses) from equity investments	8.9	(20.5)	0.0	29.4
Net financial income/(charges) and exchange rate differences	30.4	1.1	47.0	(17.7)
PBT	**46.5**	**(79.2)**	**47.7**	**78.0**
Taxes	(7.2)	14.4	(14.6)	(7.0)
Net Profit	**39.3**	**(64.8)**	**33.1**	**71.0**

With regard to the results at 31 January 2020, it should be noted that:

- Revenues and income, which amounted to €1,433.2 million, include the retail sales generated by the OVS and Upim brands.
- Depreciation and amortisation of €369.8 million refers to right of use assets of €142.2 million, recognised for the first time as of 1 February 2019 with the entry into force of IFRS 16, while the remainder essentially relates to store improvements and refits.
- Other operating expenses of €235.3 million, gross of the effects of IFRS 16 (€165.8 million) and non-recurring expenses of €6.8 million, would have amounted to €394.3 million, and may be broken down as follows: costs for the use of third-party assets (€194.5 million), miscellaneous operating expenses (€21.9 million), service costs (€174.9 million) and write-downs and provisions (€3.0 million).
- Gains/(losses) on equity investments include income for dividends received from subsidiary OVS Hong Kong Sourcing Ltd of €21.7 million and expenses arising from the write-down of the foreign investee companies totalling €4.7 million. It should also be noted that the carrying value of the equity investment in Serenissima Retail GmbH was written down by €1.5 million, before the investment was sold to third parties on 31 January 2020.
- Net financial expenses of €50.1 million, gross of the effects of IFRS 16 of €49.4 million, would have amounted to €0.7 million, deriving from financial expenses of €20.5 million and foreign exchange gains and the fair value of forward derivatives in the income statement of €19.8 million.
- Taxes were negative for €5.4 million; without the adjustments in the columns on the table, they would have been negative for €18.8 million.
- The reported and adjusted net result for the year was, respectively, a loss of €139.4 million and a profit of €58.8 million.

Financial performance

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

€mln	31 January 2020	31 January 2019
Working capital (A)	(133.2)	(143.2)
Net capital employed (B)	2,027.0	1,363.4
Net Financial position	1,179.0	367.4
Shareholders' equity	714.8	852.8

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

Financial management

Net debt stood at €1,179.0 million at 31 January 2020, compared with €367.4 million at 31 January 2019. The breakdown is as follows (in millions of euro):

€mln	31 January 2020	31 January 2019
Cash and net financial assets	42.5	25.3
Credits/(Debts) on derivatives	7.6	10.7
Credits/(Debts) to subsidiaries	0.3	0.1
Credits/(Debts) to banks	(351.8)	(402.4)
Credits/(Debts) to other financial institutions	(0.8)	0.0
Credits/(Debts) for leases	(876.8)	(1.1)
Net financial position	**(1,179.0)**	**(367.4)**

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, Burma and Pakistan region, and the search has continued for more sources of supply in countries in that area that can meet the quality standards required by the Group in a context of lower costs (e.g. Cambodia and Vietnam).
The company recorded net profit of €20.1 million in 2019 (compared with €21.0 million in 2018).

OVS Maloprodaja d.o.o.

The company operates in the Croatian market, directly operating ten OVS stores.
There were no new store openings, and one store closure, in 2019.
OVS is mainly pursuing expansion in the region through the franchising formula.
The company is not material for the purposes of the consolidated financial statements.

OVS Department Stores d.o.o.

The company operates in the Serbian market, directly operating seven OVS stores.
There were no store openings or closures in 2019.
OVS is mainly pursuing expansion in the region through the franchising formula.
The company is not material for the purposes of the consolidated financial statements.

OVS Fashion España S.L.

OVS Fashion España S.L., which was acquired in 2016 in order to achieve more direct operation of the major Spanish retail market, operates the sales network in Spain, with 50 stores in franchising and six directly operated stores. There were four new openings and nine closures of stores in franchising in 2019.
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 incorporated in 2018 for direct operation of stores in France, became operational in 2019 with the opening of the first directly operated store in Paris in December 2019. 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 formed to undertake the development through several stores of the PIOMBO brand, dedicated to upper casual men's wear. In 2018, 82 S.r.l., the licensee of the PIOMBO brand, granted OVS S.p.A. the sub-license of the brand after structured negotiations, for organisational reasons. Therefore, in 2018, OVS opened two DOS in Treviso and Milan, and five corners in stores managed by a third company (Coin S.p.A.).
During 2019, the Milan store and 2 of the 5 corners inside the Coin department stores have been closed. This decision was made because it was considered more effective to bring within the network OVS the

Piombo corners, where, moreover, the role of the designer will find its most complete expression.
The company, which was not already significant for the purposes of the consolidated financial statements 2019, in fact it is no longer active.

Management of financial and operating risks

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

Credit risk

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

Liquidity risk

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

With regard to the assessments conducted by the Group of the market risk associated with the current Covid-19 pandemic, please see the section entitled “Significant events after the reporting date” below.

Risk of price and cash flow changes

The Group's margins are influenced by changes in the prices of the goods it deals in.

Any reduction in the price of items sold, if not accompanied by a corresponding reduction in purchase cost, generally entails a decrease in operating results.

The Group's cash flows are also exposed to the risk of changes in market exchange rates and interest rates. Specifically, exposure to exchange rates arises because the Group operates in currencies other than the euro, in which it purchases a substantial part of the products marketed, listed or pegged to the US dollar.

Lastly, interest rate fluctuations affect the market value of the Group's financial liabilities and its net financial expenses.

Objectives and policies for managing the risk of cash flow changes

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

Derivatives

Nominal value of derivative contracts

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

Interest rate risk

Given the projections for the 6-month Euribor rate until the expiry of the loan agreement (March 2023), 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 2020 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 €43.1 million were made in 2019. Investments are mainly dedicated to the growth and consolidation of the Group and chiefly relate to (i) the restructuring of 20 stores in the existing network, extraordinary maintenance and other commercial activities relating to the existing network, amounting to around €17.8 million, (ii) new store openings (around €8.3 million) under the Group's brands, (iii) the development of IT and digital transformation systems (around €11.3 million), (iv) the upgrading of the logistics unit (around €2 million) in order to improve distribution efficiency, and (v) completion of the restructuring of the Mestre office (around €3.6 million), aimed at improving operational functionality, thermal efficiency as well as the refurbishment of the company canteen.

The investments made in 2018 amounted to €80.7 million, gross of €19.7 million of disinvestment relating to the sale of the head office in the third quarter of 2018 (with regard to investments in 2018, it should also be noted that approximately €18 million relating to the restructuring was invested through a vendor finance instrument, the cash out of which is spread over three years, in line with the EBITDA growth of the restructured stores).

At Group level, the sales network comprised a total of 1,770 stores at 31 January 2020 (including the small-format stores) including 775 DOS (24 abroad), 887 affiliated stores (285 abroad) and 108 administered stores (71 abroad).

In 2019 (1 February 2019 – 31 January 2020), the network consolidated the substantial expansion of the previous year and achieved further growth in terms of stores (net of closures) of 23 units, including 12 DOS and 16 affiliated stores, while administered stores decreased in number by five units.

In 2018 (1 February 2018 – 31 January 2019), the network grew in terms of stores (net of closures) by 123 units, including 19 DOS and 114 affiliated stores, while administered stores decreased in number by ten units.

Research and development

Over the years, the OVS Group has intensified the research for sustainable fabrics and specialized suppliers in the production of clothing with sustainable materials.

Although research and development does not always qualify as such in accordance with the provisions contained in the reference accounting standards, a significant number of people are constantly engaged in the creation and development of the collections, with the aim of guaranteeing an exclusive offer and consistent with the positioning of the various brands of the Group, using fabrics with innovative features.

The recent introduction in the company of new figures in the world of operations has the exclusive purpose of progressing in the research for new solutions, which apply predictive analysis to planning choices.

In particular, then, the activities carried out by the team of dedicated people are part of the Community discipline as per Directive 2006/c 323/01 which, in the matter of "industrial research" defines: "industrial research or planned research or critical investigations aimed at acquiring new knowledge for developing new products, processes or services or allow a significant improvement of 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

On 11 March 2019, the then shareholder, Gruppo Coin S.p.A. (now Icon S.p.A.), as the seller, sold to Tamburi Investment Partners S.p.A., as the buyer, its equity investment of 17.835% in the Issuer, OVS S.p.A.. As a result of this acquisition, "TIP", already a shareholder of OVS with an equity investment of approximately 4.912%, increased its total stake to around 22.747%.

With regard to the press releases dated 11 March and 13 March, it should also be noted that on 11 March 2019, non-executive directors Stefano Ferraresi, Stefania Criveller and Marvin Teubner tendered their resignations and on 13 March 2019, the Board of Directors of OVS S.p.A. therefore decided to co-opt three new members, namely Giovanni Tamburi, Alessandra Gritti and Massimiliano Magrini, pursuant to Article 2386 of the Italian Civil Code and Article 13.4 of the Articles of Association (all non-executive and the latter also satisfying the independence requirements laid down in applicable legislation and the Code of Corporate Governance). These resignations and the co-option were related to the said transaction.

On the basis of communications received by the Issuer in relation to significant equity investments, to date no party has declared that it exercises control.
It should be emphasised that the new corporate structure and the new Board of Directors do not constitute a “change of control” under the existing loan agreement.
On 31 May 2019, the Shareholders' Meeting of the Parent Company, OVS S.p.A., approved the financial statements at 31 January 2019. The Shareholders' Meeting also approved the Board of Directors' proposal not to pay dividends in respect of the profit for the year ended 31 January 2019. For further details, please see the consolidated statement of changes in shareholders’ equity.
The Shareholders’ Meeting also approved, pursuant to the applicable regulation, through a non-binding resolution, the first section of the Report on Remuneration prepared in accordance with Articles 123-*ter* of Legislative Decree 58/1998 (the Consolidated Law on Finance or “TUF”) and 84- *quater* of Consob Regulation 11971/1999 (the “Regulation for Issuers”).
At the same Shareholders' Meeting, the adoption, pursuant to Article 114-*bis* of the Consolidated Law on Finance, of a share incentive plan called the “Stock Option Plan 2019-2022” (the “2019-2022 Plan”) was approved. For details of its features and execution, please see the section below entitled “Stock option plans”.
The Shareholders' Meeting also approved the share buyback plan proposed by the Board of Directors on 17 April 2019, following the revocation of the previous plan approved by the Shareholders' Meeting on 31 May 2018, which was partially unexecuted. The programme to purchase the Company's treasury shares up to a maximum amount that, when taking into account the ordinary shares held from time to time by the Company and its subsidiaries, will not exceed, in total, 10% of the Company's share capital.
Lastly, the same Shareholders' Meeting supplemented the Board of Directors with a view to continuity, re-appointing directors Giovanni Tamburi, Alessandra Gritti and Massimiliano Magrini, who were co-opted on 13 March 2019, having been nominated by shareholder TIP, and Elena Garavaglia, who was co-opted on 20 June 2018, having been nominated by the institutional investors, and who was taken at the time of co-option from the minority list of the Shareholders' Meeting of 31 May 2017, which appointed the current Board of Directors in its original form.
The Shareholders’ Meeting also appointed, and elected Chairman of the Board of Directors, Franco Moscetti, nominated by shareholder TIP, to replace Nicholas Stathopoulos, whose resignation was effective as of the date of the same Shareholders’ Meeting.
As recorded at the time of closing of the annual consolidated financial statements at 31 January 2019, the process of refinancing the entire financial package in place at the end of the 2018 financial year continued during this year, according to the timetable defined with the financial advisor, the legal teams and the pool banks. Following the process, on 18 September 2019, OVS S.p.A. received a letter proposing an Amendment and Restatement Agreement for the existing Loan Agreement, signed by the agent bank and the lending banks. The Amendment and Restatement Agreement was intended to implement the contractual amendments previously submitted by the company to its lending banks.

In particular, these changes concerned, *inter alia*:

(i) the extension of the repayment date applicable to Facility B and the Revolving Facility with final maturity deferred from 2 March 2020 to 2 March 2023;

(ii) the partial repayment of Facility B in the amount of €25,000,000 as a condition precedent of the effectiveness of the Amendment and Restatement Agreement, as a result of which the share of the loan of each lending bank party to the Loan Agreement at the time was slightly changed;

(iii) the division of the remainder of Facility B into two facilities, i.e. Facility B1 of €250,000,000, maturing on 2 March 2023, and amortised Facility B2 of €100,000,000, to be repaid in six equal half-yearly instalments starting on 28 February 2020 (with the final instalment on 28 August 2022);

(iv) the addition of a period of limitation on the use of the Revolving Facility, whose amount remained unchanged at €100,000,000 and whose final repayment deadline was also set at 2 March 2023; this limitation provides that the difference between the draw-down of the Revolving Facility and the net cash balance shall not exceed €25,000,000 for a period of at least five days in each year (the “clean-down period”); a period of no less than six months must also elapse between each period tested;

(v) provision for a further assumed mandatory early repayment proportionate to any surplus annual cash flows (“cash sweep”) commencing from the year ending 31 January 2021, to be applied for the purposes of repayment of Facility B1 and subsequently for the pro rata repayment of the Facility B2 instalments;

(vi) some limitations on the distribution of dividends linked to leverage parameters: specifically, these are not permitted in the event that leverage is equal to or more than 2.25x; in the event that it is lower, distribution remains subject to the obligations under the cash sweep clause indicated in the preceding point and, with regard to distribution of the 2019 profits only, to a maximum limit of €10,000,000 or 3% of the dividend yield, if lower;

(vii) the amendment of the financial parameters previously specified in the Loan Agreement;

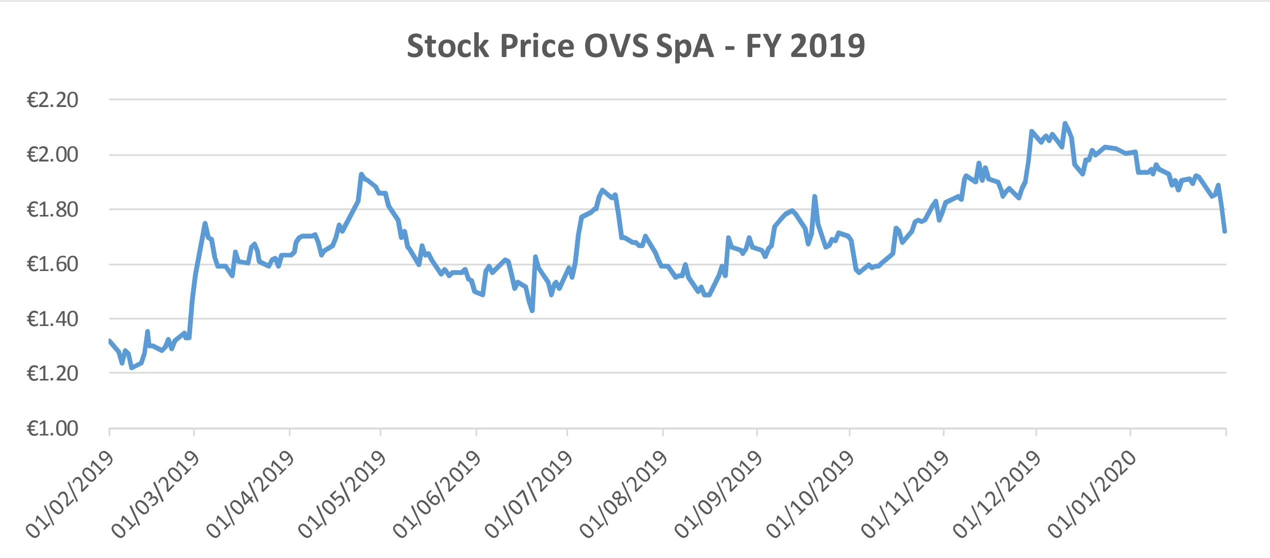
(viii) the amendment in the Company's favour of the change of control clause provided in the Loan Agreement, including in light of its current shareholding structure as a listed company; and

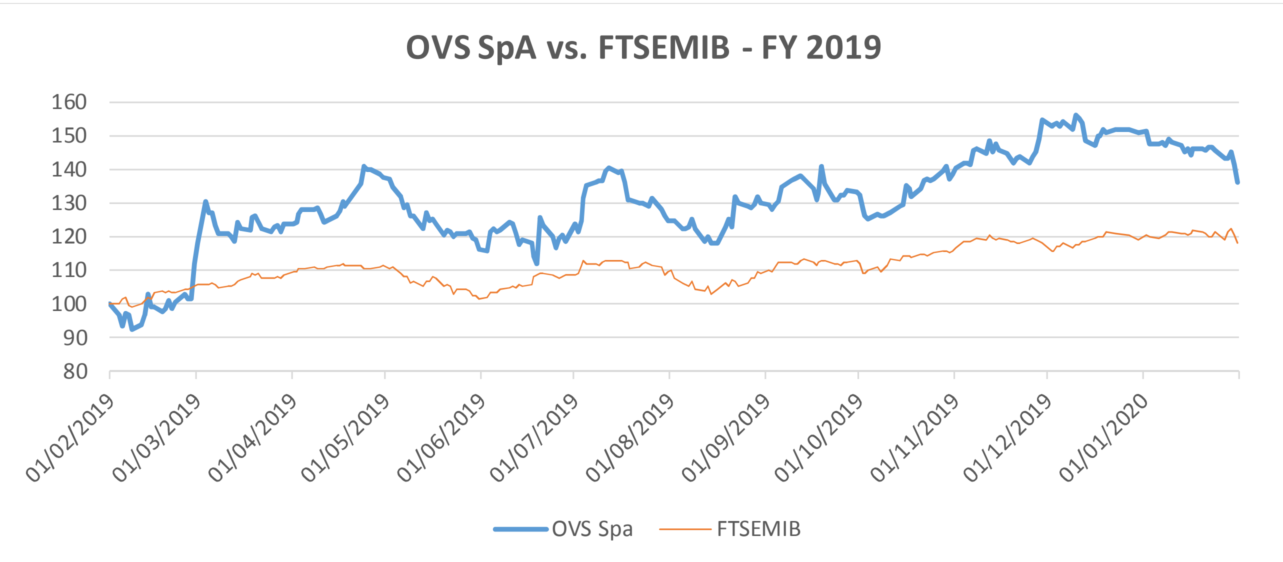
(ix) an increase in the margin applicable to the financial package that, depending on the various lines, ranges from 25 to 50 bps.

After receiving the aforementioned letter proposing the Amendment and Restatement Agreement, on 19 September 2019, the Parent Company, OVS S.p.A., formally signed the relevant letter of acceptance and on 3 October 2019 fulfilled the conditions precedent provided under the same Amendment and Restatement Agreement, so that this agreement and the amendments listed above became fully effective.

Notes on share performance

The OVS stock was listed on the Milan Stock Exchange on 2 March 2015 at a placement price of €4.10. The stock closed the previous year at €1.333 on 31 January 2019. One year later, on 31 January 2020, the stock was trading at €1.721, up by 29% compared with the end of the previous year.





The price of the OVS stock increased steadily during 2019, peaking at €2.114 on 10 December 2019, close to the publication of the quarterly results on 12 December.
After falling sharply in 2018, in 2019 the share price benefited from the Group’s improved performance: from the first quarter of the year onwards, there was a steady improvement in terms of cash generation compared with the previous year, while from the second half of the year there was also an improvement in terms of profitability.
The progressive *deleveraging* provided tangible evidence of the Group’s ability to return to historical performance levels, demonstrating that it has the strength to recover, albeit partially, its economic/financial performance, which fell below expectations in 2018.
It should be emphasised that in 2019 the entire apparel retail sector was again one of the main investment destinations for bearish investors, which contributed to pressure on OVS's share price throughout the year.
In the early months of 2020, the stock was hit hard by the arrival of Covid-19 in Italy: from the last week of February onwards, the share price fell again. Uncertainty over the possibility of another Italian economic crisis and the time required to return to more normal business operations had a substantial effect.
It should be noted that, as of 26 May 2020, of the seven brokers that monitor OVS S.p.A., one had a “buy” recommendation on the stock and one a “sell” recommendation, while the others had “neutral” recommendations.
For more information and updates on share performance, and for the latest corporate information, please visit the “Investor Relations” section of the website at www.ovscorporate.it.

Stock option plans

It should be recalled that on 26 May 2015, the Shareholders’ Meeting approved a stock option plan for the period 2015-2020, which will be implemented through the allocation of free options for subscription to ordinary newly issued shares of OVS S.p.A.. The Plan is reserved for directors who are also employees, managers with strategic responsibilities and/or other employees of OVS S.p.A. and its subsidiaries. The Plan is intended to create value for shareholders by improving long-term corporate performance and attracting staff who play a key role in the Group's development.
The Plan provides for the issue of up to 5,107,500 options, freely allocated to the beneficiaries if certain performance targets are met, and confers on each of them the right to subscribe to one ordinary share of the Parent Company for each option assigned.
The same meeting was also convened in extraordinary session to resolve upon the proposal to grant the Board of Directors, for a period of five years from the date of the resolution, the power to increase the share capital, pursuant to Article 2443 of the Italian Civil Code, in tranches, excluding option rights pursuant to Article 2441, paragraph 8 of the Italian Civil Code, for a total maximum nominal amount of €35,000,000, through the issue, in one or more tranches, of up to 5,107,500 ordinary shares with no par value, to be

reserved for the beneficiaries of the "Stock Option Plan 2015-2020", with the consequent amendment of Article 5 of the Articles of Association.
As of 31 January 2020, 2,526,825 options had been assigned under the “Stock Option Plan 2015-2020”.

It should also be noted that the Shareholders’ Meeting of 31 May 2017 approved a new stock option plan, called the “Stock Option Plan 2017-2022”, reserved for directors who are also employees, managers with strategic responsibilities and/or other employees of OVS S.p.A. and its subsidiaries, which may be implemented using either (i) treasury shares bought back under the authorisation pursuant to Article 2357 of the Italian Civil Code granted by the Shareholders’ Meeting from time to time; or (ii) shares deriving from a capital increase by the Board of Directors, after the granting of a mandate to the same to increase the share capital pursuant to Article 2443 of the Italian Civil Code, in tranches, excluding option rights pursuant to Article 2441, paragraph 8 of the Italian Civil Code, for a total maximum nominal amount of €4,080,000.00, through the issue, in one or more tranches, of up to 4,080,000 new ordinary shares of OVS, to be reserved for the beneficiaries of the “Stock Option Plan 2017-2022”.
The new Plan is also intended to create value for shareholders by improving long-term corporate performance and attracting staff who play a key role in the Group's development.
The Plan provides for the free allocation to each beneficiary of up to 4,080,000 options, which give the right to subscribe or purchase ordinary shares of OVS in the ratio of one share for each option exercised. The options will mature when determined performance targets are met.
As of 31 January 2020, 1,682,500 options had been assigned under the “Stock Option Plan 2017-2022”.

Finally, the Ordinary Shareholders’ Meeting of 31 May 2019 approved, pursuant to Article 114-*bis* of the TUF, the adoption of an incentive plan named the “Stock Option Plan 2019-2022”, to be implemented through the allocation of free options for subscription to newly issued ordinary shares of OVS S.p.A. The Plan is reserved for directors who are also employees, managers with strategic responsibilities and/or other employees of OVS S.p.A. and its subsidiaries pursuant to Article 93 of Legislative Decree 58 of 24 February 1998, identified by the Board of Directors, after consulting the Appointments and Remuneration Committee, from among those individuals who perform a key role in the achievement of the Company's strategic objectives (hereinafter, the “Beneficiaries”).
The Plan is intended to create value for shareholders by improving long-term corporate performance and by attracting and retaining personnel that play a key role in the Group's development, in order to align the interests of the Beneficiaries with those of the Group's shareholders.
Up to 5,000,000 options will be issued under the Plan, which will be freely allocated to the Beneficiaries. Each Beneficiary may exercise the options effectively accrued depending on the fulfilment of a condition of access to the Plan (gate) and a performance condition linked to a predefined value of three-year cumulative EBITDA. Each option will confer on each Beneficiary the right to subscribe for one ordinary share of the Parent Company for each option assigned.

The exercise price of the shares is set at €1.85.

As of 31 January 2020, 5,000,000 options had been assigned under the "Stock Option Plan 2019-2022".

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

Other information

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

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

Treasury shares

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

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

At the Shareholders' Meeting of 31 May 2019, a share buyback plan was approved, proposed by the Board of Directors on 17 April 2019, after the plan described above, which was partially unexecuted, was revoked. The plan provides for the purchase and disposal of treasury shares up to a maximum amount that, when taking into account the ordinary shares held from time to time by the Company and its subsidiaries, does not exceed, in total, 10% of the share capital.

There were no additional purchases or disposals in 2019, therefore, as of 31 January 2020, the Parent Company, OVS S.p.A., holds a total of 809,226 treasury shares purchased in 2018, equivalent to 0.356% of the share capital, amounting in total to €1,496 thousand.

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 2020, and their respective revenues make up less than 5% of the Group's consolidated revenues at 31 January 2020.

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. (now Icon S.p.A.), the vendor, and Tamburi Investment Partners S.p.A., as the buyer, reached an agreement concerning the sale of the equity investment (17.835%) held by Gruppo Coin S.p.A. in OVS S.p.A.. Due to this purchase, Tamburi Investment Partners S.p.A., which was already a shareholder of OVS with an equity investment of approximately 4.912%, obtained a total stake of around 22.747% in OVS's capital.
Despite the equity investment held by Gruppo Coin, OVS S.p.A. does not consider itself to be subject to management and coordination by the latter, as:

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

Consolidated Non-Financial Statement (Legislative Decree 254/2016)

The consolidated non-financial statement 2019 pursuant to Legislative Decree 254/2016 is contained in a separate report from the Report on Operations, published simultaneously with the latter and available on the Company website at www.ovscorporate.it, in the Governance/Shareholders' Meeting 2020 section, as well as in the Sustainability section.

Significant events after the reporting date

Spread of the Covid-19 pandemic and closure of the entire Italian sales network

The tragedy of the new SARS-CoV-2 coronavirus (or more simply Covid-19) pandemic hit China in January 2020, when the first known cases were reported. However, the containment measures implemented by China's President, Xi Jinping, suggested that the spread of the virus was mainly affecting the city of Wuhan in Hubei province, and possibly other parts of China.

On 20 February 2020, however, the Councillor for Welfare in the Lombardy Region announced that a first case tested positive in Codogno (Lodi). In a few days, several municipalities in northern Italy registered the presence of the virus and the Italian government decided to adopt the first "extraordinary measures" to curb the spread of the virus with a decree approved during the night of 23 February 2020, limited to the areas of epidemic (11 municipalities in northern Italy). One of these measures concerned the closure of all stores in those specific areas. On 25 February, the infection has spread to other regions and the government then issued a second decree, which extended to Emilia Romagna, Friuli Venezia Giulia, Lombardy, Veneto, Piedmont and Liguria. On 4 March 2020, it was acknowledged that the disease was not retreating but in fact spreading exponentially: given the number of victims, Italian Prime Minister, Giuseppe Conte, decided to sign a new decree that led to the closure of universities and schools throughout Italy.
Strong restrictions were also imposed on theatres, cinemas and all events where people gather. On 8 March 2020, another decree was published, banning all travel in Lombardy and in 14 provinces, including Veneto, Emilia Romagna, Piedmont and Marche. On 11 March 2020, another decree was published, accompanied by the slogan "#iorestoacasa" ("#stayhome"), which extended the measures so far applied in the "red zones" to the entire country. Since then, all stores in the country have been closed to the public (except for certain categories, such as food and pharmacies). About a month passed before the number of hospital admissions began to show signs of slowing down, and the Prime Ministerial Decree of 10 April 2020 allowed some businesses to reopen from 14 April 2020, including children's clothing stores.
It should be noted that, although the measures of 23 and 25 February 2020 triggered fear and concern among the Italian population (mainly in the north, but also somewhat in the centre and south) about the risk of infection, with an inevitable effect on store traffic, the enactment of the Prime Ministerial Decree of 11 March 2020, which forced the closure of all non-essential commercial activities, including the retail sale

of clothing products, effective as of 12 March 2020, which did not entail any adjustment to the financial statement balances as at 31 January 2020, given its significance, has had multiple immediate and future effects on the Group's daily operations and on certain estimates of balance sheet assets and liabilities that cannot yet be accurately quantified. Furthermore, given the current context of uncertainty and taking into account the evolution of the Covid-19 in relation to the timing of the reopening of stores and the related impacts on the Group's cash flows for 2020, the IAS 36 sensitivity scenarios for impairment testing were updated, particularly with regard to the possible effects of the pandemic on the assumptions underlying the estimates made: this entailed a write-down of approximately €161 million in the financial statements for the year ended 31 January 2020, almost entirely attributed to goodwill.
The following section provides the disclosure deemed necessary to describe qualitatively and quantitatively the effects of the closure of the entire Italian and foreign sales network and the presumably difficult recovery of consumption due to the Covid-19 pandemic. Estimates, where present, are only provided if they can be reliably calculated.
For further information on impairment testing, please see the specific section of the notes to the consolidated and separate financial statements.

Measures taken by the OVS Group from March 2020

Government restrictions that resulted in the closure of the entire sales network in Italy (but also abroad) have highlighted the need for rapid and targeted action to address an emergency, the like of which has not been seen in Italy since the aftermath of the Second World War.
Since the first day of March 2020, a Crisis Committee was set up to manage the emergency, putting in place all possible measures to prepare the Group for the situation. Five main areas were identified: rents, staff, operating costs, supplies of goods and finally investments. The measures launched are intended to address both the period of closure, the phase of progressive reopening of the network, and the remaining months of 2020 in which a substantial decrease in sales is expected.
Discussions with the property owners began immediately, with a view to amending contractual agreements to align them with the changes in the economic situation. In particular, negotiations are focused on obtaining a change in the financial terms and, specifically, a change in rents (with free rent during periods of store closure and thus zero sales) and an arrangement for paying rent in arrears rather than in advance, at least for the first few months after reopening.
In this context and pending negotiations, the Group has suspended almost all rental payments; to date, this initiative has not resulted in any major objections from the property owners, which have shown real willingness to engage in dialogue, with the exception of a few isolated foreign investors.
With regard to our employees, the sales staff were suspended when the stores were closed. Salaries were first of all guaranteed through the use of the accrued holiday provision, followed by activation of the entitlements provided for by the Cassa Integrazione in Deroga lay-off fund, allowing for financial outlays to be partially reduced in the short term.

Following the reopening, in order to counteract the expected decline in sales, the Group plans to launch measures to cut staff costs by reducing security, reducing opening hours each day and closing stores on Sundays and public holidays until August 2020.
This reduction plan, which will be agreed with employee representatives, will include the non-renewal of fixed-term contracts, an overtime freeze and further use of the holiday provision and the lay-off fund.
With regard to office staff, during the period of closure the lay-off fund (after the use of holiday entitlements) was used for at least 50% of staff. The rest of the employees are mainly engaged in smart working, with minimal onsite monitoring. Measures will be in place for the rest of the year to contain staff costs by means of freezes on most hiring and overtime, some targeted restructurings at management level and a freeze on discretionary salary increases provided for in budgets.
A company solidarity fund has also been set up, financed by OVS Group executives through the voluntary waiver of part of their remuneration, intended for the Group employees hardest hit by the health crisis, such as the family of a young OVS sales manager who lost his life after two weeks of fighting the virus.
To this fund also the Directors of OVS S.p.A. decided to participate.
All operating costs considered not strictly necessary have been minimised, both at the store level and in terms of corporate and sales support costs. When the network was closed, the Group secured all systems in stores so as to eliminate almost all consumption. All unnecessary services were also suspended, such as: security, cleaning, supply of shopping bags, materials for updating window displays, etc.
After the reopening, further savings will be made as a result of reduced opening hours; however, there is expected to be a significant increase in costs in terms of cleaning premises, protecting employees (gloves, masks, sanitising gels, etc.) and finally in terms of cleaning clothing.
At the corporate level, a further reduction in external services is planned, in addition to the cuts already made in 2019. In light of the lockdown, the Group also reduced the advertising budget for the period and in particular the television budget by redirecting it towards more innovative channels such as the web, where triple-digit increases in sales have been seen.
A commercial negotiation campaign with key suppliers is also planned, with the aim of obtaining an extraordinary bonus, particularly from those less affected by the Covid-19 emergency.

As part of the reduction of cash outflows and pending the reopening of stores, a specific procedure, which has been shared with a major legal advisor, has been launched to control payments more effectively for the duration of the crisis situation:

- prioritisation of creditors preferred by virtue of law (such as staff);
- the establishment of an ad hoc committee;
- transparent communication to all suppliers.

The payment of the postponed amounts, made possible also thanks to trust relationship that characterizes the relations of OVS with its suppliers are however expected by the end of 2020.

The schedule for inflows of autumn/winter goods has been completely reorganised and has also been reduced compared with the previous plan. For further information on this point, see the following section relating to business outlook.

Finally, all investments not strictly necessary for business continuity have been reduced to a minimum; in particular, the number of new store openings has been reduced and some other projects not strictly necessary have been postponed until 2021.

The dramatic drop in receipts in March and their almost total absence in April required a detailed rescheduling of all projected financial outlays, together with the activation of the extraordinary measures described above to create liquidity, including in the very short term. In addition to specific measures for deferring payments, which are well understood by the Group's suppliers given the exceptional situation, in March 2020 derivative contracts to hedge projected goods purchases were unwound, resulting in a capital gain of around €10 million. In the meantime, contacts have rapidly been established with banks to gauge their willingness to provide additional finance to support the temporary but inevitable increase in working capital. In this regard, on 8 April 2020 the Italian government issued the so-called “Liquidity Decree”, immediately providing a valid form of financial support that the Group decided to activate.
The process of financial reinforcement to cope with the prolonged forced lockdown of ours stores is almost over.
The process involved a pool made up of 5 banks from the current loan agreement, from Cassa Depositi e Prestiti S.p.A. and from a new bank. The institutions involved have proceeded with the related resolutions. The process will end with the approval of the Ministry Decree of Economy and Finance. The main characteristics of the New Finance counter-guaranteed for 80% by SACE S.p.A. are reported below.
The amount financed will be equal to 100 million Euros and the loan will have a duration of 4.3 years with payment due for the last installment set in September 2024. The loan provides for a pre-amortization of 24 months and 10 installments of the same amount (10 million euros) quarterly starting from June 2022. The expected covenant is in line with the current loan agreement one. The cost of the SACE guarantee will be structured as follows: 50 bps the first year, 100 bps the second and third year, from the fourth year onwards 200 bps, while the interest rate applied will be 2.25% + 3M Euribor.

Parallel to this process, the banks of the pre-existing loan agreement have already approved favourably, albeit subject to obtaining the New Finance, the granting of some amendments / suspensions of the contract itself, among which the most relevant are: (i) suspension of the repayment the installments scheduled for August 2020 and February 2021 and (ii) the suspension of the covenant test until April 2021. For more information, see the Notes to the consolidated financial statements.

Business outlook

The aforementioned cost reduction measures implemented in response to the Covid-19 pandemic are designed to address both the period of closure of the sales network and the phase of progressive reopening, as well as the remaining months of the 2020 financial year, when a substantial decrease in sales appears inevitable.

Goods procurement is the most critical area, since the goods held for sale during the months of closure had been regularly purchased. Like all clothing retailers, the OVS Group is therefore faced with the choice of either: a) maximising promotional leverage to dispose of the goods accumulated during the period of closure, or b) carrying forward the unsold goods from the Spring/Summer collection to 2021. Given the high proportion of children's clothing and the prevalence in the range of medium-low “fashion content” products, the Group considers that the greater cash that could be generated in the short term with option a) would not be sufficient to offset, in the medium term, the reduction in margins resulting from discounts. It therefore opted to carry the goods forward to next year.

In particular, the Group is organising the collection from stores of the spring goods delivered in January-February 2020, which have not been “seen” by customers due to the closures, so that they can be stored until next year. A part of the summer goods will be distributed to stores when they reopen, to support sales towards the end of the season, while the remainder will be kept in storage.

The high level of cash absorption in these first months of 2020 will therefore be offset by lower purchases of goods next year.

The other cost saving measures taken are also designed to create tangible benefits in the second half of the year and not only during the period of closure: this will allow the Group to dilute the effects of the store closures, mainly apparent in the first quarter of 2020, over at least 12 months.

With regard to rental costs, the ongoing negotiations are, also in this case, intended to obtain rents more closely linked to sales, in order to lower the break-even of stores as sales recover in a context that is still uncertain in many respects.

With regard to the costs of store staff, following the reopening, in response to the expected decline in sales, the Group plans to launch measures to cut staff costs by reducing security, reducing opening hours each day and closing stores on Sundays and public holidays until August 2020. This reduction plan, which will be agreed with employee representatives, will include, as already mentioned, the non-renewal of fixed-term contracts, an overtime freeze and the use of the holiday provision and the lay-off fund. With regard to the costs of office staff, measures will be in place to contain staff costs by means of freezes on most hiring and overtime, some targeted restructurings at management level and a freeze on discretionary salary increases provided for in budgets.

In terms of operating costs, further savings will be made due to the reduction in opening hours. On the other hand, there is expected to be a significant increase in costs incurred to sanitise premises and the products on sale and to protect employees. At the corporate level, a further reduction in external services is planned, in addition to the cuts already made in 2019. A commercial negotiation campaign with key suppliers is also planned, with the aim of obtaining an extraordinary bonus, particularly from those less affected by the Covid-19 emergency.

Lastly, as already mentioned, all investments not strictly necessary for business continuity will be reduced to a minimum.

The social, and then economic, impact of the current situation disrupted our lives for months. All the Group's stores were closed from 11 March. However, time spent at home was not wasted. Social networking sessions were held with all employees to stimulate their creativity or improve their preparation through webinars hosted by our experts from the various company departments. The climate of collaboration and cohesion has also helped identify opportunities and ideas that have already been gathered and transformed into concrete management actions. Great progress was made in digital innovation during this period. Two examples of many: “order and collect within 4 hours” online or over the phone and “pay later with OVS” which allows the customer to purchase and pay in instalments over a quarter, without any expenses or interest.

During the period of closure, sales through the e-commerce channel, enriched with new features, increased at a triple-digit rate, to a particularly pronounced degree for the children's segment.

We held talks with Italy's national government to provide ideas and information useful to managing the emergency and recovery projects. We succeeded in conveying our view that access to baby clothing – a market in which our company has a twenty percent market share – is a basic necessity and thus in having stores dedicated to children's products included among those authorized to open by the 10 April decree. The entire sales network was able to reopen starting on 18 May.

The sales results for the first week were very encouraging and significantly better than expected. In fact, while we expected a reduction compared to the same days of the previous year, we instead recorded a double-digit increase. However, we do not believe, on the basis of the information in our possession, that this is a generalized, long-term phenomenon. Rather, it is a sign of our positioning with a focus on family, children and value for money. This makes us less connected to impulse buying, and less susceptible to sudden changes, except for those related to climatic phenomena.

We are convinced that in the post-Covid period we can benefit from our positioning, albeit in a market that will not soon return to previous levels, by continuing to strive to strike the ideal balance between offering a wide range of quality products at extremely affordable prices and seeking the best solutions in an essential, contemporary Italian style, with support from Massimo Piombo's creative direction.

The financial reinforcement that will be completed with a new credit facility of 100 million of euros and a duration of 4.3 years, is a tangible testament to the trust that our company enjoys.

We believe that when the epidemic is definitively behind us, new models of consumption will emerge, more oriented towards selective choices, attentive to quality and sustainability, and yet still with a considerable focus on price. We are working to ensure that our products and brands meet the expectations of some of the most demanding segments of consumers.

We are enhancing our efforts to offer our customers a true, comprehensive multi-channel approach. On the one hand, a carefully tended physical store, enriched digital experience, advanced CRM, “Pay Later with OVS” system and freephone number for personal shoppers, and, on the other, complete transparency, with a product identity card that indicates the name of the supplier, water consumption, CO2 and recyclability index of every product sold, have placed us at the forefront on these issues, to which we believe consumers will attach increasing importance.
OVS has succeeded in becoming the undisputed market leader in Italy in the last 15 years. We are certain that, given the current difficult context, the market consolidation process will continue, and we believe that our Group will be once again the leader.

Proposal for approval of the financial statements and allocation of earnings for the 2019 financial year

Dear Shareholders,

We submit the following resolution for your approval:

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

- having heard and approved the statements of the Board of Directors;
- having examined the data in the separate financial statements of OVS S.p.A. at 31 January 2020 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 2020;

resolves

1. to approve the separate financial statements of OVS S.p.A. at 31 January 2020;
2. to approve the allocation of the net loss for the year of OVS S.p.A. at 31 January 2020, amounting to €139,443,479.00, as follows:
   - €139,443,479.00 to retained earnings (accumulated losses)."

Venice-Mestre, 26 May 2020

for the Board of Directors

The Chief Executive Officer

Stefano Beraldo

Consolidated financial statements

Consolidated statement of financial position

(thousands of euro)

ASSETS	Note	31.01.2020	of which related parties	31.01.2019	of which related parties
Current assets					
Cash and cash equivalents	*1*	45,656		27,876	
Trade receivables	*2*	85,981	1,836	98,426	5,128
Inventories	*3*	393,094		410,955	
Financial assets	*4*	7,572		11,797	
Financial assets for leases	*5*	4,191	1,246	0	
Current tax assets	*6*	14,683		9,565	
Other receivables	*7*	13,984		33,968	
Total current assets		**565,161**		**592,587**	
Non-current assets					
Property, plant and equipment	*8*	255,070		273,874	
Right of use	*9*	866,316		0	
Intangible assets	*10*	618,053		632,987	
Goodwill	*11*	297,541		452,541	
Equity investments	*12*	136		136	
Financial assets	*4*	34		172	
Financial assets for leases	*5*	10,623	2,620	0	
Other receivables	*7*	11,119		4,425	
Total non-current assets		**2,058,892**		**1,364,135**	
TOTAL ASSETS		**2,624,053**		**1,956,722**	

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.01.2020	of which related parties	31.01.2019	of which related parties
Current liabilities					
Financial liabilities	*13*	38,871		30,569	
Financial liabilities for leases	*14*	133,808		0	
Trade payables	*15*	321,146	25	350,981	1,981
Current tax liabilities	*16*	0		0	
Other payables	*17*	128,215	1,737	129,787	371
Total current liabilities		**622,040**		**511,337**	
Non-current liabilities					
Financial liabilities	*13*	313,773		374,190	
Financial liabilities for leases	*14*	772,998		0	
Employee benefits	*18*	37,044		38,348	
Provisions for risks and charges	*19*	4,687		4,873	
Deferred tax liabilities	*20*	127,799		124,435	
Other payables	*17*	16,883		35,840	
Total non-current liabilities		**1,273,184**		**577,686**	
TOTAL LIABILITIES		**1,895,224**		**1,089,023**	
SHAREHOLDERS' EQUITY					
Share Capital	*21*	227,000		227,000	
Treasury shares	*21*	(1,496)		(1,496)	
Other reserves	*21*	643,982		616,934	
Net result for the year		(140,389)		25,540	
GROUP SHAREHOLDERS' EQUITY		**729,097**		**867,978**	
MINORITY INTERESTS	*21*	(268)		(279)	
TOTAL SHAREHOLDERS' EQUITY		**728,829**		**867,699**	
TOTAL LIABILITIES AND SHAREHOLERS' EQUITY		**2,624,053**		**1,956,722**	

Consolidated income statement

(thousands of euro)

	Note	31.01.2020	of which non-recurring	of which related parties	31.01.2019	of which non-recurring	of which related parties
Revenues	*22*	1,374,777	4,687	1,699	1,457,154		61,061
Other operating income and revenues	*23*	67,654		1,597	68,913	989	2,042
Total revenues		**1,442,431**	**4,687**		**1,526,067**	**989**	
Purchase of raw materials, consumables and goods	*24*	616,746	2,682		667,494	11,485	33,988
Staff costs	*25*	290,526	3,649	3,962	292,588	2,710	4,130
Depreciation, amortisation and write-downs of assets	*26*	376,931	1,518		67,189		
Other operating expenses							
Service costs	*27*	179,087	2,195	13,222	197,949	3,154	13,915
Costs for the use of third-party assets	*28*	29,595		(406)	201,658	115	(743)
Write-downs and provisions	*29*	6,988	4,015		28,026	23,867	23,867
Other operating charges	*30*	26,535	1,187	17	63,925	38,675	28,588
Result before net financial expenses and taxes		**(83,977)**	**(10,559)**		**7,238**	**(79,017)**	
Financial income	*31*	1,139		254	1,162	1,114	1,114
Financial expenses	*31*	(72,428)	(1,328)	(20)	(17,788)		
Exchange rate gains and losses	*31*	19,741			43,493		
Gains (losses) from equity investments	*31*	1,095	1,095		(1,260)	(1,260)	(1,249)
Net result for the period before tax		**(134,430)**	**(10,792)**		**32,845**	**(79,163)**	
Taxes	*32*	(5,948)	2,590		(7,516)	18,964	
Net Result for the year		**(140,378)**	**(8,202)**		**25,329**	**(60,199)**	
Net result for the year attributable to the Group		**(140,389)**			**25,540**		
Net result for the period attributable to minority interests		**11**			**(211)**		
Earnings per share (in euros)							
- basic		(0.62)			0.11		
- diluted		(0.60)			0.11		

Consolidated statement of comprehensive income

(thousands of euro)

	Note	31.01.2020	31.01.2019
Net result for the year (A)		**(140,378)**	**25,329**
Other gains (losses) that will not be subsequently reclassified in the income statement:			
- Actuarial gains (losses) for employee benefits	*18-21*	(1,485)	(1,241)
- Tax on items recognised in the reserve for actuarial gains (losses)	*20-21*	356	298
Total other comprehensive gains (losses) that will not be subsequently reclassified in the income statement		**(1,129)**	**(943)**
Other gains (losses) that will be subsequently reclassified in the income statement:			
- Change in translation reserve	*21*	52	3,466
Total other comprehensive gains (losses) that will be subsequently reclassified in the income statement		**52**	**3,466**
Total other items of comprehensive income (B)		**(1,077)**	**2,523**
Total comprehensive income for the year (A) + (B)		**(141,455)**	**27,852**
Total comprehensive income attributable to the Group		(141,466)	28,063
Total comprehensive income attributable to minority interests		11	(211)

Consolidated statement of cash flows

(thousands of euro)

	Note	31.01.2020	31.01.2019
Operating activities			
Net result for the year		(140,378)	25,329
Provision for taxes	*32*	5,948	7,516
Adjustments for:			
Net depreciation, amortisation and write-downs of fixed assets	*26*	376,931	67,189
Net capital losses (gains) on fixed assets and/or leasing		(1,707)	1,482
Net financial expenses (income), leasing effects included	*31*	70,194	17,885
Expenses (income) from foreign exchange differences and currency derivatives	*31*	(22,875)	27,145
Loss (gain) on derivatives due to change in fair value	*31*	3,134	(70,637)
Allocations to provisions	*18-19*	1,033	0
Utilisation of provisions	*18-19*	(4,364)	(2,326)
Cash flows from operating activities before changes in working capital		**287,916**	**73,583**
Cash flow generated by change in working capital	*2-3-6-7-15-16-17-20*	(11,642)	(38,819)
Taxes paid		(6,863)	(3,151)
Net interest received (paid), leasing effects included		(69,643)	(14,901)
Realised foreign exchange differences and cash flows from currency derivatives		24,175	(25,185)
Other changes		178	2,924
Cash flow generated (absorbed) by operating activities		**224,121**	**(5,549)**
Investment activities			
(Investments) in fixed assets	*8-10-11*	(46,441)	(62,797)
Disposals of fixed assets	*8-10-11*	1,298	19,505
(Increase) decrease in equity investments	*12*	0	0
Cash out due to business combination during the period		0	(3,393)
Cash flow generated (absorbed) by investment activities		**(45,143)**	**(46,685)**
Financing activities			
Net change in financial assets and liabilities	*4-13*	(51,936)	21,108
(Repayment) of lease liabilities/Collection of assets for leases	*5-14*	(109,262)	0
(Purchase)/Sale of treasury shares	*21*	0	(1,496)
Dividends distribution		0	0
Cash flow generated (absorbed) by financing activities		**(161,198)**	**19,612**
Increase (decrease) in cash and cash equivalents		**17,780**	**(32,622)**
Cash and cash equivalents at beginning of period		**27,876**	**60,498**
Cash and cash equivalents at end of period		**45,656**	**27,876**

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

Consolidated statement of changes in shareholders' equity

(thousands of euro)

	Share capital	Share premium reserve	Legal reserve	Treasury shares	Reserve for actuarial gains (losses)	Translation reserve	IFRS 2 reserve	Other reserves	Retained earnings	Net result for the year	Total share-holders' equity attributable to the OVS	Minority interests	Total share-holders' equity
Balance at 01 February 2018	**227,000**	**511,995**	**7,917**	**0**	**(1,589)**	**(2,917)**	**6,846**	**2,528**	**84,833**	**5,135**	**841,748**	**(68)**	**841,680**
- Allocation of earnings for financial year 2017	-	-	-	-	-	-	-	-	*5,135*	*(5,135)*	*0*	-	*0*
- Treasury shares	-	-	-	*(1,496)*	-	-	-	-	-	-	*(1,496)*	-	*(1,496)*
- Management incentive plan	-	-	-	-	-	-	*249*	-	*60*	-	*309*	-	*309*
Relations with Shareholders	**-**	**-**	**-**	**(1,496)**	**-**	**-**	**249**	**-**	**5,195**	**(5,135)**	**(1,187)**	**-**	**(1,187)**
IFRS 9 impact	-	-	-	-	-	-	-	(646)	-	-	(646)	-	(646)
- Net result for the year	-	-	-	-	-	-	-	-	-	*25,540*	*25,540*	*(211)*	*25,329*
- Other items of comprehensive income	-	-	-	-	*(943)*	*3,466*	-	-	-	-	*2,523*	-	*2,523*
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(943)**	**3,466**	**-**	**-**	**-**	**25,540**	**28,063**	**(211)**	**27,852**
Balance at 31 January 2019	**227,000**	**511,995**	**7,917**	**(1,496)**	**(2,532)**	**549**	**7,095**	**1,882**	**90,028**	**25,540**	**867,978**	**(279)**	**867,699**
Balance at 01 February 2019	**227,000**	**511,995**	**7,917**	**(1,496)**	**(2,532)**	**549**	**7,095**	**1,882**	**90,028**	**25,540**	**867,978**	**(279)**	**867,699**
- Allocation of earnings for financial year 2018	-	-	*1,967*	-	-	-	-	-	*23,573*	*(25,540)*	*0*	-	*0*
- Management incentive plan	-	-	-	-	-	-	*(739)*	-	*865*	-	*126*	-	*126*
Relations with Shareholders	**-**	**-**	**1,967**	**-**	**-**	**-**	**(739)**	**-**	**24,438**	**(25,540)**	**126**	**-**	**126**
IFRS 16 impact	-	-	-	-	-	-	-	2,459	-	-	2,459	-	2,459
- Net result for the year	-	-	-	-	-	-	-	-	-	*(140,389)*	*(140,389)*	*11*	*(140,378)*
- Other items of comprehensive income	-	-	-	-	*(1,129)*	*52*	-	-	-	-	*(1,077)*	-	*(1,077)*
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(1,129)**	**52**	**-**	**-**	**-**	**(140,389)**	**(141,466)**	**11**	**(141,455)**
Balance at 31 January 2020	**227,000**	**511,995**	**9,884**	**(1,496)**	**(3,661)**	**601**	**6,356**	**4,341**	**114,466**	**(140,389)**	**729,097**	**(268)**	**728,829**

NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

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

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

STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the OVS Group at 31 January 2020 were prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board. "IFRSs" is intended to mean all the revised International Accounting Standards ("IAS"), and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), including those previously issued by the Standing Interpretations Committee ("SIC"). At the reporting date for the consolidated financial statements, these had been approved by the European Union under the procedure set forth in (EC) Regulation 1606/2002 of the European Parliament and the European Council of 19 July 2002.

The consolidated financial statements of the OVS Group, which comprise the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in consolidated shareholders' equity and the notes to the financial statements, are presented in euro as the current currency of the economies in which the Group chiefly operates, unless otherwise indicated.

These consolidated financial statements have been prepared on a going concern basis, since, in light of the solid relationships with its suppliers, given the excellent recovery of sales in the first days post lockdown throughout the network of stores (direct and franchised), and considering the imminent obtaining of some modifications / suspensions of the pre-existing loan agreement, and of the "New Finance" (see the paragraph relating to "Significant events after the reporting date" for more information), the Directors assessed that any critical issues regarding the Group's ability to meet its obligations in the foreseeable future and in particular in the next 12 months represent remote risks and therefore were assessed as not significant.

In particular, the process aimed at obtaining New Finance as envisaged by the Decree "Cura Italia" of 17 March 2020, referred to in Article 57, in conjunction with the Decree "Liquidity" of 8 April 2020, referred to Article 1, is substantially concluded by OVS and the main actors involved, including all banks belonging to the new pool, Cassa Depositi e Prestiti S.p.A. and SACE S.p.A..
The ordinary process for the disbursement of the New Finance will end with the MEF decree in conjunction with the MISE (for which the issue is expected within a few days) and subsequent stamping of the same by the Court of Auditors.
Parallel to this process, the banks of the pre-existing loan agreement have already resolved favourably, albeit subject to obtaining New Finance, the granting of some amendments to the contract, in particular as regards some financial covenants.

With regard to procedures for the presentation of the consolidated financial statements, in the context of the options provided for by IAS 1, OVS S.p.A. has opted for the following types of accounting schedules:

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

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

The consolidated financial statements have been prepared using the conventional historical cost method, altered as required for the valuation of some derivatives.
Please see the Report on Operations at 31 January 2020 for detailed information on the nature of the Group's activity.

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

SCOPE OF CONSOLIDATION

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

Company	Registered office	Share capital		% investment
Italian companies				
OVS S.p.A.	Venice - Mestre	227,000,000	EUR	Parent Company
82 S.r.l.	Venice - Mestre	10,000	EUR	70%
Foreign companies				
OVS Department Stores D.O.O.	Belgrade - Serbia	958,051,508	RSD	100%
OVS Maloprodaja D.O.O.	Zagreb - Croatia	20,000	HRK	100%
OVS Hong Kong Sourcing Limited	Hong Kong	585,000	HKD	100%
OVS India Sourcing Private Ltd	Delhi - India	15,000,000	INR	100%
OBS Sales Private Ltd	Delhi - India	15,000,000	INR	100%
COSI International Ltd	Hong Kong	10,000	HKD	100%
COSI International (Shanghai) Ltd	Shanghai - China	1,000,000	RMB	100%
OVS Fashion España S.L.	Madrid - Spain	3,100	EUR	100%
OVS France S.A.S.	Paris - France	30,000	EUR	100%

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

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

At 31 January 2020, 100% of the shares of the Austrian company Serenissima Retail GmbH had been sold to third parties and were therefore deconsolidated as of that date.

ACCOUNTING POLICIES AND CONSOLIDATION CRITERIA

The consolidated financial statements include the financial statements of Parent Company OVS S.p.A. and the companies over which it has the right to exercise control pursuant to IFRS 10. This standard stipulates that an investor controls an entity in which it has invested when it enjoys rights that confer the possibility of directing the entity's significant activities, has an exposure or a right to receive variable returns from its involvement in the entity and has the real possibility of using its power to influence the amount of its returns from the investment.
Equity investments held in companies over which significant influence is exercised (“associates”), which is presumed to exist when the percentage of the equity investment is between 20% and 50%, are measured using the equity method.
Application of the equity method involves aligning the carrying amount of the equity investment with shareholders' equity, adjusted where necessary to reflect the application of the IFRS approved by the European Commission (and includes any goodwill identified at the time of acquisition).
The share of gains/losses realised by the associate after the acquisition is recognised in the income statement, while the share of movements in reserves after the acquisition is booked in equity reserves. When the Group's share of losses in an associate is equal to or more than its non-controlling interest in this associate, taking any unsecured credit into account, the value of the investment is reduced to zero and the Group recognises no further losses other than those pertaining to it, unless and to the extent that the Group is obliged to meet them. Unrealised gains and losses on transactions with associates are derecognised according to the value of the Group's equity investment in these associates.
"Joint arrangements" (agreements under which two or more parties hold common control, within the meaning of IFRS 11) are included, where they exist, according to the equity method, if they qualify as “joint ventures”, or by recognising their specific shares of assets, liabilities, costs and revenues, if they qualify as “joint operations”.
The financial statements of the subsidiaries are consolidated line by line in the consolidated financial statements from the date at which control is assumed until the date at which this control ceases.
Where necessary, the financial statements used to prepare the consolidated financial statements have been appropriately restated and adjusted to comply with the Group's accounting policies.

The following consolidation criteria are used:

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

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

Business combinations

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

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

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

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

Financial statements in foreign currencies

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

		Final exchange rate at		Average of the year ended	
Currency	**Code**	**31.01.2020**	**31.01.2019**	**31.01.2020**	**31.01.2019**
US dollar	USD	1.11	1.15	1.12	1.17
Hong Kong dollar	HKD	8.58	9.01	8.74	9.21
Chinese renminbi	RMB	7.67	7.70	7.73	7.80
Croatian kuna	HRK	7.44	7.42	7.42	7.42
Serbian dinar	RSD	117.79	118.54	117.75	118.20
Indian rupee	INR	78.91	81.69	78.69	81.00

ACCOUNTING POLICIES AND VALUATION CRITERIA

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

Goodwill

Goodwill is recognised at cost, less any accumulated impairment.

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

If the value of the net assets acquired and liabilities assumed exceeds the sum of the considerations transferred, the shareholders' equity attributable to non-controlling interests and the fair value of any equity investment previously held in the acquiree, the excess amount is immediately recognised in the income statement as income.

Goodwill is not amortised, but is tested annually, and whenever events or circumstances indicate the possibility of impairment, for recoverability pursuant to IAS 36 - Impairment of Assets.

If the recoverable amount is lower than the carrying amount, the asset is written down to the recoverable amount. If goodwill is allocated to a cash-generating unit that is partially transferred/disposed of, the goodwill associated with this unit is used to determine any gain/loss arising from the operation.

Brands

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

Intangible assets

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

Licences – Licences deriving from business combinations are recognised at fair value at the date of the combination, according to the acquisition method. After initial recognition, licences are valued at cost less amortisation and any cumulative impairment. Amortisation is calculated based on the difference between the cost and the residual value at the end of their useful life, on a straight line basis over their useful life (defined as 40 years).
Please see note 10 “Intangible assets” for a description of the criteria used to define useful life and residual value at the end of useful life.

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

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

Property, plant and equipment

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

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

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

Ordinary maintenance costs are charged in full to the income statement in the period in which they are incurred.

Leasehold improvements are classified as tangible assets. The depreciation period is the lesser of the remaining useful life of the tangible asset and the remaining term of the lease.

Right of use assets

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

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

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

Right of use assets are depreciated on a straight-line basis from the commencement date over the shorter of the end of the useful life of the asset and the end of the lease term.

Right of use assets are subject to impairment. Please see the information provided in the following section.

See also the note below regarding “Accounting standards, amendments and interpretations effective as of financial year 2019”.

Impairment of tangible and intangible assets

IAS 36 stipulates that tangible and intangible assets must be tested for impairment if indicators suggest that such a problem might exist.

Impairment testing takes place at least once a year in the case of goodwill, other intangible assets with an indefinite useful life and assets not available for use.

In accordance with the Group's policies, the recoverability of the amounts recognised is assessed by comparing the carrying amount with the higher of the fair value (current realisable value) less the costs of disposal and the value in use of the asset. Value in use is defined by discounting the expected cash flows generated by the asset.

To determine value in use, expected future cash flows are discounted using a rate that reflects current market valuations of the time value of money, compared with the investment period and the specific risks associated with the activity.

For the purposes of assessing impairment, assets are analysed starting from the lowest level for which there are separately identifiable independent cash flows (cash generating units). Within the Group, the individual OVS and Upim stores have been identified as cash generating units.

If the recoverable amount of an asset is lower than the carrying amount, the carrying amount is reduced to the recoverable amount. This reduction constitutes impairment and is charged to the income statement.

If there is an indicator of reversal of the impairment loss, the recoverable amount of the asset is recalculated and the carrying amount is increased to this new amount. The increase in the carrying amount may not, however, exceed the net carrying amount that the asset would have had if impairment had not occurred.

Goodwill write-downs cannot be reversed.

In order to provide complete information, it should be noted that in January 2020, the Group approved an 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.

When compiling the financial statements at 31 January 2020, the Group used an external expert to prepare the impairment testing. The methods applied, the parameters used and the results of the impairment tests are extensively commented on in the following sections of these notes.

Other equity investments

Other equity investments (i.e. other than in subsidiaries, associates and joint ventures), where these exist, are included among non-current assets, or among current assets if they will remain among the assets of the OVS Group for a period of, respectively, more than one year and no longer than one year.

Other equity investments constituting FVTPL (see next section) financial assets are measured at fair value, if this can be determined, and any gains or losses deriving from changes in the fair value are entered directly under other comprehensive gains/(losses), until they are transferred or undergo impairment, at which time the other comprehensive gains/(losses) previously recognised in equity are recognised in the income statement for the period.

Other equity investments for which the fair value is not available are recognised at cost, written down for any impairment.

Financial assets

Financial assets are recognised under current and non-current assets based on maturity and expectations of when they will be converted into monetary assets. Financial assets include equity investments in other companies (other than associates and joint ventures), derivatives, receivables, and cash and cash equivalents.

The OVS Group's financial assets are classified according to the business model adopted for the management of these assets and the related cash flows. The categories identified are as follows:

<u>Financial assets measured at amortised cost</u>

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, following the entry into force of IFRS 16, the OVS Group, as an intermediate lessor in a sub-lease, classifies the sub-lease as a finance lease if it meets the conditions laid down by the standard. If the sub-lease is classed as a finance lease, the original lessee eliminates the right of use on the lease asset in the main lease agreement at the inception of the sub-lease and continues to account for the original lease liability in accordance with the lessee's accounting model, while simultaneously booking a financial asset for leases that represents the entire life of the sub-lease.

See also the note below regarding "Accounting standards, amendments and interpretations effective as of financial year 2019".

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

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

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

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

Purchases and disposals of financial assets are booked at the settlement date.

Financial assets are removed from the statement of financial position when the right to receive the cash flows from the instrument has been extinguished and the Group has substantially transferred all the risks

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

Inventories

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

Trade and other receivables

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

Cash and cash equivalents

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

Cash in foreign currency is valued according to period-end exchange rates.

Provision for risks and charges

Provisions for risks and charges are allocated for current obligations, legal or constructive, arising from a past event in respect of third parties for which the utilisation of resources, the amount of which can be reliably estimated, is probable.

The amount recognised as a provision is the best estimate of the expenditure required to settle the current obligation fully. Risks for which the emergence of a liability is only possible are disclosed in the notes to the financial statements, and no provision is made.

Employee benefits

a) Pension plans

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

Employee severance benefits and pension provisions, which are determined using an actuarial method, provide for the recognition in the income statement under employment cost of the rights accrued during the year, while the figurative cost is included among net financial income (expenses). Actuarial gains and losses that reflect the effects of changes in the actuarial assumptions used are instead fully recognised in a specific equity reserve in the year in which they arise, with immediate recognition in the statement of comprehensive income.

From 1 January 2007, the 2007 Budget and the associated implementing decrees introduced significant amendments to the rules on employee severance benefits, including options for employees, to be exercised by 30 June 2007, with regard to the allocation of their accruing severance benefits. Specifically, new flows of severance benefits may be directed by the employee to preselected or company pension schemes (in the latter case, the company pays severance benefit contributions into a treasury account set up with the INPS (the Italian social security and welfare institution).

As a result of these amendments, the provision for employee severance benefits accrued since the date of the employee option (defined benefit plan) has been recalculated by independent actuaries to exclude the component relating to future pay increases.

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

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

b) Compensation plans in the form of stock options

The Group provides additional benefits to certain employees and consultants through stock option plans offering equity-settled stock options. In accordance with IFRS 2 – Share-based Payments, the current value of the stock options determined at the grant date using the "Black & Scholes" method is recognised in the income statement under staff costs on a straight-line basis over the period between the grant date of the stock options and the vesting date, with a direct balancing entry in shareholders' equity.

The present value is defined on the basis of market parameters and non-allocation conditions and is not subject to subsequent amendments after the date of initial determination.

The effects of granting conditions not related to the market (performance and retention conditions) are not taken into account in the evaluation of the fair value of the options granted, but are relevant to the evaluation of the number of options expected to be exercised.

At the reporting date the Group reviews its estimates of the number of options that are expected to be exercised. The effect of the review of the original estimates is recognised in the income statement over the vesting period with a balancing entry in shareholders' equity.

When the stock options are exercised, the amounts received from the employee, net of costs directly attributable to the transaction, are credited to the share capital in an amount equal to the nominal value of the issued shares, with the remaining portion credited to the share premium reserve.

Financial liabilities and trade and other payables

Payables and other financial and/or trade liabilities are initially recognised at fair value, less any transaction costs incurred in relation to obtaining the obligation. They are subsequently carried at amortised cost; in the case of loans, any difference between the amount received (less transaction costs) and the total repayment amount is recognised in the income statement over the period of the loan, using the effective interest rate method.

Trade payables are classified as current liabilities if payment will take place within one year of the reporting date. Otherwise, such payables are classified as non-current liabilities.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for 12 months after the reporting date; in this case, only the portion falling due within 12 months of the reporting date is classified as a current liability. Payables to banks and other lenders are removed from the financial statements when they are settled, that is when all risks and charges relating to the instrument are transferred, cancelled or extinguished. The classification of financial liabilities has not changed since the introduction of IFRS 9.

Financial liabilities for leases

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

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

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

See also the note below regarding "Accounting standards, amendments and interpretations effective as of financial year 2019".

Derivatives

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

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

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

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

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

Segment information

The information relating to business segments was provided pursuant to IFRS 8 – "Operating segments", which stipulates that information be presented in a way that is consistent with the procedures used by management to make operational decisions. The operating segments and the information presented are therefore identified according to the internal reports used by management to allocate resources to the various segments and to analyse their performance.
IFRS 8 defines an operating segment as a component of an entity that: i) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); ii) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and iii) for which discrete financial information is available.
The operating segments identified by management, which incorporate all of the services and products provided to customers, are represented by the OVS division, dedicated to the marketing of clothing

products for the value fashion market segment, and the Upim division, which provides clothing for women, men and children for the value segment of the Italian market, as well as products in the homeware and fragrance segments.

Revenues and costs

On the basis of the five-step model introduced by IFRS 15, the Group recognises revenues after identifying contracts with its customers and the related services to be provided (transfer of goods and/or services), determining the consideration to which it believes it is entitled in exchange for providing each of these services, and assessing how these services are provided (at a point in time or over time).
Revenues from the sales of DOS are recognised when the customer makes the payment. More specifically, revenues from the sale of goods are recognised in the income statement when control of the product sold is transferred to the customer, usually coinciding with the delivery or shipment of the goods to the customer; revenues for services are recognised in the period in which the services are rendered, with reference to completion of the service provided and as a proportion of the total services still to be rendered.
Revenues are recognised at the fair value of the consideration received. Revenues are recognised net of value added tax, expected returns and any trade discounts, rebates and bonuses granted.
Payment times granted to Group customers do not exceed a 12-month period, so the Group does not make transaction price adjustments to take financial components into account.
Costs are recognised when they relate to goods and services acquired or used during the year, while in the case of multi-year use the costs are systematically spread. The acquisition of goods, mirroring revenue, is determined by the transfer of control over them.

Income from leases

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

Income tax

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

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

Foreign exchange gains and losses

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

Earnings per share

Earnings per share - basic

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

Earnings per share - diluted

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

Dividends

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

Use of estimates

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

Impairment of tangible and intangible assets

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

Depreciation and amortisation

Depreciation and amortisation reflect the best estimate of the expected useful life of assets with a finite life.

This estimate is based on the possibility of use of these assets and their capacity to contribute to the OVS Group's results in future years.

Inventory obsolescence or inventory differences

The OVS Group develops and sells items of clothing that change according to customer taste and trends in the world fashion. The provision for inventory write-downs therefore reflects estimated expected impairment of the collections in stock, taking account of the OVS Group's capacity to sell items of clothing through a range of distribution channels.

The provision for inventory differences reflects the estimate of inventory differences at the end of each of the periods under review, in view of the fact that the OVS Group carries out a physical inventory in February and/or June of each year.

Provisions for doubtful accounts

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

Deferred tax assets

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

Pension funds and other employee benefits

The cost of the defined benefit pension plans is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected rates of return on investments, future salary increases, mortality rates and future pension increases. Because of the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are provided in note 18.

The costs recognised in the income statement in relation to incentive plans for managers (please see the explanations in note 25 "Staff costs") are mainly influenced by the estimated timing of the occurrence of the event that triggers vesting, as well as the actual possibility of the occurrence of the event and the presumed reference value of the plan. Therefore, this estimate depends on factors that may vary over time and variables that the directors might find it hard to predict and determine. Changes in these items may significantly influence the assessments made by the directors and therefore result in changes in the estimates.

Provisions for risks and charges

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

Valuation of derivatives

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

Financial liabilities and assets for leases and Right of use assets

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

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

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

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

NEW ACCOUNTING STANDARDS

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

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE AS OF FINANCIAL YEAR 2019

The OVS Group adopted IFRS 16 - Leases on 1 February 2019. There are no other new standards, amendments or interpretations that became effective as of 1 January 2019 with material effects on the Group's consolidated financial statements. However, please see the following sections.

IFRS 16 - Leases

IFRS 16 was published in January 2016 and replaces IAS 17 - Leasing, IFRIC 4 - Determining Whether an Arrangement Contains a Lease, SIC 15 - Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions in the Legal Form of a Lease. IFRS 16 defines principles for the recognition, measurement, presentation and disclosure of leases (agreements that confer the right to use third-party assets), and requires lessees to account for all lease agreements in the financial statements based on a single model, similar to that used to account for finance leases under IAS 17. The standard provides for two exemptions to the application of the model by lessees: leases in which the underlying asset is of “low value” (e.g. personal computers) and short-term leases (i.e. ending within 12 months).

With the exception of contracts covered by the above exemptions, at the start date of the lease the lessee recognises a liability for the non-variable future lease payments to which it committed when signing the leases (the “lease liability”) and an asset that represents the right to use the leased asset for the duration of the lease (the “right of use asset”). Lessees have to recognise interest expense accrued on lease liabilities and amortisation of the right of use asset separately in their income statements. Lessees also have to remeasure lease liabilities when certain events occur (for example, a change in the terms of the lease, or a change in future lease payments resulting from the change in an index or rate used to determine those payments). The lessee generally recognises the lease liability remeasurement amount as an adjustment to the right of use asset. The accounting provided for in IFRS 16 remains essentially unchanged for lessors, which continue to classify all leases using the same classification standard as IAS 17, distinguishing between operating leases and finance leases.

IFRS 16 was approved by the European Union in October 2017 and applies to the preparation of financial statements for annual reporting periods starting on or after 1 January 2019.

The standard allows a choice of applying the new provisions using a fully retrospective approach (i.e. for each comparative period presented) or a modified retrospective approach (i.e. recognising the cumulative effect of first-time adoption in an equity reserve).

The OVS Group opted to apply the new standard as of the mandatory effective date (the “date of first-time

adoption" was therefore 1 February 2019), using the modified retrospective method, option b) (paragraph C5 (b) of IFRS 16), without restatements of leases already in place as at 1 February 2019 and not applying the standard to low-value, short-term assets (therefore recognising the cumulative effect of first-time adoption as an equity adjustment at 1 February 2019 without re-presenting the comparative balances).
In addition, the OVS Group has applied some of the simplifications associated with the modified retrospective approach. The most significant are:
- the exclusion of the initial direct costs of measuring the right of use at the date of first-time adoption;
- the application of a single discount rate for each similar lease portfolio (broken down by country and by term);
- the determination of the term of the lease using information known at the transition date;
- the non-adoption of IAS 36 at the date of first-time adoption (paragraph C8 (c) of IFRS 16).
As already mentioned, the Group also decided to adopt a practical expedient, which allows it not to re-determine whether an agreement is, or contains, a lease at the date of first-time adoption, but to use the valuations performed by applying IAS 17 and IFRIC 4 (paragraph C3 of IFRS 16).

The adoption of IFRS 16 requires significant judgements on certain key estimates, such as the determination of lease terms and the discount rate.
In determining the term of the lease, it must be assessed whether the lessee is reasonably certain to exercise any options for extending the lease, rather than not exercising any options for early termination of the lease agreement. The Group determined the term of the lease as the sum of the non-revocable lease period plus the unilateral options for the extension of the period, where there is reasonable certainty that the option will be exercised. To this end, the following aspects were considered:
- the costs relating to the termination of the contract;
- the importance of the leased asset for the Group's activities;
- the conditions that must be met in order for the options to be exercised or not;
- historical experience and any business plans approved by the Group.
In line with the standard, the present value of the lease liability is determined using the implicit interest rate in the lease, and if this cannot be easily determined, the lessee uses its incremental borrowing rate. Given the difficulty of determining the implicit interest rate of each lease, the OVS Group has opted to apply the incremental borrowing rate by country and term.
The OVS Group's stores are located in rented premises under operating leases (as qualifiable by IAS 17). These leases, as well as other lease and rental agreements entered into by the Group, comply with the definition of a lease under IFRS 16 and therefore require recognition of a right of use asset and the corresponding financial liability.
The new standard has therefore had a material impact on the OVS Group's financial statements in terms of recognition of right of use assets (adjusted for prepaid expenses, accrued expenses and payables for linearisation carried in the financial statements at the date of first-time adoption) and lease liabilities, the

values of which have been recognised in the statement of financial position, allocating any differences existing at the transition date to equity reserves.

As also already indicated in the Half-year Report, with the adoption of the new IFRS 16 accounting standard from 1 February 2019, the main economic and financial indicators have been significantly affected and are not comparable with the data from previous periods. With regard to the income statement figures for 2019, the recognition of €148.0 million of depreciation of right of use assets recognised separately from other tangible assets, together with €50.8 million of net interest expenses on net lease liabilities, replacing €170.5 million of net rental costs (for leases and sub-leases under the new standard), resulted in an increase in the operating result and EBITDA compared with 2018. In particular, it should be noted that the combination of depreciation on a straight-line basis of right of use assets and the use of an incremental borrowing rate (IBR) to determine lease liabilities (discounting future rental payments), compared with IAS 17, resulted in higher financial expenses in the income statement in the first years of the leases and in subsequently decreasing financial expenses. Therefore, in order to make these figures comparable, albeit not perfectly (given the non-linear incidence of interest on lease liabilities in the periods), in the year of transition (2019) the operating result and EBITDA were reworked ("excluding IFRS 16") as shown in the following tables:

(amounts in thousands of euros)	31 January 2020 Reported	*IFRS 16 effects*	31 January 2020 excluded IFRS 16
Revenues	1,374,777	-	1,374,777
Other operating income and revenues	67,654	2,019	69,673
Total revenues	**1,442,431**	**2,019**	**1,444,450**
Purchase of raw materials, consumables and goods	616,746	-	616,746
Staff costs	290,526	89	290,615
Depreciation, amortisation and write-downs of assets	376,931	(148,030)	228,901
Other operating expenses			
Service costs	179,087	1,307	180,394
Costs for the use of third-party assets	29,595	172,472	202,067
Write-downs and provisions	6,988	-	6,988
Other operating charges	26,535	(1,376)	25,159
Result before net financial expenses and taxes	**(83,977)**	**(22,443)**	**(106,420)**
Financial income	1,139	(1,098)	41
Financial expenses	(72,428)	51,888	(20,540)
Exchange rate gains and losses	19,741	-	19,741
Gains (losses) from equity investments	1,095	-	1,095
Net result for the period before tax	**(134,430)**	**28,347**	**(106,083)**
Taxes	(5,948)	(7,389)	(13,337)
Net Result for the year	**(140,378)**	**20,958**	**(119,420)**

The following is an overview of these effects on the Group's key performance indicators:

(amounts in thousands of euros)	31 January 2020 Reported	*IFRS 16 effects*	31 January 2020 excluded IFRS 16
Net Sales	**1,374,777**		**1,374,777**
EBITDA	**292,954**	***(170,473)***	**122,481**
% on net sales	*21.3%*		*8.9%*
EBIT	***(83,977)***	***(22,443)***	***(106,420)***
% on net sales	*-6.1%*		*-7.7%*
EBT	***(134,430)***	***28,347***	***(106,083)***
% on net sales	*-9.8%*		*-7.7%*
Net Profit	***(140,378)***	***20,958***	***(119,420)***
% on net sales	*-10.2%*		*-8.7%*
Net Financial Debt	***1,191,374***	***(889,085)***	***302,289***

It should be noted that first-time adoption of IFRS 16 as of 1 February 2019 had very significant impacts also on the financial statements and position of the Group; the same are summarised in the following table:

(amounts in thousands of euros)

ASSETS	**01.02.2019**
Financial assets	5,800
Other receivables	(21,290)
Total current assets	**(15,490)**
Right of use	913,719
Financial assets	17,407
Total non-current assets	**931,126**
TOTAL ASSETS	**915,636**

LIABILITIES AND SHAREHOLERS' EQUITY	**01.02.2019**
Financial liabilities	171,286
Other payables	(777)
Total current liabilities	**170,509**
Financial liabilities	753,404
Deferred tax liabilities	952
Other payables	(11,688)
Total non-current liabilities	**742,668**
TOTAL LIABILITIES	**913,177**
SHAREHOLDERS' EQUITY	2,459
TOTAL LIABILITIES AND SHAREHOLERS' EQUITY	**915,636**

The following table shows the reclassified consolidated statement of financial position at 31 January 2020, including and excluding the effects of IFRS 16:

(amounts in thousands of euros)	31 January 2020 Reported	*IFRS 16 effects*	31 January 2020 excluded IFRS 16
Cash and cash equivalents	45,656		45,656
Trade receivables	85,981		85,981
Inventories	393,094		393,094
Financial assets	7,572		7,572
Financial assets for leases	4,191	(4,191)	0
Current tax assets	14,683	(6,654)	8,029
Other receivables	13,984	21,425	35,409
Total current assets	**565,161**	**10,580**	**575,741**
Property, plant and equipment	255,070	2,912	257,982
Right of use	866,316	(866,316)	0
Intangible assets	618,053		618,053
Goodwill	297,541		297,541
Equity investments	136		136
Financial assets	34		34
Financial assets for leases	10,623	(10,623)	0
Other receivables	11,119		11,119
Total non-current assets	**2,058,892**	**(874,027)**	**1,184,865**
TOTAL ASSETS	**2,624,053**	**(863,447)**	**1,760,606**
Financial liabilities	38,871	937	39,808
Financial liabilities for leases	133,808	(133,808)	0
Trade payables	321,146	9,580	330,726
Current tax liabilities	0		0
Other payables	128,215	902	129,117
Total current liabilities	**622,040**	**(122,389)**	**499,651**
Financial liabilities	313,773	1,970	315,743
Financial liabilities for leases	772,998	(772,998)	0
Employee benefits	37,044		37,044
Provisions for risks and charges	4,687		4,687
Deferred tax liabilities	127,799	(217)	127,582
Other payables	16,883	11,688	28,571
Total non-current liabilities	**1,273,184**	**(759,557)**	**513,627**
TOTAL LIABILITIES	**1,895,224**	**(881,946)**	**1,013,278**
SHAREHOLDERS' EQUITY	728,829	18,499	747,328
TOTAL LIABILITIES AND SHAREHOLERS' EQUITY	**2,624,053**	**(863,447)**	**1,760,606**

The new standard has therefore had a material impact on the OVS Group's financial statements in terms of recognition of “right of use assets” (adjusted in the financial statements at the date of first-time adoption for prepaid expenses transferred from “Other current receivables”, accrued expenses transferred from “Other current payables” and payables from linearisation transferred from “Other non-current payables”) and “lease liabilities”, the values of which are recognised in the statement of financial position, allocating the differences existing at the transition date to equity reserves.

Amendments to IFRS 9 - Prepayment Features with Negative Compensation

These amendments clarify the classification of certain financial assets that can be prepaid when IFRS 9 applies. The interpretation was approved by the European Union in March 2018 and applies to the preparation of financial statements for annual reporting periods starting on or after 1 January 2019. The adoption of the amendments by the Group did not entail any changes in accounting policies or retrospective adjustments.

IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments

The interpretation provides information on how to reflect in the accounting of income taxes uncertainties regarding the tax treatment of certain phenomena. The interpretation applies to annual reporting periods starting on or after 1 January 2019, but some transitional relief is available. The Group applied the interpretation as of the 2019 financial year. The adoption of the interpretation by the Group did not entail any changes in accounting policies or retrospective adjustments.

Annual Improvements to IFRSs 2015-2017 Cycle

These improvements include:

– IFRS 3 - Business Combinations: the amendments specify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination that took place in several phases, including a review at fair value of the equity investment previously held in the assets and liabilities of the joint operation. In so doing, the acquirer remeasures the entire equity investment previously held in the joint operation;
– IFRS 11 - Joint Arrangements: a party participating in a joint operation, without joint control, could obtain joint control of the joint operation if its activity constitutes a business as defined in IFRS 3. The amendments clarify that the equity investments previously held in this joint operation are not remeasured;
– IAS 12 - Income Taxes: the amendments clarify that the effects of taxes on dividends are mainly related to past transactions or events that generated distributable profits rather than distributions to shareholders. Therefore, the entity recognises the effects of income taxes from dividends in the statement of profit/(loss) for the year, in other comprehensive income or in shareholders’ equity consistently with the way in which the entity has previously recognised such transactions or past events;
– IAS 23 - Borrowing Costs: the amendments clarify that an entity treats any borrowing carried out and intended from the outset to develop an asset as non-specific borrowing, if all the actions necessary to prepare the asset for use or sale have been completed. The entity applies these amendments to the financial expenses incurred as of the beginning of the year in which the entity first applies the amendments.

The amendments are effective for annual reporting periods starting on or after 1 January 2019. Early adoption is permitted. The Group applied this interpretation on the effective date but did not identify any material impacts.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 provide for accounting rules if a plan amendment, curtailment or settlement occurs during the reporting period. The amendments specify that when a plan amendment, curtailment or settlement takes place during the financial year, the entity is required to:

- determine the service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the reference actuarial assumptions to remeasure the net liability (asset) for defined benefits so that it reflects the benefits offered by the plan and the assets of the plan after this event;
- determine: the net interest for the remaining period after the plan amendment, curtailment or settlement, the net liability (asset) for defined benefits so that it reflects the benefits offered by the plan and the assets of the plan after this event, and the discount rate used to redefine the net liability (asset) for defined benefits.

The amendments also clarify that the entity must first quantify all the costs relating to previous employment services, rather than the profit or loss that occurred at the time of settlement, without considering the effect of the asset ceiling. This amount is recognised in the statement of profit/(loss) for the year. Subsequently, after the plan amendment, curtailment or settlement, the entity quantifies the effect of the asset ceiling. Any change in this regard, except for what is already included in net interest, must be recognised in other comprehensive income. The amendments apply to plan amendments, curtailments or settlements that occur as of the first annual reporting period starting on or after 1 January 2019, and early adoption is permitted. These changes will only apply to any future amendments, curtailments or settlements of Group plans that do not currently exist.

Amendments to IAS 28: Long-term interests in associates and joint ventures

These amendments seek to clarify the applicability of IFRS 9 in the recognition of long-term receivables from an associate or joint venture that are essentially part of the net investment in the associate or joint venture. The interpretation was approved by the European Union in February 2019 and applies to the preparation of financial statements for annual reporting periods starting on or after 1 January 2019. The Group applied these amendments on the effective date but did not identify any material impacts.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS APPROVED BY THE EUROPEAN UNION AND EFFECTIVE FOR ANNUAL REPORTING PERIODS STARTING ON OR AFTER 31 JANUARY 2020 AND NOT YET ADOPTED BY THE OVS GROUP

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

Description	Issue date	Approval date	Effective from
Amendments to references to Conceptual Framework in IFRS standards	Mar 2018	29 Nov 2019	Years starting on or after 01 January 2020
Definition of material (Amendments to IAS 1 and IAS 8)	Oct 2018	29 Nov 2019	Years starting on or after 01 January 2020
Reform of the reference indices for the determination of interest rates (Amendments to IFRS 9, IAS 39 and IFRS 7)	Sep 2019	15 Jan 2020	Years starting on or after 01 January 2020

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION AND NOT ADOPTED BY THE OVS GROUP

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

Description	Approved at the date of this document	Effective date under the standard
Amendments to IFRS 10, ‘Consolidated financial statements’ and IAS 28 ‘Investments in associates and joint ventures’: Sale or contribution of assets between an investor and its associate/joint venture	No	Suspended
IFRS 14 Regulatory Deferral Accounts	No	Suspended
Amendment to IFRS 3 'Business combinations'	No	Years starting on or after 01 January 2020
Amendment to IAS 1 'Presentation of Financial Statements – Classification of liabilities as current or non current'	No	Years starting on or after 01 January 2022
IFRS 17 Insurance Contracts	No	Years starting on or after 01 January 2021

No accounting standards and/or interpretations for which adoption is mandatory for periods beginning on or after 1 February 2020 have been adopted early.

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

INFORMATION ON FINANCIAL RISKS

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

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

The OVS Group aims to maintain balanced management of its financial exposure over time, to ensure that its liability structure is in balance with the composition of its balance-sheet assets and to provide the necessary operational flexibility through the use of cash generated by current operating assets and bank loans.

Management of the relative financial risks is centrally guided and monitored. Specifically, the central finance function is responsible for evaluating and approving projected financial requirements, monitoring progress and establishing appropriate corrective action if necessary.

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

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

The OVS Group has also signed derivatives in order to reduce US dollar foreign exchange risks.

The following section provides qualitative and quantitative information on the impact of these risks on the OVS Group's business.

Credit risk

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

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 2020, the total guarantee amount was €63.7 million, including €13.9 million in overdue receivables (€62.0 million at 31 January 2019, including €19.0 million in overdue receivables).

Trade receivables are recognised net of write-downs calculated on the basis of the risk of counterparty default, determined by using available information on the solvency of the customer and, also taking historical data into account, prospective losses to the extent reasonably expected. Positions that are particularly significant, and that are objectively partially or totally irrecoverable, are written down individually.

Trade receivables totalled €86.0 million at 31 January 2020 (€98.4 million at 31 January 2019).

Receivables written down (partially or fully) came in at €17.2 million at 31 January 2020 (€38.8 million at 31 January 2019).

Overdue receivables amounted to €22.8 million (€36.9 million at 31 January 2019).

The following tables provide a breakdown of trade receivables at 31 January 2020 and at 31 January 2019, grouped according to maturity and net of the provision for doubtful accounts:

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

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

The following table instead analyzes the financial assets for leases according to the contractual deadlines in which the collection will take place:

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

Liquidity risk

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

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

The OVS Group's liquidity requirements are monitored by the treasury function, in order to guarantee effective access to financial resources and adequate liquidity investment/yield levels.

On 19 September 2019, OVS S.p.A. formally signed an "Amendment and Restatement Agreement" with the aim of implementing the contractual amendments previously submitted by the Parent Company to its lending banks, including the rescheduling of the financial package from 2 March 2020 to 2 March 2023; lastly, on 3 October 2019, OVS S.p.A. fulfilled the conditions precedent provided under the same Amendment and Restatement Agreement, which therefore became effective as of the signing date.

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

For further information on the possible requirements arising from the Covid-19 pandemic, please see the further details provided in the section entitled "Significant events after the reporting date".

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

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

*) The amount includes interest accrued but not yet paid at 31 January 2020.

(**) The amount was calculated by applying the forward curve recorded at 31 January 2020 to the loan repayment plan. For the Revolving Line, an average utilisation level of 50% was assumed. The aggregate also includes the value deriving from future cash flows generated for derivative contracts that had a negative fair value at the reporting date.

The same breakdown for 31 January 2019 is as follows:

(amounts in millions of euros)	Balance at 31 January 2019	< 1 year	1-5 years	> 5 years	Total
Trade payables	363.6	351.0	12.6	-	363.6
Payables to banks (*)	403.8	28.8	375.0	-	403.8
Financial liabilities for leases	1.1	0.5	0.6	-	1.1
Financial expenses payable to banks (**)	-	12.4	1.1	-	13.5
Total	**768.5**	**392.7**	**389.3**	**-**	**782.0**

(*) The amount includes interest accrued but not yet paid at 31 January 2019.

(**) The amount was calculated by applying the forward curve recorded at 31 January 2019 to the loan repayment plan. For the Revolving Line, an average utilisation level of 50% was assumed. The aggregate also includes the nominal value of interest on lease agreements until maturity and the value deriving from future cash flows generated for derivative contracts that had a negative fair value at the reporting date.

Derivatives

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

	2019		2018	
(amounts in millions of euros)	Assets	Liabilities	Assets	Liabilities
Forward contracts - trading	7.6	-	12.0	1.2
Total	**7.6**	**-**	**12.0**	**1.2**
Current portion:				
Forward contracts - trading	7.6	-	11.8	1.2
Total current portion	**7.6**	**-**	**11.8**	**1.2**
Non-current portion				
Forward contracts - trading	-	-	0.2	-
Total non-current portion	**-**	**-**	**0.2**	**-**

Market risk

Interest rate risk

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

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

Given the projections for the 6-month Euribor rate until the expiry of the loan agreement (March 2023), the OVS Group decided not to take further action to hedge the risk of interest rate fluctuations.

Sensitivity analysis

The OVS Group's exposure to interest rate risk was measured using a sensitivity analysis that shows the effects on the income statement and on shareholders' equity of a hypothetical change in market rates of 40 bps higher or lower than the hypothetical forward rate curve at 31 January 2020. This analysis is based on the assumption of a general and instantaneous change in benchmark interest rates.
Excluding the effect of derivatives on interest rates and the amortised cost of loans, the results of this hypothetical, instant and favourable (unfavourable) change in the short-term interest rates applied to the OVS Group's variable-rate financial liabilities are shown in the following table:

Effect of change on financial expenses - income statement

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

The same figure at 31 January 2019 is shown below:

Effect of change on financial expenses - income statement

(amounts in millions of euros)	- 40 bps	+ 40 bps
At 31 January 2019	0.0	1.0

Foreign exchange risk

Exposure to the risk of exchange rate fluctuations derives from the OVS Group's commercial activities, which are also conducted in currencies other than the euro. Revenues and costs denominated in foreign currencies can be affected by exchange rate fluctuations, with an impact on sales margins (economic risk), and payables and receivables in foreign currencies may be affected by the conversion rates used, with an impact on the income statement (transactional risk).
The main exchange rate to which the OVS Group is significantly exposed is the EUR/USD, in relation to purchases in dollars made in the Far East and on other markets in which the dollar is the trading currency.
The Group is also exposed to the EUR/HKD exchange rate in relation to the translation risk of investee company OVS Hong Kong Sourcing Limited. The conversion effects of the other foreign companies for which the euro is not the functional currency are marginal.
Exchange rate fluctuations may result in the realisation or reporting of foreign exchange gains or losses. The OVS Group also hedges orders that are highly probable although not acquired, pursuing the management aim of minimising exposure to risk.

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

The derivatives described are recognised at 31 January 2020 at fair value, according to the methods of recognition and measurement established in IFRS 9. Under this accounting standard, the entity is still permitted, under certain conditions, to book derivatives using hedge accounting. In view of the operational complexity in managing the correspondence between the theoretical underlyings (the flows subject to the management hedging described) and the derivatives, the OVS Group has decided not to adopt hedge accounting. Consequently, the fair value of existing financial instruments and subsequent changes in such instruments are directly charged to the income statement on each reporting date. The fair value of derivatives is quantified using common valuation techniques and is mainly determined by the difference between the notional amount in USD converted into euro at the forward exchange rate at the time of entering into the contract and the notional amount in USD converted into euro at the exchange rate at the end of the reference period. This difference may be positive or negative depending on changes in the EUR/USD exchange rate.

At 31 January 2020, this measurement was positive for €7.6 million, relating to the fair value of the contracts in place at year-end, as the average forward exchange rate for the portfolio at 31 January 2020 was 1.1438, while the EUR/USD exchange rate at period-end was 1.1052. This figure is offset by the release to the income statement with a negative effect of the positive fair value recognised at 31 January 2019 of €10.7 million, with a net negative effect in the income statement of €3.1 million, all recognised as foreign exchange differences in the financial area.

The following table summarises key information relating to currency forwards:

	Transaction date	Maturity date	Notional in USD/000	Strike price	Notional in EUR/000	Fair value in EUR/000
At 31 January 2020	from 10 Jan 2019 to 13 Dec 2019	from 03 Feb 2020 to 08 Feb 2021	345,000	from 1.10603 to 1.2054	301,738	7,606

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

Sensitivity analysis

To perform the exchange rate sensitivity analysis, items in the statement of financial position (financial assets and liabilities) denominated in currencies other than the function currencies of each company within the OVS Group were identified.
The effects of a 5% appreciation and depreciation in the US dollar against the euro are summarised below:

Effect of change on result and shareholders' equity

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

The same analysis at 31 January 2019 is as follows:

Effect of change on result and shareholders' equity

(amounts in millions of euros)	- 5%	+ 5%
At 31 January 2019	13.4	(12.1)

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 2020, the translation reserve in equity reserves would have been subject to a positive/negative change of €1.0 million and €0.9 million, respectively.

Fair value estimates

The fair value of financial instruments traded in an active market is based on market prices at the reporting date. The fair value of instruments that are not traded in an active market is measured using valuation techniques based on a series of methods and assumptions linked to market conditions at the reporting date.

The fair value classification for financial instruments based on hierarchical levels is shown below:

• Level 1: fair value is measured with reference to quoted prices (unadjusted) in active markets for identical financial instruments;

• Level 2: fair value is measured using valuation techniques with reference to variables observable on active markets;

• Level 3: fair value is measured using valuation techniques with reference to variables unobservable on active markets;

The financial instruments shown at fair value of the OVS Group are classified as Level 2, and the general criterion used to calculate it is the present value of future cash flows expected from the instrument being valued.

Moreover, in 2019 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 2020:

	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Currency derivatives	Total
Cash and banks			45,656			45,656
Trade receivables			85,981			85,981
Current financial assets					7,572	7,572
Current financial assets for leases			4,191			4,191
Other current receivables			13,984			13,984
Equity investments	136					136
Non-current financial assets					34	34
Non-current financial assets for leases			10,623			10,623
Other non-current receivables	4,388		6,731			11,119
Current financial liabilities				38,871		38,871
Current financial liabilities for leases				133,808		133,808
Trade payables				321,146		321,146
Other current payables				128,215		128,215
Non-current financial liabilities				313,773		313,773
Non-current financial liabilities for leases				772,998		772,998
Other non-current payables				16,883		16,883

The same reconciliation for 31 January 2019 is provided below.

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

INFORMATION ON OPERATING SEGMENTS

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

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

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

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

In the table below, with regard to the 2018 year of comparison, sales of goods by the OVS and Upim brands to the companies of the Sempione Fashion Group, which, however, do not represent an independent operating segment pursuant to IFRS 8, are shown separately.

	31 January 2020				31 January 2019			
(thousands of euros)	OVS	UPIM	Sempione Fashion	Total	OVS	UPIM	Sempione Fashion	Total
Revenues by segment	**1,117,382**	**252,708**	**0**	**1,370,090**	**1,151,117**	**240,530**	**65,507**	**1,457,154**
EBITDA Adjusted	**126,411**	**29,873**		**156,284**	**118,926**	**25,301**		**144,227**
% of revenues	11.3%	11.8%		11.4%	10.3%	10.5%		9.9%
Non-recurring expenses				(11,476)				(79,017)
Forex reclassification				(22,201)				9,527
Stock Option plan				(126)				(310)
IFRS 16 effects				170,473				0
EBITDA				**292,954**				**74,427**
Depreciation, amortisation and write-downs of assets				(376,931)				(67,189)
Profit before net financial expenses and taxes				**(83,977)**				**7,238**
Financial income				1,139				1,162
Financial expenses				(72,428)				(17,788)
Foreign exchange gains and losses				19,741				43,493
Gains (losses) from equity investments				1,095				(1,260)
Net result for the year before tax				**(134,430)**				**32,845**
Taxes				(5,948)				(7,516)
Net result for the year				**(140,378)**				**25,329**

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).

		31.01.2020	31.01.2019	change
1	**Cash and banks**	**45,656**	27,876	17,780

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

		31.01.2020	31.01.2019	change
1)	Bank and post office deposits	39,475	21,929	17,546
2)	Cheques	8	6	2
3)	Cash and cash equivalents on hand	6,173	5,941	232
Total		**45,656**	**27,876**	**17,780**

Cash and cash equivalents consist of cash, bank and post office deposits and checks and cash on hand at the head office and stores in the direct sales network.

In addition, at 31 January 2020, ordinary current accounts were set up as pledges (last updated on 1 January 2020) to secure the Loan Agreement (described in note 13 below), in the amount of €56,838 thousand, and foreign currency current accounts in the amount of USD4,418 thousand, corresponding to €3,975 thousand, the balance of which is still fully available to the OVS Group.

		31.01.2020	31.01.2019	change
2	**Trade receivables**	**85,981**	98,426	(12,445)

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

	31.01.2020	31.01.2019	change
Trade receivables			
Receivables for retail sales	547	762	(215)
Receivables for wholesale sales	83,323	113,110	(29,787)
Receivables for services rendered	8,233	11,098	(2,865)
Disputed receivables	9,223	7,143	2,080
Trade receivables from related parties	1,836	5,128	(3,292)
Subtotal	**103,162**	**137,241**	**(34,079)**
(Provision for doubtful accounts)	(17,181)	(38,815)	21,634
Total	**85,981**	**98,426**	**(12,445)**

Receivables for wholesale sales derive from sales to affiliates.

Receivables from services mainly include charges for department management and subletting to external managers.

Disputed receivables mainly consist of receivables for problem loans. Most of these receivables are written down by recognising a specific provision for doubtful accounts.

The write-downs relate to receivables from affiliates or business partners, collection of which is presumed to be difficult, for disputes, or, in the majority of cases, for pending legal proceedings against customers.

It should be noted that receivables from Vidrea Deutschland GmbH (formerly Charles Vögele Deutschland GmbH) of €24.2 million, already fully written down at 31 January 2019, were written off during the year following the bankruptcy order issued by the Court of Hechingen in April 2019.

The balance also includes receivables from the related party Coin S.p.A. of €1.8 million, related to brokerage fees for purchasing goods (€0.2 million) and receivables from services (€1.6 million).

It should also be noted that trade receivables (mainly for the provision of products to the franchising affiliates) amounting to €92.1 million were also used to secure the Loan Agreement at 31 January 2020.

The provision for doubtful accounts amounted to €17,181 thousand at 31 January 2020. During the year, €27,589 thousand was utilised and an accrual of €5,955 was made.

Changes in the provision for doubtful accounts are shown below:

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

The allocation to the "Provision for doubtful accounts" expresses the presumed realisable amount of receivables that are still collectable at the closing date of the year. The draw-downs for the year relate to receivable positions for which elements of certainty and accuracy, or the presence of insolvency procedures, determine the derecognition of the position itself. In this regard, it should be recalled that receivables from Vidrea Deutschland GmbH (formerly Charles Vögele Deutschland GmbH) were written off, which entailed the utilisation of €24.2 million of the provision for doubtful accounts.

Given the types of products and services sold by the OVS Group, there is no significant concentration of revenues and trade receivables with individual customers, considering that the receivables from the former Sempione Fashion Group accrued in previous years have been fully written off.

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

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

	31.01.2020	**31.01.2019**	**change**
3 Inventories	**393,094**	410,955	(17,861)

The breakdown of inventories is shown in the following table:

(amounts in thousands of euros)	**31.01.2020**	**31.01.2019**
Goods	432,748	444,786
Gross stock	**432,748**	**444,786**
Provision for depreciation	(28,460)	(20,946)
Provision for inventory differences	(11,194)	(12,885)
Total provision for stock write-downs	**(39,654)**	**(33,831)**
Total	**393,094**	**410,955**

This item includes stocks of goods at warehouses and stores at the reporting date.

The amount is largely in line with the amounts that would be obtained by valuing the inventories at current cost at the reporting date.

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

These provisions are based on the management best estimate and are therefore believed by management to be consistent with their respective purposes.

Changes in the provision for depreciation and the provision for inventory differences for the year ended 31 January 2020 are shown below:

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

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

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

		31.01.2020	31.01.2019	change
4	**Current financial assets**	**7,572**	11,797	(4,225)
4	**Non-current financial assets**	**34**	172	(138)

The breakdown of the "Financial assets" item into current and non-current at 31 January 2020 and at 31 January 2019 is shown below:

(amounts in thousands of euros)	31.01.2020	31.01.2019
Derivatives (current portion)	7,572	11,797
Total current financial assets	**7,572**	**11,797**
Derivatives (non-current portion)	34	172
Total non-current financial assets	**34**	**172**
Total	**7,606**	**11,969**

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

		31.01.2020	31.01.2019	change
5	**Current financial assets for leases**	**4,191**	0	4,191
5	**Non-current financial assets for leases**	**10,623**	0	10,623

With regard to the financial assets for leases recognised on first-time adoption of IFRS 16, please see the extensive comments in the section above on accounting policies and consolidation criteria.

		31.01.2020	31.01.2019	change
6	**Current tax assets**	**14,683**	9,565	5,118

The balance mainly consists of receivables for excess IRES and IRAP payments on account (€12,330 thousand and €779 thousand respectively) paid on a historical basis, already net of the payable for taxes accrued during the year, receivables for withholding taxes on fees (€1,077 thousand) and for taxes withheld at source.

		31.01.2020	31.01.2019	change
7	**Other current receivables**	**13,984**	33,968	(19,984)
7	**Other non-current receivables**	**11,119**	4,425	6,694

Other receivables break down as follows:

	31.01.2020	31.01.2019	change
Other receivables	2,708	1,455	1,253
Receivables from insurance companies for claims reimbursment	61	745	(684)
Receivables from employees	1,285	1,361	(76)
Accrued income and prepaid expenses - rents and service charges	3,227	24,062	(20,835)
Accrued income and prepaid expenses - insurance	83	70	13
Accrued income and prepaid expenses - interest on security	26	21	5
Accrued income and prepaid expenses - other	6,594	6,254	340
Total current receivables	**13,984**	**33,968**	**(19,984)**
Security deposits	4,389	4,357	32
Minor investments	20	20	0
Other receivables	6,710	48	6,662
Total non-current receivables	**11,119**	**4,425**	**6,694**

The "Other receivables" item in current receivables relates to guarantee deposits made for new leases amounting to €227 thousand and receivables for sale of business units amounting to €1,499 thousand, while the remainder refers to social security receivables and advances to suppliers and shippers.

“Receivables from insurance companies” mainly comprise the scheduled reimbursement for damage to goods during transport (€52 thousand) and damage due to the theft of valuables in stores (€8 thousand).
The item “Accrued income and prepaid expenses - other” primarily includes prepayments for advertising and marketing services of €1,532 thousand and the share of deferred financial fees (€322 thousand) incurred to obtain the revolving credit facilities described in more detail in the “Financial liabilities” section below.
The remaining impact mainly refers to prepaid expenses on utilities costs, costs for services and reimbursement of training costs.
It should also be noted that insurance receivables amounting to €0.1 million were used to secure the Loan Agreement at 31 January 2020.
“Other non-current receivables” include security deposits that relate mainly to securities paid under leases, utilities and deposits with customs to guarantee goods imports.
The "Minor investments" item mainly includes equity investments in consortia recognised at cost.
The “Other non-current receivables” item includes receivables from affiliates due beyond 12 months of €6,022 thousand and the medium-/long-term portion of deferred financial fees of €668 thousand.
The increase in “Other non-current receivables” relates to assets deferred beyond 12 months from the reporting date with respect to third parties.
With regard to the transfer of prepaid expenses on leases under the new IFRS 16 accounting standard, please see the extensive comments in the previous section above on accounting policies and consolidation criteria.

		31.01.2020	31.01.2019	change
8	**Property, plant and equipment**	**255,070**	273,874	(18,804)

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

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

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

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

In addition, pursuant to the Loan Agreement, at 31 January 2020 a lien was created on property in the amount of €172.2 million.

		31.01.2020	31.01.2019	change
9	Right of use	866,316	0	866,316

Following first-time adoption of the new IFRS 16 accounting standard, this item includes right of use assets relating mainly to store leases and to a minor extent to leases on offices, apartments for company use and motor vehicles/other equipment.
For a detailed analysis, please see the extensive comments in the section above on accounting policies and consolidation criteria, as well as Table 2 appended, concerning changes in the period, and the next section on “Impairment testing”.

		31.01.2020	31.01.2019	change
10	Intangible assets	618,053	632,987	(14,934)

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

Intangible assets at 31 January 2020 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 2020, these amounts included:

- The OVS brand for €377.5 million, with an indefinite life (included under “Concessions, licences and brands”);
- The Upim brand for €13.3 million, with an indefinite life (included under "Concessions, licences and brands");
- The OVS franchising network for €63.0 million, amortised over 20 years (included under “Other intangible assets”);
- The Upim franchising network for €25.0 million, amortised over 20 years (included under “Other intangible assets”);
- Licences relating to OVS stores for €80.0 million, amortised over 40 years (included under “Concessions, licences and brands”);

- Licences relating to Upim stores for €21.5 million, amortised over 40 years (included under "Concessions, licences and brands").

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

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

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

The remainder of the item mainly consists of rights to industrial patents and intellectual property rights relating to investments in software programmes.

It should also be noted that, pursuant to the Loan Agreement, at 31 January 2020 a lien was created on OVS Group brands in the amount of €390.8 million.

		31.01.2020	31.01.2019	change
11	**Goodwill**	**297,541**	452,541	(155,000)

The goodwill mainly relates to the acquisition of Gruppo Coin by Icon on 30 June 2011 (€451,778,000, allocated to the OVS CGU).
Goodwill was tested for impairment: the results led to an impairment loss of €155 million and are shown in the "Impairment testing" section below.

Impairment testing

Pursuant to IAS 36, the Group verifies the recoverability of intangible assets with an indefinite useful life (goodwill and brands) when indicators of impairment are identified, and in any event at the closing date of the year, while for tangible assets and other assets with a finite useful life this takes place when indicators of impairment are identified. The recoverable amount of the cash-generating units (CGUs) to which the individual assets are allocated is verified by calculating their value in use and/or fair value.
The cash generating units identified by management coincide with the OVS, Upim and PIOMBO operating segments (the latter was not relevant at 31 January 2020, with a total value of invested capital of around €1.2 million), which include all services and products provided to customers.

a) OVS CGU

Impairment testing entailed the comparison of the carrying amount of the cash generating unit (CGU) and its value in use (VIU). It should be noted that the carrying amount of the OVS CGU includes goodwill, entirely allocated to the CGU, of the €452.5 million initially recognised, and the OVS brand, amounting to €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 2020 Budget and the business plan for the three years from 2020 to 2022 (the "Plan"), both drawn up by management and approved by the Board of Directors on 30 January 2020. Provisional cash flows for the OVS CGU were determined according to levels of turnover growth and EBITDA, based on both past operating and profit performance and on future projections;
- future cash flows, standardised to use for the terminal value, were constructed by consistently applying a growth rate "g" for EBITDA of 1.30% a year, applied to EBITDA in the final year of the Plan (down 30 bps compared with 31 January 2019). Annual investments were estimated consistently on the basis of the last year of the Plan (€40 million): this amount is believed to be representative of the

normalised investments needed to maintain existing fixed assets, while for the maintenance of the right of use assets an amount of annual investments equivalent to €109 million has been estimated;

- the discount rate (WACC) used to estimate the present value of cash flows was 6.39% and was determined based on the following assumptions: i) the risk-free rate used was 1.96%, corresponding to the return on ten-year government bonds issued by the Italian government; ii) the equity risk premium used was 5.24%, an average rate in line with both the results of the long-term analysis for industrialised countries and professional practices; iii) the beta coefficient was estimated based on a panel of comparable listed companies operating in the retail clothing sector; iv) borrowing costs (2.2%) were estimated as the one-month average of the ten-year EurIRS rate, plus a spread of 200 bps; and v) the debt/equity ratio used was calculated based on the average figure presented by a panel of comparable companies.

Based on the above considerations, the value in use of the OVS CGU at 31 January 2020 was €2,087 million. The comparison between the VIU (€2,087 million) and the carrying amount (net invested capital) of the OVS CGU (€1,836 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 2020, there is no impairment to be recognised.

Moreover, in view of the current context of uncertainty described in the Report on Operations at 31 January 2020, due to the Covid-19 pandemic, and the importance that this may have in complex valuation processes based on estimates, such as those described above, based on the calculation of a value in use, the Group’s management has carefully analysed the sustainability of the results of the impairment testing according to changes in the following assumptions of the model:

- 200 bps increase in the discount rate;
- 80 bps decrease in the growth rate;
- reduction in future cash flows of the OVS CGU due to an overall revision of the plan as described below.

The sensitivity in the plan developed by management seeks to modify the business plan approved by the Board on 30 January 2020 in order to understand the possible impacts of the crisis resulting from the Covid-19 pandemic.

Impacts on sales

The Prime Ministerial Decrees of 9 and 11 March 2020 ordered the closure of all stores in Italy, essentially eliminating the Group's revenues in March and April 2020. Since 14 April 2020, it has been possible to gradually reopen children's stores/departments, and the entire network is expected be reopened in May 2020. Sales will therefore fall sharply in May compared with 2019, given the only partial reopening.

The situation over the coming months is highly uncertain both at a macroeconomic level (e.g. trend in GDP, level of support from the European institutions) and in terms of appetite for clothing consumption; there are conflicting opinions on this last point, with some predicting a rebound in consumption (“revenge buying”) and others a decline (“less is more”).

The scenario is uncertain for the entire sector, as some competitors may be forced into restructuring and/or insolvency procedures, or may seek to maximise short-term cash generation with closing down sales and, in general, with much greater than average promotional pressure.

In this uncertain situation, the Group, taking a conservative approach, expects to register a significant drop in sales until the end of 2020. In 2021, starting with the A/W 2020 sales, consumption is expected to normalise with a return of sales to values comparable to 2019, albeit conservatively a few percentage points lower.

In subsequent years, no particular changes in turnover are currently foreseeable, subject to growth due to organic network expansion (substantially reduced to the level assumed in the Business Plan of 30 January 2020).

Similar impacts/forecasts also apply to activities abroad, which however have a marginal weight of less than 10% of the total business.

Impacts on costs

To respond to the drop in turnover, the Group has launched extraordinary measures involving all management areas. The sensitivity plan drawn up by management assumes, in relation to the main cost items:

- Cost of goods sold: the cost of goods sold decreases in proportion to sales. The 2020 goods that have remained unsold due to store closures and generally lower turnover are carried forward to 2021, thereby reducing that year’s volume of purchases. However, it may still be necessary to take action on promotional leverage during 2021 in order to sell the remaining goods, and the impact of the cost of goods sold is therefore expected to increase.
- Cost of store staff: decreases substantially in line with the trend in sales, falling to almost zero during the periods of closure, and a reduction of the workforce after the reopening. From 2021 a return to normal store organisation with a workforce largely in line with 2019.
- Rent and leases: free rent during the periods of closure and in the following months of 2020, a discount at least equal to the decrease in sales (i.e. essentially a transition to variable rent). The Group will seek to maintain a variable rent structure for subsequent years as well; the sensitivity scenario prudentially assumes a general return to pre-Covid-19 rent values, as sales recover.
- Premises and operating costs: these costs were essentially frozen during the period of closure and will be “contained” after the reopening; however, given the essentially fixed nature of some of them (e.g. electricity), they are expected to decrease to a lesser extent than sales compared with the 2019 baseline. A return to pre-Covid-19 values is expected from 2021.
- Logistics costs: no savings are expected in 2020 as the lower costs for undistributed goods will be offset by the cost of collecting and storing the unsold goods transferred to 2021.
- Head office costs: at the corporate level, the sensitivity scenario in 2020 includes a cost saving

resulting from the suspension of certain activities during the period of closure (as around 50% of office employees had access to the Cassa Integrazione lay-off fund) and a further reduction in external services is expected, in addition to the cuts made in 2019, as well as a significant reduction in marketing costs (for example due to the cancellation of the spring-summer 2020 campaigns). Lastly, some savings will be structural, so the 2021 cost is in any case expected to be lower than the 2019 baseline by a few percentage points.

Impacts on investments

Given the uncertain situation and the financial tensions caused by the drop in turnover, the Group has revised its 2020 investment plan, reducing the number of new store openings and suspending some projects not strictly necessary. The sensitivity scenario incorporates this approach, while in subsequent years it assumes a substantial realignment with the 2019 investment values.

Impacts on commercial working capital

Trade receivables: approximately 15%-20% of the Group's turnover is generated through the franchising channel, also seriously affected by the Covid-19 crisis. The 2020 scenario therefore incorporates extraordinary extensions granted by the Group to some franchisees in difficulty. Almost all of these extensions are expected to end in 2021.

Inventories: the 2020 sensitivity scenario includes a significant increase in inventory, reflecting the 2020 goods left unsold and carried forward to 2021; consequently, 2021 will be a year of de-stocking, with the value of the inventories at the end of the year essentially in line with the situation at the end of 2019, except for a slight increase due to the physiological development of the network.

Trade payables: the scenario assumes that any extensions obtained by suppliers during the emergency phase will essentially expire by the end of the year, with the exception of some rent deferrals, which are in any case expected to end in 2021.

Impacts on other financial statement items

The sensitivity scenario does not envisage significant changes in other items, except for:

- Provision for leave in previous years: the provision was substantially reduced in 2020 as employees had to take the remaining leave during the period of closure and before accessing the lay-off fund;
- Provision for employee severance benefits: a reduction according to the normal and progressive departures of employees who, until 2006, accumulated the provision at OVS S.p.A.;
- Provision for taxes: phasing out during 2020 due to payments of tax balances commensurate with 2019 income well above those pertaining to 2020.

These sensitivity analyses, performed separately for each of the above assumptions, entail write-downs to be recorded in 2019 in relation to the OVS CGU of €117 million for WACC sensitivity and of €155 million for future cash flow sensitivity, while g rate sensitivity shows cover of €93 million.

In view of the significant impact of the current pandemic on the assumptions underlying the estimated flows and the overall uncertainty of the Italian economic environment in which the OVS Group primarily operates, it seemed prudent and appropriate to incorporate into the financial statements for the year ended 31 January 2020 the results of the impairment test conducted on the basis of a revision of flows to take account of, and give greater weight to, information currently being obtained externally, and in particular the actual and projected data for the financial year that commenced on 1 February 2020. This resulted in an impairment loss, entirely attributed to the goodwill item relating to the OVS CGU, of €155,000 thousand.

b) Upim CGU

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

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

- the projected cash flows for the Upim operating segment were extrapolated from the 2020 Budget and the business plan for the three years from 2020 to 2022 (the "Plan"), both drawn up by management and approved by the Board of Directors. Provisional cash flows for the Upim CGU were determined according to levels of turnover growth and EBITDA, based on both past operating and profit performance and on future projections;
- expected future cash flows, standardised to use for the terminal value, were constructed by consistently applying a growth rate "g" for EBITDA of 1.30% a year (down 30 bps compared with 31 January 2019) applied to EBITDA in the final year of the Plan. Annual investments were estimated consistently on the basis of the last year of the Plan (€22 million): this amount is believed to be representative of the standardised investments needed to maintain existing fixed assets, while for the maintenance of the right of use assets an amount of annual investments equivalent to €26 million has been estimated;
- the discount rate (WACC) used to estimate the present value of cash flows was 6.21% and was determined based on the following assumptions: i) the risk-free rate used was 1.96%, corresponding to the return on ten-year government bonds issued by the Italian government; ii) the equity risk premium used was 5.24%, an average rate in line with both the results of the long-term analysis for industrialised countries and professional practices; iii) the beta coefficient was estimated based on a panel of comparable listed companies operating in the retail clothing sector; iv) borrowing costs (2.2%) were estimated as the one-month average of the ten-year EurIRS rate, plus a spread of 200 bps; and v) the debt/equity ratio used was calculated based on the average figure presented by a panel of comparable companies.

Based on the above considerations, the VIU of the Upim CGU at 31 January 2020 was €466 million. The comparison between the VIU (€466 million) and the carrying amount (net invested capital) of the Upim CGU (€248 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:

- 200 bps increase in the discount rate;
- 80 bps decrease in the growth rate;
- reduction in future cash flows of the Upim CGU due to an overall revision of the plan as detailed below.

These sensitivity analyses, performed separately for each of the above assumptions, would not, however, result in write-downs to be recorded in 2019 in relation to the Upim CGU.

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

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

The key assumptions used to determine the value in use of the CGUs concern the discounting rate and the growth rate. Specifically, the post-tax discount rate of the belonging CGU was used and no growth rate was predicted for the period following the 2020 Budget.

Based on the analysis performed, in the current year the store licences for 17 stores in the Coin segment and six stores in the Upim segment were written down for a total amount of €7,377 thousand. At the same time, the licences previously written down, relating to one OVS store and three Upim stores, were written back for a total amount of €1,008 thousand.

		31.01.2020	31.01.2019	change
12	**Equity investments**	**136**	136	0

This item includes the equity investment of 31.63% held by OVS S.p.A. in the Centomilacandele S.C.p.A. consortium of €136 thousands.

		31.01.2020	31.01.2019	change
13	**Current financial liabilities**	**38,871**	30,569	8,302
13	**Non-current financial liabilities**	**313,773**	374,190	(60,417)

The breakdown of the "Current financial liabilities" and "Non-current financial liabilities" items at 31 January 2020 and 31 January 2019 is shown below:

(amounts in thousands of euros)	31.01.2020	31.01.2019
Current bank payables	5,245	28,793
Current portion of non-current debt	32,818	0
Other current financial payables	808	1,776
Passività finanziarie correnti	**38,871**	**30,569**
Non-current bank payables	313,773	373,621
Other non-current financial payables	0	569
Non-current financial liabilities	**313,773**	**374,190**

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

The OVS Group's current and non-current bank payables at 31 January 2020 are shown below:

(amounts in thousands of euros)	Maturity date	Interest rate	At 31 January 2020		
			Total	of which non-current portion	of which current portion
Due for financial expenses			5,245	-	5,245
Current bank payables			**5,245**	**-**	**5,245**
Facility B1	2023	Euribor + 3.75%	250,000	250,000	-
Facility B2	2023	Euribor + 3.50%	100,000	66,667	33,333
Loan ancillary costs			(3,409)	(2,894)	(514)
Non-current bank payables			**346,591**	**313,773**	**32,818**

The credit facilities available to the Group at 31 January 2020 relate almost entirely to the loan agreement initially signed on 23 January 2015, disbursed on 2 March 2015 (the "Loan Agreement"), subsequently amended and modified on 19 September 2019, for a total amount of €450,000,000, which provides for the granting of:

- a medium/long-term facility of €250,000,000 (Term B1);
- an amortising facility of €100,000,000, with half-yearly repayments of equal amounts as of 28 February 2020 (Term B2);
- a revolving facility of €100,000,000, which can be drawn down in various currencies (the "Revolving Facility").

The applicable interest rate for the Term B1 Facility at 31 January 2020 was equal to the sum of (i) the margin of 3.75% per annum (the “Margin”) and (ii) the Euribor parameter or, in the case of draw-downs in currencies other than the euro, the Libor parameter (the “Interest”). The applicable interest rate for both the Term B2 Facility and the Revolving Facility at 31 January 2020 is equal to the sum of (i) the margin of 3.50% per annum (the “Margin”) and (ii) the Euribor parameter or, in the case of draw-downs in currencies other than the euro, the Libor parameter (the “Interest”). Both rates are set at zero if the parameter is negative. The Interest is calculated on a quarterly or half-yearly basis for Term B1 and Term B2, and on a monthly, quarterly or half-yearly basis for the Revolving Facility (unless otherwise agreed between the parties).

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

- if the ratio of average total net debt to EBITDA is greater than or equal to 3.00:1, the applicable Margin is 3.75%;
- if the ratio of average total net debt to EBITDA is less than 3.00:1 but greater than or equal to 2.00:1, the applicable Margin is 3.50%;
- if the ratio of average total net debt to EBITDA is less than 2.00:1 but greater than or equal to 1.50:1, the applicable Margin is 3.00%; and
- if the ratio of average total net debt to EBITDA is less than 1.50:1, the applicable Margin is 2.50%.

At 31 January 2020, the ratio of average financial debt to EBITDA was 2.60x. The Margin will therefore remain unchanged under the current contractual terms. The next test is scheduled on data at 30 April 2020. The final due date of the Amendment and Restatement Agreement, which also coincides with the repayment date for the credit facilities, is fixed as 2 March 2023.

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

1. the assignment as collateral of receivables arising from any inter-company loan for which OVS S.p.A. is the lending party;
2. the assignment as collateral of trade and insurance receivables (mainly receivables for the supply of products to the franchising affiliates and insurance receivables);
3. a lien on some corporate assets (mainly furnishings and equipment related to the business of OVS)

owned by the Group;

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

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

In terms of financial obligations, the only parameter that OVS S.p.A. is committed to comply with is the leverage ratio, i.e. the OVS Group's ratio of net debt to EBITDA, on a consolidated basis. As of 31 July 2015, this ratio must be equal to or less than 3.50:1 for each 12-month period ending in a reporting date (i.e. 31 January, 30 April, 31 July and 31 October of each year), according to a calculation based on the consolidated financial statements and consolidated half-year reports of the OVS Group, except for the test of July 2015 and January 2016, in which average net debt was calculated based on the final value of each month that had actually passed since the disbursement date. As previously mentioned, at 31 January 2020, the ratio of average financial debt to EBITDA was 2.60. The obligation is therefore fulfilled.

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

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

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

It should be noted that, as shown at the close of the annual consolidated financial statements at 31 January 2019 and the Half-year Financial Report at 31 July 2019, the process of refinancing the entire financial package in place at 31 January 2019 was completed on 18 September 2019, when OVS S.p.A. received the letter proposing the amendment agreement for the existing Loan Agreement signed by the agent bank and the lending banks. This agreement (the "Amendment and Restatement Agreement") was intended to implement the considerable contractual amendments previously submitted by the company to its lending banks.

In particular, these changes concerned, *inter alia*:

(i) the extension of the repayment date applicable to Facility B and the Revolving Facility with final maturity deferred from 2 March 2020 to 2 March 2023;

(ii) the partial repayment of Facility B in the amount of €25,000,000 as a condition precedent of the effectiveness of the Amendment and Restatement Agreement, as a result of which the share of the loan of each lending bank party to the Loan Agreement at the time was partially changed;

(iii) the division of the remainder of Facility B into two facilities, i.e. Facility B1 of €250,000,000, maturing on 2 March 2023, and amortised Facility B2 of €100,000,000, to be repaid in six equal half-yearly instalments starting on 28 February 2020 (with the final instalment on 28 August 2022);

(iv) the addition of a period of limitation on the use of the Revolving Facility, whose amount remains unchanged at €100,000,000 and whose final repayment deadline is also set at 2 March 2023; this limitation provides that the difference between the draw-down of the Revolving Facility and the net cash balance shall not exceed €25,000,000 for a period of at least five days in each year (the "clean-down period"); a period of no less than six months must also elapse between each period tested;

(v) provision for a further assumed mandatory early repayment proportionate to any surplus annual cash flows ("cash sweep") commencing from the year ending 31 January 2021, to be applied for the purposes of repayment of Facility B1 and subsequently for the pro rata repayment of the Facility B2 instalments;

(vi) some limitations on the distribution of dividends linked to leverage parameters: specifically, these are not permitted in the event that leverage is equal to or more than 2.25x; in the event that it is lower, distribution remains subject to the obligations under the cash sweep clause indicated in the preceding point and, with regard to distribution of the 2019 profits only, to a maximum limit of €10,000,000 or 3% of the dividend yield, if lower;

(vii) the amendment of the financial parameters previously provided pursuant to the Loan Agreement signed on 23 January 2015;

(viii) the amendment in the Company's favour of the change of control clause currently provided in the Loan Agreement, including in light of its current shareholding structure as a listed company; and

(ix) an increase in the margin applicable to the financial package that, depending on the various lines, ranges from 25 to 50 bps.

After receiving the aforementioned letter proposing the Amendment and Restatement Agreement, on 19 September 2019, the Parent Company, OVS S.p.A., formally signed the relevant letter of acceptance and in the following days fulfilled the conditions precedent provided under the same Amendment and Restatement Agreement. On 3 October 2019, the agreement and the amendments listed above became fully effective.

It should also be noted that, on 26 February 2018, a loan agreement was signed with Deutsche Bank S.p.A. for 18 months minus one day, falling due on 25 August 2019, for a total amount of €10 million. The rate applied was equal to the 3-month Euribor plus a margin of 0.60%. If the 3-month Euribor was less than 0, the applicable rate remained equal to the Margin.

The agreement provided for quarterly repayments of €1.6 million in six instalments.

At the reporting date (31 January 2020), the loan had been duly repaid with the payment of the last instalment in August 2019.

The breakdown of the consolidated net financial debt of the OVS Group at 31 January 2020 and 31 January 2019, determined according to the provisions of the Consob Communication of 28 July 2006 and pursuant to the ESMA/2013/319 Recommendations, also including the effects on debt of the application of IFRS 16, is as follows:

(amounts in thousands of euros)	31.01.2020	31.01.2020 excluded IFRS 16	31.01.2019
Net debt			
A. Cash	45,656	45,656	27,876
B. Cash equivalents	-	-	-
C. Securities held for trading	-	-	-
D. Liquid assets (A)+(B)+(C)	**45,656**	**45,656**	**27,876**
E. Current financial receivables	**11,763**	**7,572**	**11,797**
F. Current bank payables	(5,245)	(5,245)	(28,793)
G. Current portion of non-current debt	(32,818)	(32,818)	-
H. Other current financial payables	(134,616)	(1,745)	(1,776)
I. Current debt (F)+(G)+(H)	**(172,679)**	**(39,808)**	**(30,569)**
J. Net current debt (I)+(E)+(D)	**(115,260)**	**13,420**	**9,104**
K. Non-current bank payables	(313,773)	(313,773)	(373,621)
L. Bonds issued	-	-	-
M. Other non-current financial payables	(772,998)	(1,970)	(569)
N. Non-current debt (K)+(L)+(M)	**(1,086,771)**	**(315,743)**	**(374,190)**
O. Net debt (J)+(N)	**(1,202,031)**	**(302,323)**	**(365,086)**
Non-current financial receivables	**10,657**	**34**	**172**
Net financial position	**(1,191,374)**	**(302,289)**	**(364,914)**

Other current and non-current financial payables

The following table shows the breakdown of other current and non-current financial payables at 31 January 2020 and at 31 January 2019:

(amounts in thousands of euros)	31.01.2020	31.01.2020 excluded IFRS 16	31.01.2019
Derivatives	-	-	1,229
Payables for finance leases	133,808	937	547
Liabilities to factoring companies	808	808	-
Other current financial payables	**134,616**	**1,745**	**1,776**
Derivatives	-	-	-
Payables for finance leases	772,998	1,970	569
Other non-current financial payables	**772,998**	**1,970**	**569**

		31.01.2020	31.01.2019	change
14	**Current financial liabilites for leases**	**133,808**	0	133,808
14	**Non-current financial liabilites for leases**	**772,998**	0	772,998

With regard to the financial liabilities for leasing recognised on first-time adoption of IFRS 16, please see the extensive comments in the section above on accounting policies and consolidation criteria.

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	
	31.01.2020	**31.01.2019**	**31.01.2020**	**31.01.2019**
Within 1 year	180,927	550	133,808	547
From 1 to 5 years	541,846	571	416,810	569
Beyond 5 years	417,172	0	356,188	0
Total	**1,139,945**	**1,121**	**906,806**	**1,116**

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

	31.01.2020	**31.01.2019**
Minimum payments owed for finance leases	1,139,945	1,121
(Future financial expenses)	(233,139)	(5)
Present value of payables for finance leases	906,806	1,116

It should be noted that the reconciliation of the rental obligations shown in the 2018 Annual Report with finance lease payables at the start for the year (as required by IFRS 16) reflected only one year of rental obligations, given the presence of the right of withdrawal in the lease agreements entered into by the Group.

	31.01.2020	**31.01.2019**	**change**
15 Trade payables	**321,146**	350,981	(29,835)

The breakdown of the “Trade payables” item at 31 January 2020 and 31 January 2019 is provided below:

(amounts in thousands of euros)	**31.01.2020**	**31.01.2019**	**change**
Payables to third-party suppliers	321,121	349,000	(27,879)
Payables to related parties	25	1,981	(1,956)
Trade payables	**321,146**	**350,981**	**(29,835)**

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 €176,013 thousand; it also includes exposure in foreign currency (mainly USD) amounting to USD168,839 thousand.

		31.01.2020	31.01.2019	change
16	**Current tax liabilities**	**0**	0	0

Current taxes accrued during the year for IRAP (€4,501 thousand) and IRES (€356 thousand) are fully offset with excess payments on account.

		31.01.2020	31.01.2019	change
17	**Other current payables**	**128,215**	129,787	(1,572)
17	**Other non-current payables**	**16,883**	35,840	(18,957)

The breakdown of the "Other payables" item into current and non-current at 31 January 2020 and at 31 January 2019 is shown below:

	31.01.2020	31.01.2019	change
Payables to employees for unused leave and related contributions	7,929	8,130	(201)
Payables to employees for deferred salaries, overtime, bonuses and related contributions	22,545	22,421	124
Payables to Directors and Auditors for emoluments	586	438	148
Other payables	25,636	24,257	1,379
Payables to pension and social security institutions	8,418	7,420	998
VAT payables	35,452	39,642	(4,190)
Other tax payables	3,148	3,519	(371)
Other payables - to customers	280	205	75
Accrued expenses and deferred income - rents and leasing	4,924	6,624	(1,700)
Accrued expenses and deferred income - utilities	3,469	3,057	412
Accrued expenses and deferred income - insurance	602	763	(161)
Accrued expenses and deferred income - other	15,226	13,311	1,915
Total current payables	**128,215**	**129,787**	**(1,572)**
Linearisation of rents	0	11,765	(11,765)
Trade payables	7,245	12,643	(5,398)
Accrued expenses and deferred income - other	9,638	11,432	(1,794)
Total non-current payables	**16,883**	**35,840**	**(18,957)**

"Payables to employees" relate to benefits accrued and not paid out at 31 January 2020.

"Other payables" mainly relate to the recognition of €14,279 thousand for the value of expected returns on sales made, pursuant to IFRS 15.

The balance also includes advance payments by customers for pre-orders of goods and purchases of vouchers amounting to €6,109 thousand, and payables for deposits and securities received from customers to guarantee affiliation agreements of €5,186 thousand.

The increase in payables to pension and social security institutions reflects payables to the INPS.

At the reporting date, the Group had a VAT payable deriving from retail and wholesale sales and to a lesser extent from the sale of goods and services.

The “Other tax payables” item includes IRPEF (personal tax) on employees, payables to local tax offices and payables for unpaid withholding tax.
The “Other accrued expenses/deferred income” item includes €7,433 thousand of accrued expenses for local taxes, €783 thousand of travel expenses, €393 thousand of bank charges, €2,096 thousand of deferred income for contributions payable by partners and lessors and €2,255 thousand of unredeemed reward points relating to customer loyalty programmes.

“Non-current payables” also include €8,898 thousand as the non-current portion of deferred income for contributions recognised by lessors after store restructurings and conversions. These contributions were discounted based on the term of the lease. The same item includes €616 thousand relating to the deferral of the contribution deriving from investments in new capital goods, which benefited from the “Tremonti-quater” exemption. Note that investments were booked including the contribution amount, which was spread throughout the period of depreciation of the goods concerned.
Due to adoption of the new IFRS 16 accounting standard, the payable recognised until the previous year as an effect of the linearisation of leases with payment instalments increasing throughout the term of the lease, was fully disbursed in the amount of €11,765 thousand at the transition date.
Lastly, supplier payables of €7,245 thousand due beyond 12 months are shown, which relate to the restructurings carried out during the previous year through the use of a vendor financing instrument, the cash out of which is expected to be in line with the growth in EBITDA at the store level in the next three years.

		31.01.2020	31.01.2019	change
18	**Employee benefits**	**37,044**	38,348	(1,304)

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

(amounts in thousands of euros)	31.01.2020	31.01.2019
Balance at the beginning of the year	**38,348**	**38,647**
Increase in the year	356	634
Actuarial (gains)/losses	1,485	1,242
Benefits paid	(3,145)	(2,175)
Balance at the end of the year	**37,044**	**38,348**

The item also includes €84 thousand relating to a pension provision, which is disbursed when employees retire. Like the employee severance benefits, the provision is calculated on an actuarial basis using the "projected unit credit" method.

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

Demographic assumptions:

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

Economic and financial assumptions:

Annual discount rate	0.12%
Annual inflation rate	1.00%
Annual increase in employee severance indemnities	2.25%

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

Sensitivity analysis

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

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

	Annual discount rate		Annual inflation rate		Annual turn over rate	
(amounts in millions of euros)	**+0.50%**	**-0.50%**	**+0.25%**	**-0.25%**	**+2.00%**	**-2.00%**
OVS	35.5	38.5	37.4	36.5	36.4	37.6

Future cash flows

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

years	Cash Flow
0 - 1	2.6
1 - 2	2.8
2 - 3	2.5
3 - 4	2.4
4 - 5	2.1
5 - beyond	24.9

The average number of personnel during the year just ended was 98 managers, 6,638 white-collar workers and 263 blue-collar workers.

At 31 January 2020, the Group had 97 managers, 6,606 white-collar workers and 256 blue-collar workers in its employ.

		31.01.2020	31.01.2019	change
19	**Provisions for risks and charges**	**4,687**	4,873	(186)

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

(amounts in thousands of euros)	31.01.2020	31.01.2019
Balance at the beginning of the year	**4,873**	**5,024**
Allocations in the year	1,033	0
Utilisations in the year	(1,219)	(151)
Balance at the end of the year	**4,687**	**4,873**

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 €1.0 million relates to legal or contractual risks.

The decrease of €1,219 thousand refers to utilisations of previous provisions made for disputes with former employees and various legal cases.

		31.01.2020	31.01.2019	change
20	**Deferred tax liabilities**	**127,799**	124,435	3,364

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

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

The same details are shown for the previous year:

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

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

SHAREHOLDERS' EQUITY

Shareholders' equity amounted to €728.8 million.
Details of changes in the items included in shareholders' equity are provided in the relative accounting schedule.

21 Share capital

At 31 January 2020, the share capital of OVS S.p.A. amounted to €227,000,000, comprising 227,000,000 ordinary shares with no par value.
OVS was incorporated on 14 May 2014 with share capital of €10,000.
The Transferral of the OVS-Upim Business Unit by the then sole shareholder Gruppo Coin S.p.A., which took effect as of 31 July 2014, entailed a share capital increase from €10,000 to €140,000,000, with a premium of €249,885,000.
Lastly, on 24 February 2015, the global offer for subscription and sale of ordinary shares of OVS S.p.A., with the aim of listing this company on the MTA, was successfully completed.
The subscription operation entailed a further capital increase of €87,000,000, increasing the share capital from €140,000,000 to €227,000,000, divided into 227,000,000 ordinary shares with no par value.

21 Treasury shares

At 31 January 2020, OVS S.p.A. held a total of 809,226 treasury shares, equal to 0.356% of the share capital, for a total amount of €1,496 thousand. All of the shares were purchased in 2018. No further purchases/disposals took place in 2019.
These transactions were carried out as part of the authorisation to buy treasury shares approved by the Shareholders' Meeting on 31 May 2018. The Shareholders' Meeting authorised, pursuant to Article 2357 *et seq*. of the Italian Civil Code and Article 132 of Legislative Decree 58 of 24 February 1998, the purchase of the Issuer's treasury shares, on one or more occasions, up to a maximum number that, taking into account the ordinary shares of OVS held from time to time by the Parent Company and its subsidiaries, does not exceed, in total, 10% of the Issuer's share capital, for a period not exceeding 18 months from the date of the resolution.

21 Other reserves

The breakdown of other reserves is as follows:

The **share premium reserve**, amounting to €512.0 million, derives from increases in the capital of OVS S.p.A., as previously mentioned, and is shown net of listing costs of €7,590 thousand (gross costs of €10,469 thousand and deferred tax of €2,879 thousand).
With regard to the accounting treatment applied to these costs, pursuant to IAS 32, following the positive outcome of the listing process, the ratio between the number of new shares/number of shares post-listing determined the percentage of charges registered as a direct reduction in shareholders' equity, while the remainder was recognised under costs in the income statement.
The **legal reserve** came to €9.9 million, and was created when earnings for previous years were allocated.
There are also **other reserves**, with a positive net balance of €122.1 million, which mainly include retained earnings of €114.5 million, the effects of the direct recognition in shareholders' equity of actuarial gains/(losses) relating to employee severance benefits, the translation reserve and the effects of booking management incentive plans in equity reserves in accordance with the provisions of IFRS 2 (see also note 25 ("Staff costs") and the impacts of the adoption of IFRS 9 and IFRS 16 on the date of the respective transition.

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

(amounts in thousands of euros)	**2019**	**2018**
Value at beginning of year	**(2,532)**	**(1,589)**
Change in provision for employee severance benefits under IAS 19	(1,485)	(1,241)
Deferred tax effect	356	298
Total changes	*(1,129)*	*(943)*
Value at end of year	**(3,661)**	**(2,532)**

21 Minority interest capital and reserves

Minority interests relate to the incorporation, during 2017, of 82 S.r.l., which is 70% owned by OVS S.p.A. and 30% owned by Massimo Piombo. The amount shown includes €3 thousand for share capital and a negative €271 thousand for net losses accrued for start-up costs.

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

NOTES TO THE CONSOLIDATED INCOME STATEMENT

Details of some income statement items are shown below (values are expressed in thousands of euro).

22 Revenues

The breakdown of the “Revenues” item is as follows:

	31.01.2020	31.01.2019
Revenues from retail sales	1,387,774	1,417,195
VAT on retail sales	(249,902)	(256,080)
Net sales	**1,137,872**	**1,161,115**
Revenues from sales to affiliates, administered and wholesale	236,611	295,739
Subtotal net sales	**1,374,483**	**1,456,854**
Revenues from services	294	300
Total	**1,374,777**	**1,457,154**

23 Other operating income and revenues

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

	31.01.2020	31.01.2019
Revenues from services rendered	43,620	43,891
Rental and leasing revenues	12,932	18,623
Damages	1,261	844
Capital gains from asset disposals	3,586	40
Other revenues	6,255	5,515
Total	**67,654**	**68,913**

Revenues from services provided mainly relate to the provision of professional services, the recovery of transport expenses, the recovery of advertising expenses, promotional contributions and charges for staff costs and other services provided, including fees from commercial partners in concessions at the OVS Group's stores.

The item “Rental income and leases” mainly comprises rent from concession partners at OVS and Upim stores.

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

With regard to the transfer of rental income and leases relating to sub-leases under the new IFRS 16 accounting standard, please see the extensive comments in the previous section above on accounting policies and consolidation criteria.

24 Purchases of raw materials, consumables and goods

Purchases of raw materials, supplies, consumables and goods mainly consist of purchases of products for sale and amount to €616,746 thousand.
The item breaks down as follows:

	31.01.2020	31.01.2019
Purchase of raw materials, consumables and goods	598,885	691,089
Change in inventories	17,861	(23,595)
Total	**616,746**	**667,494**

The consideration in euros for purchases abroad, mainly in dollars, including ancillary costs, is €499,783 thousand.

25 Staff costs

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

	31.01.2020	31.01.2019
Wages and salaries	210,451	214,744
Social security charges	63,313	61,817
Employee severance benefits	13,072	13,257
Other staff costs	2,418	1,615
Directors' fees	1,272	1,155
Total	**290,526**	**292,588**

The number of employees, expressed as the "full-time equivalent" headcount, was 6,084 at the end of the year, compared with 6,095 at 31 January 2019.

SHARE BASED PAYMENTS

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

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

Information on the modalities for exercising options is provided below.

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

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

In execution of the powers received from the Shareholders' Meeting, the Board of Directors granted a total of 14,036,375 options, none of which had been exercised by 31 January 2020.

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

Plan	Assignable	Assigned	Exercised
2015-2020	6,125	5,101,375	-
2017-2022	145,000	3,935,000	-
2019-2022	-	5,000,000	-
Total	**151,125**	**14,036,375**	**-**

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

beneficiaries of the stock option plan called the “2015-2020 Plan”.

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

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

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

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

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

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

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

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

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

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

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

The Plan described above is defined as equity-settled pursuant to IFRS 2. In accordance with this accounting standard, the fair value of the Plans was estimated at the grant date, using the Black-Scholes method. The portion of the overall fair value of the individual Plans pertaining to the reporting period has therefore been recognised in the income statement. In particular, staff costs attributable to the granting of OVS shares, amounting to €7,282 thousand (of which €7,156 thousand was accounted for at 31 January 2019), were recognised with a balancing entry in shareholders' equity. It should also be noted that during the year, 446,000 options lapsed that had accrued to Beneficiaries who left the Group as good leavers and did not exercise the right by the deadline established in the event of termination of the employment relationship. This entailed a reversal of the IFRS 2 reserve of €865 thousand.

The movements recorded in the various Stock Option Plans in 2019 are as follows:

Stock Option Plan	Price	Currency	Options at 31.01.2019	Options Assigned	Cancelled	Exercised	Forfeited	Options at 31.01.2020
2015-2020 Plan	4.88	Eur	3,771,100	-	(842,275)	-	(402,000)	2,526,825
2017-2022 Plan	6.39	Eur	2,399,500	-	(673,000)	-	(44,000)	1,682,500
2019-2022 Plan	1.85	Eur	5,000,000	-	-	-	-	5,000,000

At 31 January 2020, 9,209,325 options were potentially exercisable (accrued or accruable).

No options were exercised in 2019.

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

26 Depreciation, amortisation and write-downs of assets

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

	31.01.2020	**31.01.2019**
Amortisation of intangible assets	19,108	17,886
Depreciation of tangible assets	45,018	46,316
Amortisation of right of use	148,665	0
Write-downs of tangible and intangible assets	164,140	2,987
Total	**376,931**	**67,189**

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.

In the 2019 financial year, the item "Write-downs of tangible and intangible assets" included the goodwill write-down of €155.0 million, as measured by the impairment test at 31 January 2020. For further details, see note 11 above.

The item includes write-downs of assets due to store closures that have already taken place or are planned, and/or the results of impairment testing on the stores.

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

For a detailed analysis, please see the extensive comments in the section above on accounting policies and consolidation criteria, as well as Table no. 2 appended, concerning changes in the period.

27 Other operating expenses: Service costs

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

	31.01.2020	31.01.2019
Advertising	21,284	24,386
Utilities	35,171	34,021
Miscellaneous sales costs	52,634	55,373
Service costs - professional and consulting services	23,472	29,395
Travel and other employee expenses	11,595	13,404
Insurance	2,923	3,010
Maintenance, cleaning and security	30,406	34,083
Service costs - other services	1,393	4,070
Board of Statutory Auditors' fees / Supervisory Body	209	207
Total	**179,087**	**197,949**

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

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

	31.01.2020	31.01.2019
Rental costs and ancillary charges	26,434	197,779
Leasing of plant, equipment and vehicles	3,161	3,879
Total	**29,595**	**201,658**

The item “Rental costs and ancillary charges” mainly includes rents deriving from leases accounted for outside the scope of IFRS 16 and the service charges of the sales network. The leases were entered into under arm's length conditions.

With regard to the transfer of rental costs and leases under the new IFRS 16 accounting standard, please see the extensive comments in the section above on accounting policies and consolidation criteria.

29 Other operating expenses: Write-downs and provisions

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

	31.01.2020	31.01.2019
Doubtful accounts	5,955	28,026
Provisions for risks	1,033	0
Total	**6,988**	**28,026**

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

30 Other operating expenses: Other operating charges

Other operating charges break down as follows:

	31.01.2020	31.01.2019
Materials and equipment for offices and stores	6,897	8,301
Taxes	11,275	11,143
Capital losses	2,148	1,489
Donations	515	540
Corporate expenses	569	672
Other general and administrative expenses	1,125	1,233
Other operating expenses	4,006	40,548
Total	**26,535**	**63,925**

The "Other operating expenses" item mainly comprises €965 thousand relating to rebates, fines and rounding liabilities and €20 thousand for discounts on partner goods distributed to customers during special events; the same item also includes transactional agreements with lessors and suppliers for €2,655 thousand, and miscellaneous reimbursements for expenses.

With regard to the 2018 comparison year, the non-recurring expenses shown refer to the termination of relations with the Swiss partner relating to transactions (€9,088 thousand) and losses on receivables (€28,407 thousand). Finally, the sale of the property used as an operating headquarters resulted in a capital loss of €1,180 thousand in 2018.

31 Financial income (expenses)

FINANCIAL INCOME

	31.01.2020	31.01.2019
Financial income on bank current accounts	21	28
Financial income from miscellaneous sources	20	20
Financial income on financial assets for leases	1,098	0
Income from related company	0	1,114
Total	**1,139**	**1,162**

FINANCIAL EXPENSES

	31.01.2020	31.01.2019
Financial expenses on bank current accounts	9	13
Financial expenses on loans	15,751	12,851
Interests on lease liabilities	51,934	155
Interest cost on provision for employee severance benefits	345	506
Other financial expenses/fees	4,389	4,263
Total	**72,428**	**17,788**

Other financial expenses on loans mainly include fees associated with existing loans.

With regard to the financial income/expenses for leases due to adoption of IFRS 16, please see the extensive comments in the section above on accounting policies and consolidation criteria.
The weighted average IBR applied to FY 2019 was 5.80%.

FOREIGN EXCHANGE GAINS AND LOSSES

	31.01.2020	31.01.2019
Foreign exchange gains	24,688	2,539
Foreign exchange losses	(1,813)	(29,683)
Gains (losses) on the change in fair value of currency derivatives	(3,134)	70,637
Total	**19,741**	**43,493**

GAINS (LOSSES) FROM EQUITY INVESTMENTS

	31.01.2020	31.01.2019
Write-downs of equity investments	1,095	(1,260)
Total	**1,095**	**(1,260)**

32 Taxes

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

	31.01.2020	31.01.2019
IRES tax	356	15,382
IRAP tax	4,501	5,510
Tax on foreign companies	529	478
Deferred tax (net change)	562	(13,854)
Total	**5,948**	**7,516**

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

(amounts in thousands of euros)	31.01.2020	%	31.01.2019	%
Net result for the year before tax	(134,430)		32,845	
Theoretical income tax (IRES)	32,263	(24.0)%	(7,883)	(24.0)%
IRAP	(4,501)	3.4%	(5,510)	(16.8)%
Tax effect of permanent differences and other differences	(33,710)	25.1%	5,877	17.9%
Taxes	**(5,948)**		**(7,516)**	
Effective tax rate		**4.4%**		**(22.9)%**

As already mentioned, the net result for the year was heavily influenced by the partial write-down of the value of goodwill, determined during the PPA, of €155 million.

This item is not tax-related, therefore taxes amounted to €5.9 million. Net of the write-down in question, profit before tax would have been positive for €20.6 million, with a tax rate of 28.9%.

On 9 July 2018, at the conclusion of the tax audit of OVS S.p.A. by the Venice Tax Police, which began on 13 December 2017, the report on findings was notified by the auditors.

The audit related to:

- for IRAP and IRES purposes, the tax periods 2014, 2015 and 2016;
- for VAT purposes, the years 2014, 2015, 2016 and part of 2017, until 13 December 2017;
- for the purposes of substitute tax, the years 2014, 2015, 2016 and part of 2017, until 13 December 2017.

The report contained some findings, mainly on the subject of VAT, which the Parent Company has refuted in the document “Response to the Report on Findings”, filed with the Major Taxpayers Office of the Venice Regional Revenue Department.

In May 2019, assessment notices were notified on completion of the report in question, relating to VAT in 2014 and VAT in 2016 and 2017, which entailed requests for payment totalling €21 thousand, already net of €40 thousand for VAT claimed but to be repaid.

With the payment of the above amount, OVS S.p.A. resolved all the above assessment notices.

EARNINGS PER SHARE

As previously indicated, due to the listing of the Parent Company, OVS S.p.A., in March 2015, the current share capital was divided into 227,000,000 shares with no par value.

The calculation of earnings per share shown in the following table is based on the ratio of earnings attributable to the Group to the weighted average number of shares of OVS S.p.A. outstanding in the period, net of treasury shares held (809,226 shares, equal to 0.356% of the share capital).

	31.01.2020	**31.01.2019**
Result for the year (in thousands of euros)	(140,389)	25,540
Number of ordinary shares at the end of the year	227,000,000	227,000,000
Average weighted number of shares outstanding for the calculation of basic earnings per share	226,190,774	226,785,241
Basic earnings per share (in euros)	**(0.62)**	**0.11**
Diluted earnings per share (in euros)	**(0.60)**	**0.11**

Diluted earnings per share were in line with basic earnings per share, as at 31 January 2020 the dilutive effects of stock option plans were not significant.

RELATIONS WITH RELATED PARTIES

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

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

(amounts in thousands of euros)	Related parties						
	Coin S.p.A.	Centomila-candele S.c.p.a.	Sempione Retail AG	Directors and managers with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Trade receivables							
At 31 January 2020	1,836	-	-	-	1,836	85,981	2.1%
Current financial assets for leases							
At 31 January 2020	1,246	-	-	-	1,246	4,191	29.7%
Non-current financial assets for leases							
At 31 January 2020	2,620	-	-	-	2,620	10,623	24.7%
Trade payables							
At 31 January 2020	(99)	74	-	-	(25)	(321,146)	0.0%
Other current payables							
At 31 January 2020	-	-	-	(1,737)	(1,737)	(128,215)	1.4%

At 31 January 2019, the lending and borrowing relations with related parties were as follows:

(amounts in thousands of euros)	Related parties													
	ICON S.p.A. (f.k.a. Gruppo Coin S.p.A.)	Coin S.p.A.	Excelsior Milano S.r.l. in liquidazione	COSI - Concept of Style Italy S.p.A.	GCF S.p.A. in liquidazione	Gruppo Coin Interna-tional S.A.	Centomila-candele S.c.p.a.	Sempione Fashion AG	Charles Vögele Austria GMBH	Charles Vögele Deutschland GMBH	Charles Vögele Trgovina stekstilom DOO (Slovenia)	Directors and managers with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Trade receivables															
At 31 January 2019	116	4,937	59	13	2	1	-	-	-	-	-	-	5,128	98,426	5.2%
Trade payables															
At 31 January 2019	-	(774)	-	-	-	-	(1,207)	-	-	-	-	-	(1,981)	(350,981)	0.6%
Other current payables															
At 31 January 2019	-	-	-	-	-	-	-	-	-	-	-	(371)	(371)	(129,787)	0.3%

Trade receivables (net of trade payables) from Coin S.p.A. were €1.7 million at 31 January 2020, down significantly from €4.1 million at 31 January 2019.

At 31 January 2020, however, financial receivables from Coin S.p.A. refer to sub-leases on certain commercial premises which, pursuant to the adoption of IFRS 16, were considered finance leases in respect of the partial transfer of the right of use assets relating to the underlying lease taken out by OVS S.p.A. with third parties.

It should be noted that capital and economic relations with the companies of the former Sempione Retail Group shown in the previous year mainly relate to the provision of goods and associated services. In 2018, Sempione Fashion AG (Switzerland) was subject to bankruptcy proceedings, and the relevant receivables were therefore written off at 31 January 2019.

Sempione Retail AG has also undergone a procedure that will result in its non in bonis enforced liquidation, and for this reason all receivables from this company were already written off in full in the financial statements for the year ended 31 January 2019.

The companies Charles Vögele Austria GmbH, Charles Vögele Deutschland GmbH, Charles Vögele Hungaria Kft and Charles Vögele trgovina s tekstilom doo (Slovenia) were sold to third party operators in the 2018 financial year and therefore no longer qualified as related parties at 31 January 2019.
The companies Gruppo Coin S.p.A. (now Icon S.p.A.), Excelsior Milano S.r.l. in liquidation, COSI – Concept Of Style Italy S.p.A., GCF S.p.A. in liquidation and Gruppo Coin International S.p.A. also ceased to be related parties in 2019, due to the termination of the control relationship between Icon S.p.A. and OVS S.p.A. as of 11 March 2019.

Relations with Centomilacandele S.C.p.A. relate to the provision of services for the purchase of electricity. Centomilacandele S.C.p.A. is a non-profit consortium company, engaged in the supply of electricity and natural gas under the best possible conditions to the consortium entities.

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

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

For the companies Gruppo Coin S.p.A. (now Icon S.p.A.), Excelsior Milano S.r.l. in liquidation, COSI – Concept Of Style Italy S.p.A., GCF S.p.A. in liquidation and Gruppo Coin International S.A., which ceased to be related parties in 2019, the financial relations (where existing) with the OVS Group until the date when they ceased to be related parties have been indicated.

At 31 January 2019, the OVS Group's economic relations with related parties were as follows:

(amounts in thousands of euros)	Related parties													
	ICON S.p.A. (f.k.a. Gruppo Coin S.p.A.)	Coin S.p.A.	Excelsior Milano S.r.l. in liquidazione	Centomila-candele S.c.p.a.	Sempione Retail AG	Sempione Fashion AG	Charles Vögele Austria GmbH	Charles Vögele Deutschland GmbH	Charles Vögele Trgovina stekstilom DOO (Slovenia)	Charles Vögele Hungaria Kft	Directors and managers with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Year ended 31 January 2019														
Revenues	-	1,183	-	-	-	20,556	22,156	14,563	925	1,678	-	61,061	1,457,154	4.2%
Other operating income and revenue	366	1,669	7	-	-	-	-	-	-	-	-	2,042	68,913	3.0%
Purchases of raw materials, consumables and goods	-	-	-	-	-	(18,931)	(14,841)	-	(57)	(159)	-	(33,988)	(667,494)	5.1%
Staff costs	-	-	-	-	-	311	-	-	-	-	(4,441)	(4,130)	(292,588)	1.4%
Service costs	(5)	(489)	-	(13,428)	-	7	-	-	-	-	-	(13,915)	(197,949)	7.0%
Costs for the use of third-party assets	(1,215)	1,958	-	-	-	-	-	-	-	-	-	743	(201,658)	(0.4)%
Write-downs and provisions	-	-	-	-	-	-	-	(22,890)	(977)	-	-	(23,867)	(28,026)	85.2%
Other operating charges	-	(171)	(11)	-	-	(15,917)	(12,489)	-	-	-	-	(28,588)	(63,925)	44.7%
Financial income	-	-	-	-	1,114	-	-	-	-	-	-	1,114	1,162	95.8%
Gains (losses) from equity investments	-	-	-	-	(1,249)	-	-	-	-	-	-	(1,249)	(1,260)	99.2%

The main economic relations with related parties in 2019 relate to:

• brokerage fees for goods purchases by subsidiary OVS Hong Kong Sourcing Limited to Coin S.p.A., included in the “Revenues” item;

• the provision of services and chargebacks to Coin S.p.A. of costs for central IT, logistics and leasing services incurred by Gruppo OVS, included in the “Other operating income and revenues” item;

• the provision of services relating to the purchase of electricity by Centomilacandele S.C.p.A., included in the “Service costs” 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 2019 (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.

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

(amounts in thousands of euros)	Related parties														
	ICON S.p.A. (f.k.a. Gruppo Coin S.p.A.)	Coin S.p.A.	Excelsior Verona S.r.l. in liquidazione	GCF S.p.A. in liquidazione	Centomila-candele S.c.p.a.	Sempione Retail AG	Sempione Fashion AG	Charles Vögele Austria GMBH	Charles Vögele Deutschland GMBH	Charles Vögele Trgovina stekstilom DOO (Slovenia)	Charles Vögele Hungaria Kft	Gruppo Coin International SA	Directors and managers with strategic responsibilities	Total	Total cash flow from the cash flow statement	Percentage of cash flow item
Year ended 31 January 2019																
Cash flow generated (absorbed) by operating activities	(951)	5,142	-	4	(16,311)	-	(932)	400	-	569	1,487	3	(5,926)	(16,515)	(5,549)	297.6%
Cash flow generated (absorbed) by investing activities	-	(3,393)	-	-	-	-	-	-	-	-	-	-	-	(3,393)	(46,685)	7.3%
Cash flow generated (absorbed) by financing activities	-	-	-	-	-	-	-	-	-	-	-	-	-	0	19,612	0.0%

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

OTHER INFORMATION

Contingent liabilities

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

Sureties and guarantees relating to third parties

These came to €74,307 thousand (€73,001 thousand at 31 January 2019) and were granted on behalf of the Group by banks or insurance companies, mainly to guarantee Italian leases.

Other commitments

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

Directors' and Statutory Auditors' fees

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

(amounts in thousands of euros)	Directors	Auditors
Year ended 31 January 2020	1,096	152
Year ended 31 January 2019	959	152

RECONCILIATION OF SHAREHOLDERS' EQUITY AND NET RESULT FOR THE YEAR OF THE PARENT COMPANY WITH CONSOLIDATED SHAREHOLDERS' EQUITY AND CONSOLIDATED NET RESULT FOR THE YEAR

(amounts in thousands of euros)	Result for the year	Shareholders' equity
Financial statements of OVS S.p.A. at 31 January 2020, prepared according to the international reporting standards (IFRS)	(139,443)	714,811
Shareholders' equity and profit for the year of the fully consolidated subsidiaries, net of the carrying amount of the equity investments	13,674	9,076
Elimination of infra-group dividends	(20,798)	0
Elimination of unrealised infra-group results net of the relative tax effect	(13)	(982)
Exchange rate gains or losses from the translation of financial statements in foreign currencies	0	601
Elimination of intercompany write-downs	6,202	5,323
Consolidated financial statements of OVS Group at 31 January 2020, prepared according to the international reporting standards (IFRS)	**(140,378)**	**728,829**

Significant non-recurring events and operations

In accordance with Consob Communication no. DEM/6064293 of 28 July 2006, the Group's results for 2019 were influenced by non-recurring net expenses of €8,202 thousand.

	31.01.2020	31.01.2019
Revenues	(4,687)	0
Other operating income and revenues	0	(989)
Purchases of raw materials, consumables and goods	2,682	11,485
Staff costs	3,649	2,710
Depreciation, amortisation and write-downs of assets	1,518	0
Service costs	2,195	3,154
Costs for the use of third-party assets	0	115
Write-downs and provisions	4,015	23,867
Other operating charges	1,187	38,675
Financial income	0	(1,114)
Financial charges	1,328	0
Write-downs of equity investments	(1,095)	1,260
Taxes	(2,590)	(18,964)
Total	**8,202**	**60,199**

Non-recurring income and expenses are mainly attributable to the business undertaken in 2019 in Austria for the direct operation of stores through the subsidiary Serenissima Retail GmbH, which was sold to third parties at the end of the year, and can be broken down as follows:

- €4,687 thousand recognised under "Revenues" relating to sales in the DOS of the Austrian company, considered non-recurring given the nature of the business, i.e. dedicated to the definitive closure of the remaining activities relating to the Charles Vögele brand;
- €2,682 thousand recognised under "Purchases of raw materials, consumables and goods" relating to the Austrian company;
- €3,649 thousand recognised under "Staff costs", including €1,608 thousand relating to the Austrian company, with the remainder relating to transactions with employees, mainly of the Parent Company;
- €1,518 thousand recognised under "Depreciation, amortisation and write-downs of assets" relating to the Austrian company;
- €2,195 thousand recognised under "Service costs", including €1,787 thousand relating to the Austrian company, with the remainder relating to extraordinary professional services;
- €4,015 thousand recognised under "Write-downs and provisions" relating to the write-down of receivables from the Austrian company;
- €1,187 thousand recognised under "Other operating expenses", including €170 thousand relating to the Austrian company, with the remainder relating to transactions to terminate leases with OVS S.p.A.;
- €1,328 thousand recognised under "Financial expenses", including €1,004 thousand relating to closing charges for terminating the previous loan agreement, with €324 thousand relating to the Austrian

company;
- €1,095 thousand recognised under “Gains/(losses) from equity investments” resulting from the sale of the subsidiary Serenissima Retail GmbH.

It should be emphasised that net non-recurring expenses differ from the figure shown in the Report on Operations at 31 January 2020 due to a different accounting representation of non-recurring rental costs: the representation under IFRS 16 resulted in decrease in non-recurring expenses of €0.6 million and a higher tax effect of €0.2 million.

In accordance with the above Consob Communication, it should also be noted that in 2019, no atypical and/or unusual transactions were entered into as defined by the Communication.

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

Pursuant to Article 1, paragraph 125, of Law no. 124/2017, regarding the obligation to indicate in the notes the sums of money that may be 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, it should be noted that in 2019, OVS S.p.A. benefited from grants for employee training of €250 thousand.
For the purposes of the aforementioned obligations, in relation to any other grants received that fall within the cases provided for, please see the relevant national register, which is accessible to the public.

Significant events after the reporting date

Spread of the Covid-19 pandemic and closure of the entire Italian sales network

The tragedy of the new SARS-CoV-2 coronavirus (or more simply Covid-19) pandemic hit China in January 2020, when the first known cases were reported. However, the containment measures implemented by China's President, Xi Jinping, suggested that the spread of the virus was mainly affecting the city of Wuhan in Hubei province, and possibly other parts of China.

On 20 February 2020, however, the Councillor for Welfare in the Lombardy Region announced that a first case tested positive in Codogno (Lodi). In a few days, several municipalities in northern Italy registered the presence of the virus and the Italian government decided to adopt the first "extraordinary measures" to curb the spread of the virus with a decree approved during the night of 23 February 2020, limited to the areas of epidemic (11 municipalities in northern Italy). One of these measures concerned the closure of all stores in those specific areas. On 25 February, the infection has spread to other regions and the government then issued a second decree, which extended to Emilia Romagna, Friuli Venezia Giulia, Lombardy, Veneto, Piedmont and Liguria. On 4 March 2020, it was acknowledged that the disease was not retreating but in fact spreading exponentially: given the number of victims, Italian Prime Minister, Giuseppe Conte, decided to sign a new decree that led to the closure of universities and schools throughout Italy. Strong restrictions were also imposed on theatres, cinemas and all events where people gather. On 8 March 2020, another decree was published, banning all travel in Lombardy and in 14 provinces, including Veneto, Emilia Romagna, Piedmont and Marche. On 11 March 2020, another decree was published, accompanied by the slogan "#iorestoacasa" ("#stayhome"), which extended the measures so far applied in the "red zones" to the entire country. Since then, all stores in the country have been closed to the public (except for certain categories, such as food and pharmacies). About a month passed before the number of hospital admissions began to show signs of slowing down, and the Prime Ministerial Decree of 10 April 2020 allowed some businesses to reopen from 14 April 2020, including children's clothing stores.

It should be noted that, although the measures of 23 and 25 February 2020 triggered fear and concern among the Italian population (mainly in the north, but also somewhat in the centre and south) about the risk of infection, with an inevitable effect on store traffic, the enactment of the Prime Ministerial Decree of 11 March 2020, which forced the closure of all non-essential commercial activities, including the retail sale of clothing products, effective as of 12 March 2020, which did not entail any adjustment to the financial statement balances as at 31 January 2020, given its significance, has had multiple immediate and future effects on the Group's daily operations and on certain estimates of balance sheet assets and liabilities that cannot yet be accurately quantified. Furthermore, given the current context of uncertainty and taking into account the evolution of the Covid-19 in relation to the timing of the reopening of stores and the related impacts on the Group's cash flows for 2020, the IAS 36 sensitivity scenarios for impairment testing were updated, particularly with regard to the possible effects of the pandemic on the assumptions underlying the estimates made: this entailed a write-down of approximately €161 million in the financial statements

for the year ended 31 January 2020, almost entirely attributed to goodwill.
The following section provides the disclosure deemed necessary to describe qualitatively and quantitatively the effects of the closure of the entire Italian and foreign sales network and the presumably difficult recovery of consumption due to the Covid-19 pandemic. Estimates, where present, are only provided if they can be reliably calculated.
For further information on impairment testing, please see the details provided in note 11.

Measures taken by the OVS Group from March 2020

Government restrictions that resulted in the closure of the entire sales network in Italy (but also abroad) have highlighted the need for rapid and targeted action to address an emergency, the like of which has not been seen in Italy since the aftermath of the Second World War.
Since the first day of March 2020, a Crisis Committee was set up to manage the emergency, putting in place all possible measures to prepare the Group for the situation. Five main areas were identified: rents, staff, operating costs, supplies of goods and finally investments. The measures launched are intended to address both the period of closure, the phase of progressive reopening of the network, and the remaining months of 2020 in which a substantial decrease in sales is expected.
Discussions with the property owners began immediately, with a view to amending contractual agreements to align them with the changes in the economic situation. In particular, negotiations are focused on obtaining a change in the financial terms and, specifically, a change in rents (with free rent during periods of store closure and thus zero sales) and an arrangement for paying rent in arrears rather than in advance, at least for the first few months after reopening.
In this context and pending negotiations, the Group has suspended almost all rental payments; to date, this initiative has not resulted in any major objections from the property owners, which have shown real willingness to engage in dialogue, with the exception of a few isolated foreign investors.
With regard to our employees, the sales staff were suspended when the stores were closed. Salaries were first of all guaranteed through the use of the accrued holiday provision, followed by activation of the entitlements provided for by the Cassa Integrazione in Deroga lay-off fund, allowing for financial outlays to be partially reduced in the short term.
Following the reopening, in order to counteract the expected decline in sales, the Group plans to launch measures to cut staff costs by reducing security, reducing opening hours each day and closing stores on Sundays and public holidays until August 2020.
This reduction plan, which will be agreed with employee representatives, will include the non-renewal of fixed-term contracts, an overtime freeze and further use of the holiday provision and the lay-off fund.
With regard to office staff, during the period of closure the lay-off fund (after the use of holiday entitlements) was used for at least 50% of staff. The rest of the employees are mainly engaged in smart working, with minimal onsite monitoring. Measures will be in place for the rest of the year to contain staff costs by means of freezes on most hiring and overtime, some targeted restructurings at management level

and a freeze on discretionary salary increases provided for in budgets.
A company solidarity fund has also been set up, financed by OVS Group executives through the voluntary waiver of part of their remuneration, intended for the Group employees hardest hit by the health crisis, such as the family of a young OVS sales manager who lost his life after two weeks of fighting the virus.
To this fund also the Directors of OVS S.p.A. decided to participate.

All operating costs considered not strictly necessary have been minimised, both at the store level and in terms of corporate and sales support costs. When the network was closed, the Group secured all systems in stores so as to eliminate almost all consumption. All unnecessary services were also suspended, such as: security, cleaning, supply of shopping bags, materials for updating window displays, etc.
After the reopening, further savings will be made as a result of reduced opening hours; however, there is expected to be a significant increase in costs in terms of cleaning premises, protecting employees (gloves, masks, sanitising gels, etc.) and finally in terms of cleaning clothing.

At the corporate level, a further reduction in external services is planned, in addition to the cuts already made in 2019. In light of the lockdown, the Group also reduced the advertising budget for the period and in particular the television budget by redirecting it towards more innovative channels such as the web, where triple-digit increases in sales have been seen.

A commercial negotiation campaign with key suppliers is also planned, with the aim of obtaining an extraordinary bonus, particularly from those less affected by the Covid-19 emergency.
As part of the reduction of cash outflows and pending the reopening of stores, a specific procedure, which has been shared with a major legal advisor, has been launched to control payments more effectively for the duration of the crisis situation:
• prioritisation of creditors preferred by virtue of law (such as staff);
• the establishment of an ad hoc committee;
• transparent communication to all suppliers.

The payment of the postponed amounts, made possible also thanks to trust relationship that characterizes the relations of OVS with its suppliers are however expected by the end of 2020.

The schedule for inflows of autumn/winter goods has been completely reorganised and has also been reduced compared with the previous plan. For further information on this point, see the following section relating to business outlook.

Finally, all investments not strictly necessary for business continuity have been reduced to a minimum; in particular, the number of new store openings has been reduced and some other projects not strictly necessary have been postponed until 2021.

The dramatic drop in receipts in March and their almost total absence in April required a detailed rescheduling of all projected financial outlays, together with the activation of the extraordinary measures described above to create liquidity, including in the very short term. In addition to specific measures for deferring payments, which are well understood by the Group's suppliers given the exceptional situation, in March 2020 derivative contracts to hedge projected goods purchases were unwound, resulting in a capital gain of around €10 million. In the meantime, contacts have been rapidly established with banks to gauge their willingness to provide additional finance to support the temporary but inevitable increase in working capital. In this regard, on 8 April 2020 the Italian government issued the so-called “Liquidity Decree”, immediately providing a valid form of financial support that the Group decided to activate.

The process of financial reinforcement to cope with the prolonged forced lockdown of ours stores is almost over.

The process involved a pool made up of 5 banks from the current loan agreement, from Cassa Depositi e Prestiti S.p.A. and from a new bank. The institutions involved have proceeded with the related resolutions. The process will end with the approval of the Ministry Decree of Economy and Finance. The main characteristics of the New Finance counter-guaranteed for 80% by SACE S.p.A. are reported below.

The amount financed will be equal to 100 million Euros and the loan will have a duration of 4.3 years with payment due for the last installment set in September 2024. The loan provides for a pre-amortization of 24 months and 10 installments of the same amount (10 million euros) quarterly starting from June 2022. The expected covenant is in line with the current loan agreement one. The cost of the SACE guarantee will be structured as follows: 50 bps the first year, 100 bps the second and third year, from the fourth year onwards 200 bps, while the interest rate applied will be 2.25% + 3M Euribor.

Parallel to this process, the banks of the pre-existing loan agreement have already approved favourably, the granting of some amendments / suspensions of the contract itself, among which the most relevant are:

(i) suspension of the repayment of the August 2020 and February 2021 instalments of Term B2. These will be accumulated into the last two instalments provided for in the contract (February 2022 and August 2022);

(ii) suspension of the covenant test until April 2021 (the tests scheduled for April 2020, July 2020, October 2020 and January 2021 therefore being suspended);

(iii) expansion of the M/L baskets granted outside the outstanding loan agreement from €75 million to €100 million to allow access to the New Finance guaranteed by SACE;

(iv) extension of the threshold for the planned cross default event from €5 million to €20 million for the entire waiver period;

(v) suspension, for the entire fiscal year 2020, of a clean-down test that requires the RCF-Cash equation to be under €25 million for at least five consecutive days.

Please also see the Report on Operations at 31 January 2020.

In light of the most up-to-date cash projections described also in relation to the impairment process and the sensitivity scenario, which essentially represents the most up-to-date projections prepared by management on the basis of external evidence in March, April and May 2020, and taking into account the advanced process of liaising with the banks on the points described above, 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 significant critical issues regarding the Group's ability to meet its obligations in the foreseeable future, and particularly in the next 12 months.

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

The following table, which was prepared pursuant to Article 149-*duodecies* of the Consob Regulation for Issuers, shows the fees for 2019 and 2018 for auditing services and other services provided by the independent auditor, PricewaterhouseCoopers S.p.A., as well as services provided by companies within the same network:

(amounts in thousands of euros)	2019	2018
a) Audit services		
- to OVS S.p.A.	280	308
- to Subsidiaries (network PwC)	60	55
b) Attestation services		
- Attestation services to OVS S.p.A. by PwC S.p.A.	-	-
- Attestation services to OVS S.p.A. (network PwC)	-	-
- Other services to OVS S.p.A.	20 (*)	23 (*)
c) Other services by network PwC		
- to OVS S.p.A.	-	-

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

APPENDICES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following documents contain additional information on the consolidated financial statements for the year ended 31 January 2020.

Appendices:

- 1: Property, plant and equipment at 31 January 2020,
- 2 Right of use assets at 31 January 2020;
- 3: Intangible assets at 31 January 2020,
- 4: Property, plant and equipment at 31 January 2019,
- 5: Intangible assets at 31 January 2019.

APPENDIX 1

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

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

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

APPENDIX 2

Right of use

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

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

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

APPENDIX 3

Intangible assets

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

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

(1) Of this amount, € 989 thousand represents assets under construction at 31/01/2019, reclassified to the specific asset categories in 2019.

(2) Included € 161.349 thousand relating to assets written down after impairment test of point of sale and OVS goodwill, net of reversal of previous years for € 1,028 thousand.

APPENDIX 4

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

	Balance at 31.01.2018	Movements during the year 2018				Balance at 31.01.2019
		Purchases	Sales / disposals	Amortisation / write-downs	Reclassifi-cations	
Leasehold improvements						
initial cost	211,701	12,950	(11,954)	0	421	213,118
write-downs	0	0	0	0	0	0
amortisation	(156,780)	0	11,507	(9,003)	297	(153,979)
net	**54,921**	**12,950**	**(447)**	**(9,003)**	**718**	**59,139**
Land and buildings						
initial cost	34,782	151	(27,317)	0	(1,105)	6,511
write-downs	0	0	0	0	0	0
amortisation	(9,334)	0	7,638	(549)	387	(1,858)
net	**25,448**	**151**	**(19,679)**	**(549)**	**(718)**	**4,653**
Plant and machinery						
initial cost	301,623	13,133	(4,740)	0	0	310,016
write-downs	0	0	0	0	0	0
amortisation	(214,193)	0	4,384	(13,688)	0	(223,497)
net	**87,430**	**13,133**	**(356)**	**(13,688)**	**0**	**86,519**
Industrial and commercial equipment						
initial cost	339,969	32,791	(22,049)	0	0	350,711
write-downs	0	0	0	0	0	0
amortisation	(245,235)	0	21,294	(20,302)	0	(244,243)
net	**94,734**	**32,791**	**(755)**	**(20,302)**	**0**	**106,468**
Other assets						
initial cost	61,111	4,664	(3,501)	0	0	62,274
write-downs	0	0	0	0	0	0
amortisation	(53,032)	0	3,474	(2,774)	0	(52,332)
net	**8,079**	**4,664**	**(27)**	**(2,774)**	**0**	**9,942**
Assets under construction and payments on account						
initial cost	5,901	4,752	(3,500)	0	0	7,153
write-downs	0	0	0	0	0	0
amortisation	0	0	0	0	0	0
net	**5,901**	**4,752**	**(3,500)** (1)	**0**	**0**	**7,153**
Total						
initial cost	955,087	68,441	(73,061)	0	(684)	949,783
write-downs	0	0	0	0	0	0
amortisation	(678,574)	0	48,297	(46,316)	684	(675,909)
net	**276,513**	**68,441**	**(24,764)** (2)	**(46,316)**	**0**	**273,874**

(1) Of this amount, € 3,500 thousand represents assets under contruction at 31/01/2018, relcassified to the specific asset categories in 2018.
(2) Included € 1,197 thousand relating to fixed assets disposed of and written down in the period due to the closure of point of sale.

APPENDIX 5

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

	Balance at 31.01.2018	Movements during the year 2018 Purchases	Sales / disposals		Amortisation / write-downs		Balance at 31.01.2019
Rights to industrial patents and intellectual property rights							
initial cost	135,439	14,682	(870)		0		149,251
write-downs	0	0	0		0		0
amortisation	(113,442)	0	60		(8,537)		(121,919)
net	**21,997**	**14,682**	**(810)**		**(8,537)**		**27,332**
Concessions, licences and trademarks							
initial cost	520,051	1,356	(1,148)		0		520,259
write-downs	(5,439)	0	333		(1,100)		(6,206)
amortisation	(6,858)	0	15		(1,081)		(7,924)
net	**507,754**	**1,356**	**(800)**		**(2,181)**		**506,129**
Assets under construction and payments on account							
initial cost	1,363	639	(1,013)		0		989
write-downs	0	0	0		0		0
amortisation	0	0	0		0		0
net	**1,363**	**639**	**(1,013)**	(1)	**0**		**989**
Other intangible assets							
initial cost	164,284	1,280	0		0		165,564
write-downs	0	0	0		0		0
amortisation	(58,759)	0	0		(8,268)		(67,027)
net	**105,525**	**1,280**	**0**		**(8,268)**		**98,537**
Total							
initial cost	821,137	17,957	(3,031)		0		836,063
write-downs	(5,439)	0	333		(1,100)	(3)	(6,206)
amortisation	(179,059)	0	75		(17,886)		(196,870)
net	**636,639**	**17,957**	**(2,623)**	(2)	**(18,986)**		**632,987**
Goodwill							
initial cost	452,541	0	0		0		452,541
write-downs	0	0	0		0		0
amortisation	0	0	0		0		0
net	**452,541**	**0**	**0**		**0**		**452,541**

(1) Of this amount, € 1,013 thousand represents assets under construction at 31/01/2018, reclassified to the specific asset categories in 2018.
(2) Includes € 690 thousand relating to intangible assets disposed of and written down in the period due to the closure of point of sale.
(3) Includes € 1,100 thousand relating to assets written down after impairment test of point of sale, net of reversal of previous years for € 800 thousand.

Certification of the consolidated financial statements pursuant to article 81-*ter* of Consob Regulation 11971 of 14 May 1999, as subsequently amended and supplemented

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

   of the administrative and accounting procedures for the preparation of the consolidated financial statements in the period from 1 February 2019 to 31 January 2020.

2. The evaluation of the adequacy of the administrative and accounting procedures used in the preparation of the consolidated financial statements at 31 January 2020 was based on a process defined by OVS S.p.A. consistent with the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (CoSO), which is a generally accepted international framework.

3. Moreover:

   3.1 the consolidated financial statements:

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

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

Venice – Mestre, 26 May 2020

Stefano Beraldo

Chief Executive Officer

Nicola Perin

Director responsible for preparing
the corporate accounting statements

Separate financial statement of OVS S.p.A.

at 31 January 2020

Statement of financial position

(euro units)

ASSETS	Note	31.01.2020	of which related parties	31.01.2019	of which related parties
Current assets					
Cash and banks	*1*	42,507,843		25,280,316	
Trade receivables	*2*	100,360,972	17,537,108	112,171,507	20,313,859
Inventories	*3*	386,715,541		405,642,196	
Financial assets	*4*	7,571,876		11,797,014	
Financial assets for leases	*5*	4,190,501	1,205,978	0	
Current tax assets	*6*	14,331,331		9,116,319	
Other receivables	*7*	13,628,441		33,610,221	
Total current assets		**569,306,505**		**597,617,573**	
Non-current assets					
Property, plant and equipment	*8*	251,145,004		269,101,389	
Right of use	*9*	851,726,507		0	
Intangible assets	*10*	617,990,955		632,906,150	
Goodwill	*11*	297,540,909		452,540,909	
Equity investments	*12*	8,604,865		8,888,419	
Financial assets	*4*	354,054	320,000	291,980	120,000
Financial assets for leases	*5*	10,623,431	2,620,478	0	
Other receivables	*7*	10,198,179		3,525,407	
Total non-current assets		**2,048,183,904**		**1,367,254,254**	
TOTAL ASSETS		**2,617,490,409**		**1,964,871,827**	

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.01.2020	of which related parties	31.01.2019	of which related parties
Current liabilities					
Financial liabilities	*13*	38,870,697		30,569,162	
Financial liabilities for leases	*14*	130,219,549		0	
Trade payables	*15*	343,454,710	22,639,994	373,406,703	24,726,992
Current tax liabilities	*16*	0		0	
Other payables	*17*	126,683,175	1,737,146	128,669,028	371,068
Total current liabilities		**639,228,131**		**532,644,893**	
Non-current liabilities					
Financial liabilities	*13*	313,772,573		374,190,075	
Financial liabilities for leases	*14*	761,424,099		0	
Employee benefits	*18*	36,998,964		38,313,667	
Provisions for risks and charges	*19*	6,318,122		6,416,732	
Deferred tax liabilities	*20*	128,179,082		124,809,664	
Other payables	*17*	16,758,478		35,698,690	
Total non-current liabilities		**1,263,451,318**		**579,428,828**	
TOTAL LIABILITIES		**1,902,679,449**		**1,112,073,721**	
SHAREHOLDERS' EQUITY					
Share capital	*21*	227,000,000		227,000,000	
Treasury shares	*21*	(1,496,475)		(1,496,475)	
Other reserves	*21*	628,750,914		587,963,700	
Net result for the year		(139,443,479)		39,330,881	
TOTAL SHAREHOLDERS' EQUITY		**714,810,960**		**852,798,106**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,617,490,409**		**1,964,871,827**	

Income statement

(euro units)

	Note	31.01.2020	of which non-recurring	of which related parties	31.01.2019	of which non-recurring	of which related parties
Revenues	*22*	1,366,678,992		17,489,733	1,458,079,535		82,090,782
Other operating income and revenues	*23*	66,528,721		1,554,609	67,933,674	988,555	1,999,521
Total revenues		**1,433,207,713**	**0**		**1,526,013,209**	**988,555**	
Purchases of raw materials, consumables and goods	*24*	650,377,493		32,143,370	703,602,698	4,824,381	69,394,773
Staff costs	*25*	277,077,038	2,025,132	3,722,129	280,446,746	2,709,980	3,854,282
Depreciation, amortisation and write-downs of assets	*26*	369,787,100			66,012,714		
Other operating expenses							
Service costs	*27*	175,002,497	1,214,787	13,813,088	193,709,566	3,108,800	14,371,641
Costs for the use of third-party assets	*28*	28,352,373		(458,705)	196,749,868	114,916	(743,218)
Write-downs and provisions	*29*	6,954,911	4,014,911	4,014,911	28,026,149	23,866,873	23,866,873
Other operating charges	*30*	25,081,101	1,016,588	(289,409)	50,228,599	26,184,928	15,930,064
Result before net financial expenses and taxes		**(99,424,800)**	**(8,271,418)**		**7,236,869**	**(59,821,323)**	
Financial income	*31*	1,137,377		258,439	1,173,813	1,113,984	1,139,759
Financial expenses	*31*	(70,996,124)	(1,004,378)	(20,459)	(17,734,097)		
Exchange rate gains and losses	*31*	19,775,526			46,963,514		
Gains (losses) from equity investments	*31*	15,477,364	(1,535,000)	15,477,364	8,892,392	(20,455,556)	8,892,392
Net result for the year before tax		**(134,030,657)**	**(10,810,796)**		**46,532,491**	**(79,162,895)**	
Taxes	*32*	(5,412,822)	1,985,140		(7,201,610)	14,357,118	
Net result for the year		**(139,443,479)**	**(8,825,656)**		**39,330,881**	**(64,805,777)**	