OVS

OVS Group
Half-year Financial Report at 31 July 2022

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

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

Activities of the Parent Company

OVS S.p.A. is the leading player in the Italian women's, men's and children's clothing market, with a market share of over 9%. It has over 2,000 stores in Italy and abroad, operating under the OVS, UPIM and STEFANEL brands. The Company has been listed on Borsa Italiana since March 2015.

Contents

Corporate officers

Board of Directors

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

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

(2) Member of the Appointments and Remuneration Committee

(3) Member of the Related Party Transactions Committee

Board of Statutory Auditors

Stefano Poggi Longostrevi	*Chairman*
Federica Menichetti (*)	*Standing Auditor*
Roberto Cortellazzo Wiel	*Standing Auditor*
Emilio Vellandi	*Alternate Auditor*
Emanuela Italia Fusa	*Alternate Auditor*

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

Independent auditor

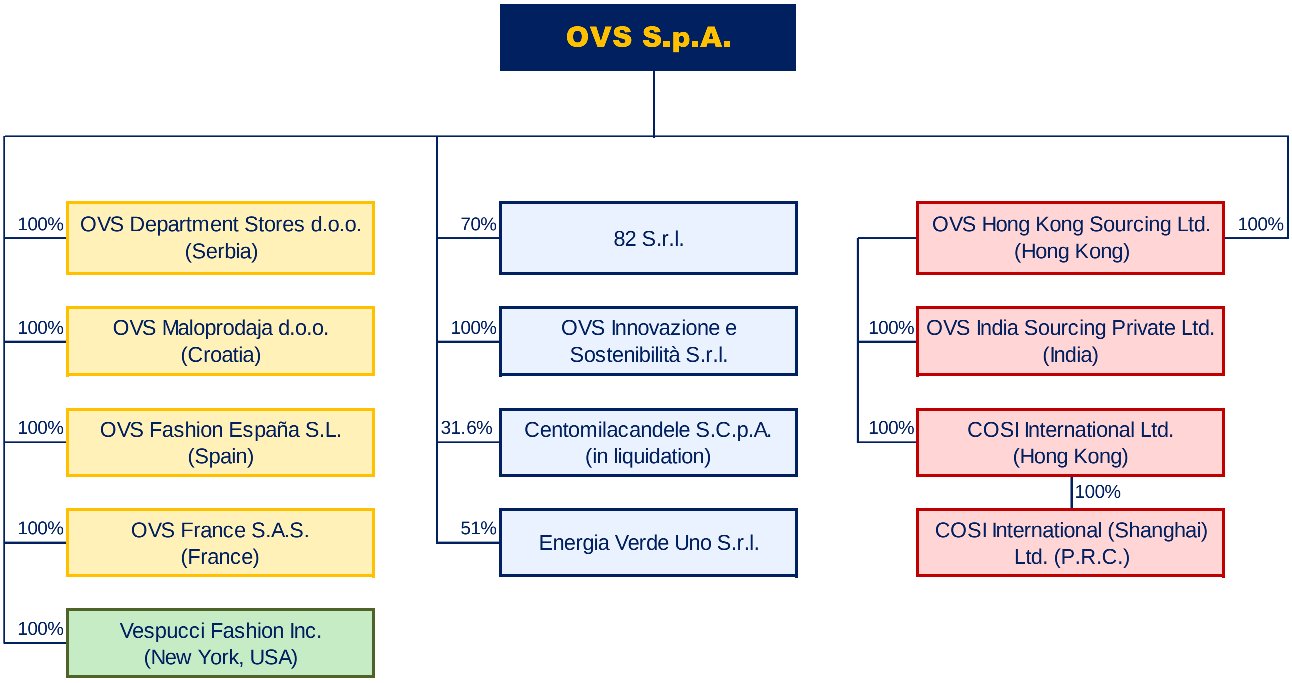
PricewaterhouseCoopers S.p.A.

Financial Reporting Officer

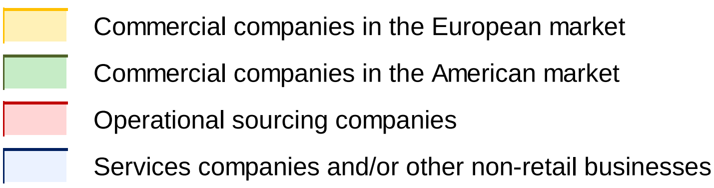
Nicola Perin

Group structure at 31 July 2022

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



Legend



Interim Report on Operations

Performance

The performance for the first half was excellent, thanks to a growth in sales and margins that has brought the half-year to the highest levels ever recorded.
Sales increased by 17.8% compared to the same period in 2021 and, more significantly, by 8.5% compared to the first half of 2019, a pre-pandemic period. This growth was across all our brands and was driven by higher like-for-like sales, +11% over 2021 and +4% over 2019, as well as by the expansion of the network, with the opening of various directly operated and franchised stores, especially under the Upim brand.
The semester also saw the opening of a large flagship store in Naples, on via Scarlatti. This is the consummate expression of the OVS concept as a platform open to new collaborations, including the first ever hard corner set up by ClioMakeUp, an influencer with over 3.3 million followers who is launching her first offline initiative with us.
In the first half-year period, OVS was ranked first, for the second year running, among the 250 main apparel brands reviewed by the “Fashion Transparency Index 2022”. Numerous ESG projects were launched, including an initiative for the self-generation of energy from renewable sources and a partnership for the production of long-fibre and very high quality cotton in Sicily, with a less water-intensive process.
The percentage of gross margin is in line with the first half of 2021. Our commercial offering, which consists of durable and sustainable easy-to-wear clothing, and which includes, alongside our own brands, international icons and sought-after brands suited to different lifestyles, has enabled us to maintain an excellent value for money and to limit any increases in prices as much as possible. The careful management of mark-downs during the first part of the period continued during the sales period.
The increase in sales, and as a result in the gross margin, overcompensated higher store and transport costs, which were strongly affected by energy cost trends, thus enabling a strong growth in EBITDA.
Cash flows reflect the seasonality of our business and are better than during the pre-Covid period. The net financial position is now €228.7 million, compared with €318.2 million at 31 July 2021 when it already benefited from the capital increase of €81 million, with an average leverage of 1.36x.
Considering, on the one hand, current share price levels and the performance of financial markets, and the growth of the company results on the other, we believe it is appropriate to continue the share buy-back programme for a further €20 million.

Key information on operations at 31 July 2022

The OVS Group achieved **net sales** of €705.8 million during the half-year (+17.8% compared with the first half of 2021 and +8.5% compared with the first half of 2019). Net sales for the second quarter were €405.9 million (+9.8% compared with the second quarter of 2021 and +21.9% compared with the second quarter of 2019).
Adjusted EBITDA for the half-year was €82.3 million, up €22.2 million compared with the first half of 2021 and €19.8 million compared with the first half of 2019; the EBITDA margin was 11.7%, compared with 10.0% in the first half of 2021 and 9.6% in the first half of 2019.
The **adjusted net result** for the half-year was €31.9 million, compared with €13.0 million at 31 July 2021 and compared with €16.8 million at 31 July 2019.
The **adjusted net financial position** was €228.7 million at 31 July 2022, compared with €318.2 million at 31 July 2021 and €413.6 million at 31 July 2019. During the half-year, the parent company OVS S.p.A. paid dividends and purchased treasury shares for a total of €23.2 million;
In terms of **sustainability**, we are proud to note that, for the second consecutive year, OVS ranks first on the "Fashion Transparency Index 2022" as the company most mindful of transparency in the world in apparel industry. In this regard, it should be noted that the Group has launched a major initiative for the self-generation of energy from renewable sources, as well as a partnership for the production of long-fibre and very high quality cotton in Sicily, with a less water-intensive process.

The results for the first six months of 2022, compared with the first half of 2021, are shown below:

€M	31 July '22 Reported	31 July '22 Adjusted	31 July '21 Reported	31 July '21 Adjusted	Change (Adj.)	% change (Adj.)
Net sales	**705.8**	**705.8**	**599.2**	**599.2**	**106.6**	**17.8%**
Gross margin	**399.3**	**412.7**	**351.1**	**350.2**	**62.4**	**17.8%**
% on net sales	*56.6%*	*58.5%*	*58.6%*	*58.4%*		
EBITDA	**154.7**	**82.3**	**160.8**	**60.1**	**22.2**	**36.9%**
% on net sales	*21.9%*	*11.7%*	*26.8%*	*10.0%*		
EBIT	**42.2**	**52.4**	**56.9**	**31.7**	**20.8**	**65.6%**
% on net sales	*6.0%*	*7.4%*	*9.5%*	*5.3%*		
EBT	**35.8**	**45.2**	**27.0**	**20.0**	**25.2**	**126.3%**
% on net sales	*5.1%*	*6.4%*	*4.5%*	*3.3%*		
Net result for the period	**23.9**	**31.9**	**17.0**	**13.0**	**18.9**	**146.3%**
% on net sales	*3.4%*	*4.5%*	*2.8%*	*2.2%*		
Net Financial Position	**1,186.5**	**228.7**	**1,205.9**	**318.2**	**89.4**	**28%**
Market Share (%)		**9.3**		**9.0**		**3.6%**

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

In the first half of 2022, the results have been adjusted mainly to remove the impacts tied to IFRS 16, specifically: (i) €89.0 million from the EBITDA to reflect mainly rents, (ii) €10.6 million from the EBIT due to the transfer of depreciations and amortisations of €78.3 million, and (iii) €7.2 million from the EBT due to the write-down of €18.9 million in net financial expenses.
EBITDA in the first half of 2022 was also adjusted mainly as follows: (i) by €13.4 million in net foreign exchange gains on the forward hedging on the purchase of goods in foreign currency sold in the period; (ii) €2.2 million in non-recurring expenses directly attributable to the COVID-19 emergency; (iii) €1.1 million in costs relating to stock option plans (non-cash costs); and (iv) other less significant net one-off costs.
Other adjustments that impacted EBIT and the pre-tax result concern: (i) costs related to the amortisation of intangible assets due to the purchase price allocation (PPA) of previous business combinations for €4.3 million; and (ii) adjusted net proceeds of €19.8 million, mainly relating to foreign exchange differences, including with respect to forward derivatives and realised foreign exchange differences.
The adjusted net result for the period was affected for €1.3 million by the taxes recalculated on the basis of the above adjustments.
Adjusted net financial debt at 31 July 2022 excludes €984.2 million relating to future rent payments (6 years on average) exclusively due to IFRS 16, which does not take into account that the Group has a right of withdrawal for almost all the contracts that can be activated 6-12 months in advance.

In the first half of 2021, the results were adjusted mainly to remove the impacts of IFRS 16,specifically: (i) €103.8 million from the EBITDA to reflect the cost of rents, including €16.0 million in discounts from renegotiations triggered following the pandemic and relating to 2020 rents but formalised and accounted for in the in the first half of 2021, (ii) €32.7 million higher net costs from the EBIT due to the transfer of depreciations and amortisations worth €71.1 million, and (iii) €6.6 million higher net costs from the reported result for the period due to the write-down of €22.2 million in net financial expenses and €3.8 million in higher taxes. Lastly, (iv) the financial position was adjusted for a €889.6 million decrease in liabilities.
EBITDA in the first half of 2021 was also adjusted mainly as follows: (i) €0.9 million in foreign exchange losses on forward hedges of purchases of goods in foreign currency sold in the period, (ii) €3.6 million in non-recurring expenses comprising €2.8 million directly attributable to the COVID-19 emergency, €0.5 million in lay-off costs, and (iii) €0.4 million in costs relating to stock option plans (non-cash costs).
Other adjustments that impacted EBIT and profit before tax concerned: (I) costs related to the amortisation of intangible assets resulting from purchase price allocation (PPA) of past business combinations for €4.3 million, and (ii) adjusted net costs of €4.1 million, mainly relating to foreign exchange differences in the assessment of euros of items in foreign currency, also regarding forward derivatives and realised foreign exchange differences.
Lastly, the adjusted net result for the period was affected (for €0.8 million) by the taxes recalculated as a result of the foregoing adjustments.

Normalised consolidated results

The following table shows the adjusted consolidated results by nature for the first six months of 2022, compared with those for the same period of the previous year (in millions of euros).

€M	31 July '22 Reported	31 July '22 Adjusted	31 July '21 Reported	31 July '21 Adjusted	Change (Adjusted)	% change (Adjusted)
Net sales	**705.8**	**705.8**	**599.2**	**599.2**	**106.6**	**17.8%**
Purchases of raw materials, consumables and goods	306.5	293.2	248.1	249.0	44.2	17.7%
Gross margin	**399.3**	**412.7**	**351.1**	**350.2**	**62.4**	**17.8%**
GM %	*56.6%*	*58.5%*	*58.6%*	*58.4%*		
Staff costs	148.0	146.7	126.9	126.1	20.6	16.3%
Service costs	104.3	102.8	86.1	83.7	19.1	22.8%
Costs for the use of third-party assets, net of other operating income	(20.2)	68.4	(35.8)	68.5	(0.1)	(0.2)%
Provisions	1.5	1.5	1.5	1.5	0.0	1.9%
Other operating charges	11.0	10.9	11.7	10.3	0.6	6.3%
Total net operating costs	**244.6**	**330.3**	**190.4**	**290.1**	**40.2**	**13.9%**
Operating costs on net sales as a %	*34.7%*	*46.8%*	*31.8%*	*48.4%*		
EBITDA	**154.7**	**82.3**	**160.8**	**60.1**	**22.2**	**36.9%**
EBITDA %	*21.9%*	*11.7%*	*26.8%*	*10.0%*		
Amortisations, depreciations, and write-downs	112.5	29.9	103.9	28.5	1.4	5.0%
EBIT	**42.2**	**52.4**	**56.9**	**31.7**	**20.8**	**65.6%**
EBIT %	*6.0%*	*7.4%*	*9.5%*	*5.3%*		
Net financial expenses (income)	6.3	7.3	29.8	11.7	(4.4)	(38.0)%
PBT	**35.8**	**45.2**	**27.0**	**20.0**	**25.2**	**126.3%**
Taxes	12.0	13.3	10.0	7.0	6.3	89.5%
Net result for the period	**23.9**	**31.9**	**17.0**	**13.0**	**18.9**	**146.3%**

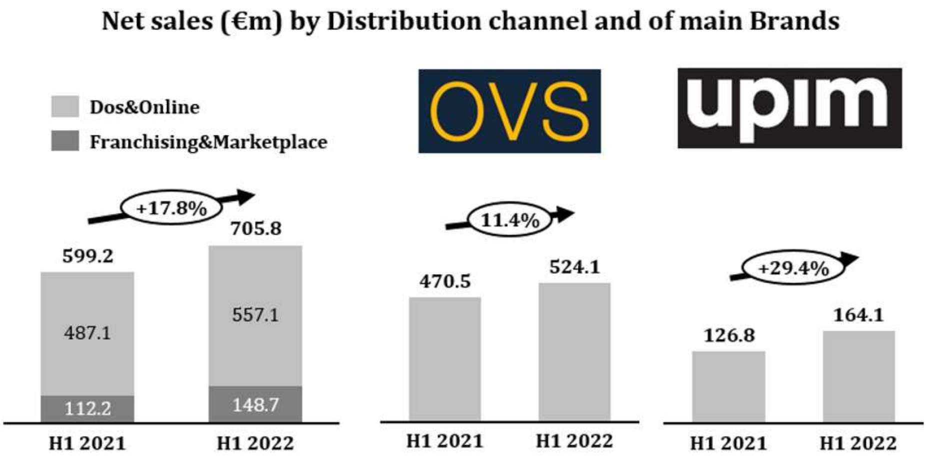
The following table shows the consolidated results by business segment for the first six months of 2022, compared with those for the same period of the previous year (in millions of euros).

€M	31 July '22 Adjusted	31 July '21 Adjusted	Change %
Net sales			
OVS	524.1	470.5	11.4%
UPIM	164.1	126.8	29.4%
Other businesses	17.6	1.9	822.8%
Total net sales	**705.8**	**599.2**	**17.8%**
EBITDA			
OVS	67.0	51.1	31.2%
EBITDA margin	*12.8%*	*10.9%*	
UPIM	17.4	10.4	67.2%
EBITDA margin	*10.6%*	*8.2%*	
Other businesses	(2.2)	(1.4)	(54.7)%
Total EBITDA	**82.3**	**60.1**	**36.9%**
EBITDA margin	***11.7%***	***10.0%***	
Depreciation and amortisation	(29.9)	(28.5)	5.0%
Operating result	**52.4**	**31.7**	**65.6%**
Net financial income (expenses)	(7.3)	(11.7)	38.0%
Profit before taxes	**45.2**	**20.0**	**126.3%**
Taxes	13.3	7.0	(89.5)%
Net result for the period	**31.9**	**13.0**	**146.2%**

Comments on the main items in the adjusted consolidated income statement

Net sales

(amounts in millions of euro)

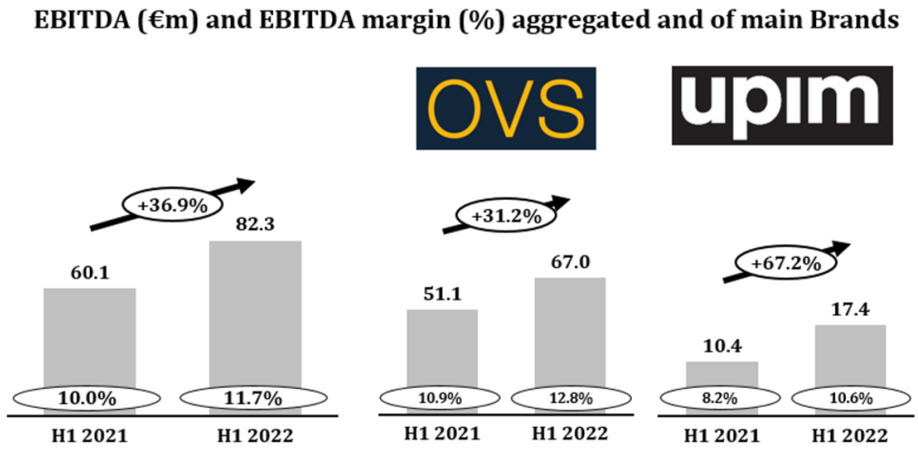


Net sales for the half-year were €705.8 million, up 17.8% compared to the first half of 2021 and 8.5% compared to the first half of 2019.

This trend characterised all the Group's brands and distribution channels to varying degrees. Specifically, for OVS, the increase of 11.4% was mainly driven by higher like-for-like sales, while Upim's 29.4% was mainly driven by the expansion of its scope with the opening of both directly operated and franchised stores.

EBITDA:

(amounts in millions of euro)



The adjusted EBITDA totalled €82.3 million, up by €22.2 million compared with the first half of 2021 and by €19.8 million for the first half of 2019. The EBITDA margin was 11.7%, compared with 10.0% in the first half of 2021 and 9.6% for the first half of 2019.
The result is very positive in both main brands.

Net result for the period

The adjusted net result for the period was €31.9 million, compared with €13.0 million for the first half of 2021. In addition to a higher EBITDA, the net result was affected by lower financial expenses obtained due to a significant improvement in the Group's financial structure.

Reconciliation of the consolidated results for the first half of 2022

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

€M	31 July '22 Reported	of which IFRS 16	of which non-recurring	of which stock options; derivatives; PPA; forex gains/losses		31 July '22 Adjusted
Net sales	**705.8**					**705.8**
Purchases of raw materials, consumables and goods	306.5			13.4	(a)	293.2
Gross margin (A)	**399.3**					**412.7**
GM %	*56.6%*					*58.5%*
Staff costs	148.0		0.3	1.0	(b)	146.7
Service costs	104.3	(0.4)	1.9			102.8
Costs for the use of third-party assets, net of other operating income	(20.2)	(88.6)				68.4
Provisions	1.5					1.5
Other operating charges	11.0		0.1			10.9
Total operating costs (B)	**244.6**	**(89.0)**	**2.2**	**1.0**		**330.3**
EBITDA (A - B)	**154.7**	**89.0**	**(2.2)**	**(14.4)**		**82.3**
EBITDA %	*21.9%*					*11.7%*
Amortisations, depreciations, and write-downs	112.5	78.3		4.3	(c)	29.9
EBIT	**42.2**	**10.6**	**(2.2)**	**(18.7)**		**52.4**
EBIT %	*6.0%*					*7.4%*
Net financial expenses (income)	6.3	(18.9)		19.9	(d)	7.3
PBT	**35.8**	**(8.3)**	**(2.2)**	**1.2**		**45.2**
Taxes	12.0	(1.0)	(0.5)	0.3		13.3
Net result for the period	**23.9**	**(7.2)**	**(1.7)**	**0.9**		**31.9**

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

The following is the reconciliation table in relation to the first half of 2021:

€M	31 July '21 Reported	of which IFRS 16	of which non-recurring	of which stock options; derivatives; PPA; forex gains/losses		31 July '21 Adjusted
Net sales	**599.2**					**599.2**
Purchases of raw materials, consumables, and goods	248.1			(0.9)	(a)	249.0
Gross margin (A)	**351.1**					**350.2**
GM %	*58.6%*					*58.4%*
Staff costs	126.9	(0.0)	0.5	0.4	(b)	126.1
Service costs	86.1	(0.4)	2.8			83.7
Costs for the use of third-party assets, net of other operating income	(35.8)	(104.3)				68.5
Provisions	1.5					1.5
Other operating charges	11.7	1.0	0.3			10.3
Total operating costs (B)	**190.4**	**(103.8)**	**3.6**	**0.4**		**290.1**
EBITDA (A - B)	**160.8**	**103.8**	**(3.6)**	**0.5**		**60.1**
EBITDA %	*26.8%*					*10.0%*
Amortisations, depreciations, and write-downs	103.9	71.1		4.3	(c)	28.5
EBIT	**56.9**	**32.7**	**(3.6)**	**(3.8)**		**31.7**
EBIT %	*9.5%*					*5.3%*
Net financial expenses (income)	29.8	(22.2)		4.1	(d)	11.7
PBT	**27.0**	**10.4**	**(3.6)**	**0.3**		**20.0**
Taxes	10.0	3.8	(0.9)	0.1		7.0
Net result for the period	**17.0**	**6.6**	**(2.8)**	**0.2**		**13.0**

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

Summary statement of financial position

The table below shows the consolidated statement of financial position at 31 July 2022 compared with the end of the previous year (in millions of euros).

€M	31 July '22 Reported	31 July '21 Reported	31 January '22 Reported	Change Jul. '22 vs. Jan. '22
Trade Receivables	118.9	95.5	89.3	29.6
Inventories	486.3	410.3	389.8	96.4
Trade Payables	(420.6)	(266.9)	(317.9)	(102.7)
Operating Working Capital	**184.6**	**238.9**	**161.2**	**23.4**
Other assets/(liabilities)	(115.9)	(105.3)	(128.2)	12.3
Net Working Capital	**68.7**	**133.6**	**33.0**	**35.7**
Tangible and Intangible Assets	2,083.7	1,988.2	2,069.9	13.9
Net deferred taxes	(24.6)	(9.0)	(20.1)	(4.6)
Other long term assets/(liabilities)	(3.0)	(4.2)	(7.2)	4.2
Pension funds and other provisions	(38.6)	(39.5)	(39.8)	1.2
Net Capital Employed	**2,086.2**	**2,069.1**	**2,035.9**	**50.4**
Net Equity	899.8	863.2	896.8	2.9
Net Financial Debt	1,186.5	1,205.9	1,139.0	47.5
Total source of financing	**2,086.2**	**2,069.1**	**2,035.9**	**50.4**

The Group's reported net invested capital at 31 July 2022, which therefore also includes the impacts arising from IFRS 16, was €2.0862 billion, up €50.4 million. The increase was mainly attributable to the seasonality effects in the net operating working capital, which increased by €23.4 million during the half-year, and to an increase of €13.9 million relating to net fixed assets.

Net financial position

€M	31 July '22 Excluding IFRS 16	31 July '21 Excluding IFRS 16
Net Debt	202.3	316.2
Net Debt excluding MtM derivatives	**228.7**	**318.2**
Adjusted LTM EBITDA	**169.4**	**131.0**
Leverage on EBITDA	**1.35x**	**2.43x**
Leverage of the last 12 months on EBITDA	**1.36x**	**3.11x**

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

At 31 July 2022, the Group's net financial position, adjusted for the impact of the mark-to-market and of the adoption of IFRS 16, was €228.7 million. The ratio of the adjusted net financial position for the last 12 months to the adjusted EBITDA for the last 12 months is constantly decreasing and is now equal to 1.36x. At 31 July 2022, the net financial position discounted the purchase during the half-year of €12.0 million of treasury shares (6,698,032 shares purchased at an average book value of €1.795) and the distribution of dividends of €11.2 million; excluding these elements, the net financial position would have been €205.5 million.

Adjusted summary consolidated cash flow statement

The following table shows the cash flow statement for the first half of 2022, compared with the cash flow statement for the previous year, both restated according to management criteria and adjusted to exclude the effects of IFRS 16, as it does not have an impact on Group cash flows.

€M	31 July '22 Excluding IFRS 16	31 July '21 Excluding IFRS 16	Change
EBITDA - Adjusted	**82.3**	**60.1**	**22.2**
Adjustments	(3.2)	(4.0)	0.8
EBITDA	79.1	56.1	22.9
Change in Operating Working Capital	(23.1)	(10.3)	(12.8)
Other changes in Working Capital	(18.7)	13.6	(32.3)
Net investments	(33.9)	(34.3)	0.4
Operating Cash Flow	**3.4**	**25.2**	**(21.8)**
Financial expenses	(5.0)	(11.8)	6.7
Severance indemnity payment	(1.5)	(1.0)	(0.6)
Taxes and misc.	(11.9)	(10.5)	(1.4)
Net cash flow (excluding net equity movements, MtM derivatives, and IFRS 16)	**(15.1)**	**1.9**	**(17.0)**
Dividends	(11.2)	0	(11.2)
Cash out for buybacks	(12.0)	0	(12.0)
Income from capital increase	0	81.0	(81.0)
Net Cash Flow (excluding MtM derivatives and IFRS 16)	**(38.3)**	**82.9**	**(121.2)**
Change in MtM derivatives	11.2	11.1	0.1
Net Cash Flow (excluding IFRS 16)	**(27.1)**	**94.0**	**(121.1)**

Operating cash flow

The table above shows the adjusted cash flows to represent the Group's operating performance at the net of non-recurring events which are unrelated to ordinary operations and adjusted for the adoption of IFRS 16. Operating cash flows for the half-year, which reflect the typical seasonality of our business, were +€3.4 million, an improvement compared to the cash absorption on the figure of −€19.6 million in the first half of 2019, a pre-Covid period, mainly due to an improved EBITDA.

The comparison with the cash generation of the first half of 2021 represents an uneven basis for comparison as it is also impacted by sales of inventory goods from the previous season, which remained unsold in 2020 due to the lockdown.

Impacts of IFRS 16 and alternative performance indicators

It should be noted that this Interim Report on Operations, in addition to the indicators provided for in the financial statements and in compliance with the International Financial Reporting Standards (IFRS), also presents some alternative performance indicators used by management to monitor and assess the Group's performance, whose formation is commented on below.

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

€M	31 July '22 Reported	*IFRS 16 Effects*	31 July '22 Excluding IFRS 16
Revenues	705.8	*0*	705.8
Other operating income and revenues	37.5	*4.5*	42.0
Total revenues	**743.3**	***4.5***	**747.8**
Purchases of raw materials, consumables and goods	306.5	*0*	306.5
Staff costs	148.0	*0.0*	148.0
Depreciation, amortisation and write-downs of assets	112.5	*(78.3)*	34.2
Other operating expenses			
Service costs	104.3	*0.4*	104.7
Costs for the use of third-party assets	17.3	*93.1*	110.4
Write-downs and provisions	1.5	*0*	1.5
Other operating charges	11.0	*(0.0)*	11.0
Profit before net financial expenses and taxes	**42.2**	***(10.6)***	**31.5**
Financial income	0.2	*(0.2)*	0.0
Financial expenses	26.3	*(19.1)*	7.3
Foreign exchange gains and losses	19.8	*0*	19.8
Gains (losses) from equity investments	(0.0)	*0*	(0.0)
Net result before tax	**35.8**	***8.3***	**44.1**
Taxes	12.0	*1.0*	13.0
Net result for the period	**23.9**	***7.2***	**31.1**

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

€M	31 July '22 Reported	*IFRS 16 Effects*	31 July '22 Excluding IFRS 16
Net sales	**705.8**		**705.8**
Gross margin	**399.3**		**399.3**
% on net sales	*56.6%*		*56.6%*
EBITDA	**154.7**	***(89.0)***	**65.7**
% on net sales	*21.9%*		*9.3%*
EBIT	**42.2**	***(10.6)***	**31.5**
% on net sales	*6.0%*		*4.5%*
Profit before taxes	**35.8**	***8.3***	**44.1**
% on net sales	*5.1%*		*6.3%*
Net result for the period	**23.9**	***7.2***	**31.1**
% on net sales	*3.4%*		*4.4%*

The following table shows the reclassified consolidated statement of financial position at 31 July 2022, including and excluding the effects of IFRS 16.

€M	31 July '22 Reported	*IFRS 16 Effects*	31 July '22 Excluding IFRS 16
Trade Receivables	118.9	*0*	118.9
Inventories	486.3	*0*	486.3
Trade Payables	(420.6)	*0.2*	(420.4)
Operating Working Capital	**184.6**	***0.2***	**184.8**
Other assets/(liabilities)	(115.9)	*17.9*	(98.0)
Net Working Capital	**68.7**	***18.1***	**86.8**
Tangible and Intangible Assets	2,083.7	*(932.1)*	1,151.6
Net deferred taxes	(24.6)	*(6.9)*	(31.6)
Other long term assets/(liabilities)	(3.0)	*(11.7)*	(14.6)
Pension funds and other provisions	(38.6)	*0*	(38.6)
Net Capital Employed	**2,086.2**	***(932.6)***	**1,153.6**
Net Equity	899.8	*51.5*	951.3
Net Financial Debt	1,186.5	*(984.2)*	202.3
Total source of financing	**2,086.2**	***(932.6)***	**1,153.6**

Alternative performance indicators

The OVS Group uses certain alternative performance indicators, which are not identified as accounting measures under IFRS, 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 period covered by this financial report and the comparison periods, and not to the Group's expected performance, and they should not be regarded as a substitute for the indicators provided for in the reference accounting standards (IFRS).

The alternative performance indicators used in the financial 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 operating result (EBIT)**, **adjusted result before taxes (EBT)** and the **adjusted net result for the period**, please refer to the previous section "Reconciliation of consolidated results for the first half of 2022".

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

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

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

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

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

Management of financial risks

Management of financial risks is described in detail in the note entitled “Information on financial risks” in the notes to the condensed consolidated half-year financial statements at 31 July 2022.

Investment and development

In the first six months of the year, investments of €33.9 million were made, mainly relating to (i) new store openings, for approximately €8.9 million; (ii) the upgrading of some stores in the network to update their image and various maintenance activities on the existing sales network for approximately €13.3 million; (iii) the development of IT systems and distribution processes, for approximately €5.3 million; (iv) distribution and maintenance processes at the headquarters for approximately €6.0 million, and, finally, the acquisition of fixed assets and the launch of GAP (accounted for on an interim basis) for approximately €0.4 million.

The investments made in the same period of 2021 amounted to €34.3 million, the most substantial items of which concerned approximately €10.4 million for new store openings and approximately €9.7 million for extraordinary restructuring and maintenance.

Related party transactions

Detailed information is provided on relations with related parties in the notes to the condensed consolidated half-year financial statements at 31 July 2022.

Significant events during the first half of 2022

Although various geopolitical, economic and health uncertainties persist, the OVS Group believes that it has clear and effective development strategies to continue its growth path in the second half of 2022 as well. Please also refer to the section “Business Outlook”.

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

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

OVS will use its wealth of retail experience and its exceptional creativity to accelerate GAP’s expansion in Italy, via both physical and digital channels.

We recall that on 20 October, The GAP Inc. announced a strategic review of its business in Europe. The transfer to OVS of the 11 Italian stores will enable GAP to maintain a market presence with a more efficient partnership model and to take advantage of the experience of OVS, which is the leader in the Italian clothing market. However, the GAP store in Milan will close in November 2022, when its lease agreement expires. For more details on the business unit purchased, see the section "Business combinations" in the notes to the consolidated half-year financial statements at 31 July 2022.

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

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

In accordance with the resolutions passed by the Shareholders' Meeting, buy-backs, which may take place on one or more occasions within the limits of the distributable profits and available reserves recognised in the latest financial statements approved at the time of each transaction, concerned a maximum number of shares with a total par value of not more than one-tenth of OVS' share capital, including any shares owned by OVS and its subsidiaries.
The shares were purchased at a per-share price of not more or less than 15% of the reference price posted by OVS shares during the trading session preceding each individual buy-back transaction.
The daily purchase amounts did not exceed 25% of the average daily volume of OVS shares traded during the 20 trading days preceding the buy-back dates.
The share buy-back programme is being carried out for a maximum of €10 million.
Though lasting until 28 November 2022 (unless revoked), authorisation to make the purchases was terminated and replaced early following a new resolution by the Shareholders' Meeting, as described in detail below.
Any purchases will be made on the Milan Euronext market, pursuant to Article 144-*bis*, paragraph 1, subparagraph b) of CONSOB Regulation no. 11971/1999 and other applicable provisions (including EU and Italian legislation on market abuse), to ensure the equal treatment of shareholders pursuant to Article 132 of Legislative Decree No. 58/1998 and Article 5 of (EU) Regulation 596/2014, and in accordance with the operating procedures established in Borsa Italiana S.p.A.'s organisational and management regulations.
On 1 February 2022, the Parent Company also appointed two new Managers with strategic responsibilities: the current Director of Sourcing, Operations and Sustainability and the current Director of OVS Retail Italia. Both managers have been with the Company for many years, and their appointment is part of a process of reorganising and strengthening the individual areas that they oversee. In particular, the former, in addition to managing all sourcing and operations, also focuses on sustainability-related activities and how these play out in relation to products, while the latter is responsible for the network of all OVS stores in Italy and for the Stefanel network. Both managers report directly to the Group Chief Executive Officer.
On 7 April 2022, OVS S.p.A. signed a loan agreement consisting of two lines of credit totalling €230 million, both sustainability-linked and with a term of five years.
This transaction will further improve the Group's financial structure, which has already been strengthened due to a strong performance in terms of cash flows generated in 2021 and the first half of 2022, and to the recent capital increases and the issuance of the sustainability-linked bond. The new lines present significant advantages in terms of cost, extension of terms and, more generally, contractual conditions in line with the Group's situation.
The loan agreement allows the Parent Company to access financial resources aimed, among other things, at repaying and replacing: i) two credit lines, one revolving line for €100 million and one term line for the remaining €33 million, granted under a loan agreement signed in 2015 and amended in 2019, both with a reduced maturity, and ii) a credit line for €100 million that is 80% guaranteed by SACE, obtained under a loan agreement, signed in 2020 to meet needs related to the Covid-19 pandemic, which is no longer consistent

with the Group's financial structure.

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

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

For further details, please refer to the notes to the condensed consolidated half-year financial statements at 31 July 2022.

Among the other significant events occurring during the first half of 2022, we must unfortunately signal the conflict between Russia and Ukraine, which began on 24 February this year. The war in Ukraine is having major and entirely unpredictable global consequences, not only because of the resulting serious humanitarian crisis, but also because of its economic and geopolitical effects on global markets. The first effects were immediately reflected in increases in the costs of various commodities such as gas and oil, as well as sharp reductions in share prices on the world's largest markets. It then also had a significant impact on the inflation and interest rates of all Western economies, as well as a significant weakening of the euro against the US dollar.

The exposure of sales to franchisees located in the Russian and Ukrainian markets, rather than to Russian tourists buying in other markets, is essentially nothing compared with the OVS Group's annual turnover.

Furthermore, the Group does not have goods suppliers in Russia or Ukraine.

However, to cope with the difficult economic situation, the Group is carrying out several operations to contain the price of energy and of several important raw materials, even though, in both the first and second half of the year, it was inevitable that the Group’s price lists would be adjusted.

OVS has continued its commitment with Save the Children to providing support and protection to the Ukrainian people affected by the war.

On 31 May 2022, the Ordinary Shareholders' Meeting of the Parent Company, OVS S.p.A. (the Company), approved the financial statements at 31 January 2022, and it resolved to pay an Ordinary dividend for the year ended 31 January 2022 of €0.04 per share. The ex-dividend date of coupon no. 4 was 20 June 2022, and the payment date was 22 June 2022 (with a record date of 21 June 2022). For further details, please refer to the consolidated statement of changes in net equity.

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

On that same date, the Ordinary Shareholders’ Meeting approved authorisation (i) to purchase, including in several tranches and for a period of eighteen months, up to a maximum number of shares of the Company

which, taking into account the Ordinary OVS shares held from time to time by the Company and its subsidiaries, does not exceed, in total, 10% of the Company's share capital, and therefore in accordance with the limits established by law; and (ii) to dispose, in whole or in part, of the treasury shares in its portfolio.
This resolution replaced the previous authorisation issued to the Board of Directors by the Shareholders' Meeting of 28 May 2021. For further information on the other characteristics of the authorisation to purchase and dispose of treasury shares, please refer to (i) the press release of 21 April 2022 and (ii) the explanatory report, available on the Company website at www.ovscorporate.it.
On today's date (20 September 2022), the Company holds 10,132,666 treasury shares (equivalent to 3.4829% of the share capital), while its subsidiaries do not hold any OVS shares.
For further details, please refer to the authorisation resolution approved by the Shareholders' Meeting and the relevant explanatory report by the Board of Directors, available at www.ovscorporate.it (Governance/Shareholders' Meetings/Shareholders' Meeting of 31 May 2022).
The Ordinary Shareholders' Meeting also approved a new medium/long-term equity-based incentive plan named the "Performance Shares Plan 2022 – 2026" (the "Plan"), which aims to align the interests of the beneficiaries with the creation of value for OVS's Shareholders and investors in the long term, and to promote the retention of the beneficiaries, by incentivising them to develop the Company and at the same time by creating a tool that fosters their loyalty. The Plan is for the top management of the Company and its subsidiaries and other employees and contractors (including consultants and/or providers of intellectual work) of OVS and/or the subsidiaries that play roles held to be strategically important for the Company's business or that are otherwise able to make a significant contribution in light of the pursuit of the strategic objectives of OVS and its subsidiaries.
When a performance objective is achieved for each three-year vesting period for measuring results, starting on 1 February and ending on 31 January of the third following year (2022-2024/2023-2025/2024-2026), the Plan entitles each beneficiary to receive OVS shares free of charge, subject to the circumstances set out in the Plan (existence of the employment relationship with the company and absence of any disciplinary sanctions).
The number of actual shares assigned to each beneficiary in the event of the objective's achievement, under the terms and conditions of the Plan regulations, will be determined by applying different criteria depending on whether the reference price of the OVS share is less than or equal to €3.00 or more than €3.00 per share.
The Plan is divided into three three-year ("rolling") performance cycles, 2022-2024, 2023-2025, and 2024-2026 respectively, and it will expire on 31 January 2027. A maximum number of 4,500,000 shares may be assigned to beneficiaries in performance of the Plan.
For further information on the Plan, please refer to (i) the explanatory report on the 4th (fourth) item on the agenda of the Ordinary Shareholders' Meeting of OVS of 31 May 2022, and (ii) the information document prepared pursuant to Article 84-*bis* of CONSOB Regulation No. 11971 of 14 May 1999, available on the Company's website www.ovscorporate.it and on the "1Info" authorised data storage mechanism at www.1info.it.

The first three-year cycle was assigned by resolution of the Board of Directors of 14 June 2022. Also on 31 May 2022, the Extraordinary Shareholders' Meeting resolved to grant the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, for a period of five years from the date of the resolution, the power to increase the share capital, free of charge, and in tranches, even in several tranches, pursuant to Article 2349 of the Italian Civil Code, to be assigned to the employee beneficiaries of the Plan, through the issuance of a maximum of 4,500,000 ordinary shares at an issuance value equal to the accounting par value of the OVS shares at the execution date, to be fully allocated to the capital. Article 5 of the Articles of Association was consequently amended.

On 29 April 2022, the Company's standing auditor Paola Tagliavini, who had been taken from the list that obtained the highest number of votes submitted by the shareholder TIP – TAMBURI Investment Partners S.p.A., tendered her resignation with immediate effect due to her other professional commitments.

To continue to observe the gender balance, Ms Emanuela Italia Fusa (who was selected from the minority list), the only alternate auditor in office of the female gender, took over as an effective member of the Board of Statutory Auditors pursuant to law and the Articles of Association.

At the Shareholders' Meeting of 31 May 2022, at the proposal of the shareholder Tamburi Investment Partners S.p.A., which holds 82,744,373 ordinary shares representing 28.44% of OVS's share capital, the Board of Statutory Auditors was supplemented by appointing Atty. Federica Menichetti as standing auditor. She will remain in office together with the other members of the Board of Statutory Auditors until the date of the Shareholders' Meeting called to approve the financial statements for the year ended 31 January 2023.

On 27 July 2022, OVS announced the acquisition of the brand Les Copains, a historic brand that established itself in the '70s and '90s, and which became known to the younger generation for its iconic striped mini-sweaters and cool-weather wool jackets. The acquisition, which only involved the brand, was completed in September 2022 with payment of the balance of the auction price (totalling €1.5 million). It forms part of OVS's strategy to strengthen its product development and distribution platform, with the aim of expanding its visitor base and being ever closer to customers' different lifestyles. The Les Copains collection will soon form part of one of the Group's brands.

Lastly, during the half-year, a number of legal entities directly controlled by the Parent Company, OVS S.p.A., were formed with the aim of developing specific projects for the optimisation corporate processes and development of its business abroad. Specifically, on 3 May 2022, Vespucci Fashion Inc. was incorporated with headquarters in New York (USA); on 21 June, OVS Innovazione e Sustainability S.r.l. was incorporated with headquarters in Venice-Mestre; on 26 July 2022, Energia Verde Uno S.r.l. was incorporated. For more details on the operations of these new Group companies, please refer to the notes to the condensed consolidated half-year financial statements at 31 July 2022.

No other significant events occurred during the first half of 2022.

Incentive plans

We recall that on 26 May 2015, the Shareholders' Meeting approved the stock option plan for the 2015-2020 period, which will be implemented through the assignment free of charge of options on the subscription of newly issued ordinary shares of OVS S.p.A.. The plan was reserved for directors who are also employees, managers with strategic responsibilities and/or other employees of OVS S.p.A. and its subsidiaries. The plan was intended to create value for shareholders by improving long-term corporate performance and attracting and retaining staff who play a key role in the Group's development.

The plan provides for the issue of up to 5,107,500 options, which will be allotted free of charge to the Beneficiaries if certain performance targets are met, and confers on each of them the right to subscribe to one ordinary share of the Company for each option allotted.

This same meeting was also convened in an extraordinary session to resolve upon the proposed attribution to the Board of Directors, for a period of five years from the date of the resolution, of 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 maximum par value of €35,000,000.00, through the issuance, in one or more tranches, of up to 5,107,500 ordinary shares with no par value, to be reserved for the beneficiaries of the 2015-2020 Stock Option Plan, with the consequent amendment of Article 5 of the Articles of Association.

As of 31 July 2022, 2,724,963 options had been assigned under the "Stock Option Plan 2015-2020".

We also note that the Shareholders' Meeting of 31 May 2017 approved a further stock option plan, called the "2017-2022 Stock Option Plan", 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 at any given point in time; or (ii) shares deriving from a capital increase by the Board of Directors, after the granting of a mandate to the Board 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 maximum par value of €4,080,000, through the issuance, in one or more tranches, of up to 4,080,000 new ordinary shares of OVS, to be reserved for the beneficiaries of the "2017-2022 Stock Option Plan".

This Plan is also intended to create value for shareholders by improving long-term corporate performance and attracting staff who play a key role in the Group's development.

The Plan provides for the free allocation to each beneficiary of up to 4,080,000 options, which give the right to subscribe or purchase ordinary shares of OVS in the ratio of one share for each option exercised. The options mature when determined performance targets are met.

As of 31 July 2022, 1,222,000 options had been assigned under the "Stock Option Plan 2017-2022".

Finally, the Ordinary Shareholders' Meeting of 31 May 2019 also approved, pursuant to Article 114-*bis* of the TUF, the adoption of another incentive plan named the "2019-2022 Stock Option Plan", to be implemented through the assignment free of charge of options on the subscription of newly issued ordinary shares of OVS S.p.A.. The Plan is reserved for directors who are also employees, managers with strategic responsibilities and/or other employees of OVS S.p.A. and its subsidiaries pursuant to Article 93 of Legislative Decree 58 of 24 February 1998, who have been identified by the Board of Directors, after consulting the Appointments and Remuneration Committee, from among those individuals who perform a key role in the achievement of the Company's strategic objectives (hereinafter, the "Beneficiaries").

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

Up to 5,000,000 options can be issued under the Plan, assigned free of charge to the Beneficiaries. Each Beneficiary may exercise the options actually accrued on fulfilment of a condition of access to the Plan (Gate) and a performance condition linked to a predefined value of a three-year cumulative EBITDA. Each option confers on each Beneficiary the right to subscribe one ordinary share of the Company for each option assigned.

The exercise price of the shares is set at €1.72.

As of 31 July 2022, 4,800,000 options had been assigned under the "Stock Option Plan 2019-2022".

As regards the three existing plans, it was also necessary to neutralise the dilutive effect of the capital increase in July 2021 by changing the strike price and any price for the access condition (only present in the 2019-2022 Plan). The new values, calculated according to the formulas commonly used in similar situations, are shown below:

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

Finally, on 31 May 2022, the Ordinary Shareholders' Meeting approved, pursuant to Article 114-*bis* of the TUF, the adoption of a stock grant plan named the "2022 Performance Shares Plan" reserved for the Chief Executive Officer, Executives with Strategic Responsibilities, employees, staff and consultants of OVS and its subsidiaries. For more information on the above incentive plan, please refer to the previous section "Significant events during the first half of 2022", note 7.26 in the notes to this document, and the specific documentation relating to the Shareholders' Meeting, which is available on the Company's website.

For details of the Plan, please refer to 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's website at www.ovscorporate.it, in the Governance/Shareholders' Meeting section.

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

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

Treasury shares

At 31 July 2022, the company held a total of 7,507,258 treasury shares, equal to 2.5805% of the share capital (including 809,226 shares, equal to 0.356% of the share capital, purchased in 2018 for a total amount of €1.496 million).
In the first half of 2022, 6,698,032 treasury shares were purchased for a total amount of €12,015,000, with no disposals.

Article 15 of the Markets Regulation (adopted by CONSOB with 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 pursuant to Article 151 of the Issuers' Regulation.

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

At 31 January 2019, OVS S.p.A. was a 17.835%-owned investee company of Gruppo Coin S.p.A..
On 11 March 2019, Gruppo Coin S.p.A., the vendor, and Tamburi Investment Partners S.p.A., as the buyer, reached an agreement concerning the sale of the equity investment (17.835%) held by Gruppo Coin S.p.A. in OVS S.p.A.. Due to this purchase, Tamburi Investment Partners S.p.A., which was already a shareholder of OVS with an equity investment of approximately 4.912%, obtained a total stake of around 22.747% in OVS's capital.
Lastly, as a result of the paid capital increase completed in July 2021, shareholder Tamburi Investment Partners S.p.A. currently holds a total stake of approximately 25.140% in OVS's capital.

Despite the equity investment held by Gruppo Coin, OVS S.p.A. does not consider itself to be subject to management and coordination by the latter, as:

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

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

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

Significant events after the reporting date

No significant events took place after 31 July 2022.

Business outlook

For the second semester, still in presence of exogenous factors negatively affecting consumers' purchasing power, we believe that, as already happened in the first semester, our brand positioning will attract new customers looking for more affordable prices, with positive effect on our sales. The good start of the fall season is confirming this trend. Thanks to our robust supply-chain, fall-winter '22 and spring-summer '23 orders were closed at an euro-dollar forex better compare to the actual one, main sea-shipping is pre-booked with 3-years contracts at tariffs far below the actual spot rates and energy price was fixed in advance for approximately 50% of the needs. These hedging and mitigation actions will absorb a significant part of the inertial cost increases. In light of these considerations and of the performance achieved so far, we expect full-year results to significantly improve over the previous year.

Prospects of the condensed consolidated half-year financial statements at 31 July 2022

Consolidated statement of financial position

(amounts in thousands of euros)

ASSETS	Note	31.07.2022	of which related parties	31.01.2022	of which related parties
Current assets					
Cash and banks	*6.1*	76,060		143,150	
Trade receivables	*6.2*	118,911		89,293	
Inventories	*6.3*	486,278		389,849	
Financial assets	*6.4*	26,441		15,213	
Financial assets for leases	*6.5*	4,115		2,470	
Current tax assets	*6.6*	12,099		16,635	
Other receivables	*6.7*	19,439		16,242	
Total current assets		**743,343**		**672,852**	
Non-current assets					
Property, plant and equipment	*6.8*	255,888		250,782	
Right of use assets	*6.9*	936,004		922,232	
Intangible assets	*6.10*	593,939		599,171	
Goodwill	*6.11*	297,902		297,686	
Equity investments	*6.13*	0		0	
Financial assets	*6.4*	34		0	
Financial assets for leases	*6.5*	3,966		4,548	
Other receivables	*6.7*	6,951		6,907	
Total non-current assets		**2,094,684**		**2,081,326**	
TOTAL ASSETS		**2,838,027**		**2,754,178**	

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.07.2022	of which related parties	31.01.2022	of which related parties
Current liabilities					
Financial liabilities	*6.14*	40,638		100,782	
Financial liabilities for leases	*6.15*	144,402		135,083	
Trade payables	*6.16*	420,571		317,911	
Current tax liabilities	*6.17*	3,916		4,591	
Other payables	*6.18*	143,554	2.816	156,522	6,778
Total current liabilities		**753,081**		**714,889**	
Non-current liabilities					
Financial liabilities	*6.14*	260,826		228,732	
Financial liabilities for leases	*6.15*	851,232		839,813	
Employee benefits	*6.19*	30,667		32,873	
Provisions for risks and charges	*6.20*	7,901		6,919	
Deferred tax liabilities	*6.21*	24,650		20,050	
Other payables	*6.18*	9,908		14,059	
Total non-current liabilities		**1,185,184**		**1,142,446**	
TOTAL LIABILITIES		**1,938,265**		**1,857,335**	
SHAREHOLDERS' EQUITY					
Share capital	*6.22*	290,923		290,923	
Treasury shares	*6.22*	(13,511)		(1,496)	
Other reserves	*6.22*	598,530		558,973	
Net result for the period		23,655		48,500	
GROUP SHAREHOLDERS' EQUITY		**899,597**		**896,900**	
NON-CONTROLLING INTERESTS	*6.22*	165		(57)	
TOTAL SHAREHOLDERS' EQUITY		**899,762**		**896,843**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,838,027**		**2,754,178**	

Consolidated income statement

(thousands of euros)

	Note	31.07.2022	of which related parties	31.07.2021	of which related parties
Revenues	*7.23*	705,803		599,242	395
Other operating income and revenues	*7.24*	37,510		31,389	728
Total revenues		**743,313**		**630,631**	
Purchases of raw materials, consumables and goods	*7.25*	306,503		248,124	
Staff costs	*7.26*	147,971	2,987	126,903	2,335
Depreciation, amortisation and write-downs of assets	*7.28*	112,529		103,864	
Other operating expenses					
Service costs	*7.29*	104,337		86,134	(96)
Costs for the use of third-party assets	*7.29*	17,281		(4,408)	(97)
Write-downs and provisions	*7.29*	1,500		1,472	(28)
Other operating charges	*7.29*	11,038		11,654	
Profit before net financial expenses and taxes		**42,154**		**56,888**	
Financial income	*7.30*	159		215	66
Financial expenses	*7.30*	(26,314)		(34,143)	
Foreign exchange gains and losses	*7.30*	19,850		4,081	
Gains (losses) from equity investments	*7.30*	0		0	
Net result before tax		**35,849**		**27,041**	
Taxes	*7.31*	(11,977)		(10,031)	
Net result for the period		**23,872**		**17,010**	
Net result for the period attributable to the Group		**23,655**		**16,993**	
Net result for the year attributable to minority interests		**217**		**17**	
Earnings per share (in euro)	*7.32*				
- basic		0.082		0.075	
- diluted		0.082		0.073	

Consolidated statement of comprehensive income

(amounts in thousands of euros)

	Note	31.07.2022	31.07.2021
Net result for the period (A)		**23,872**	**17,010**
Other gains (losses) that will not be subsequently reclassified in the income statement:			
- Change in consolidation reserve	*6.22*	0	(40)
- Actuarial gains (losses) for employee benefits	*6.19-6.22*	1,870	(163)
- Tax on items recognised in the reserve for actuarial gains (losses)	*6.21-6.22*	(449)	39
Total other comprehensive gains (losses) that will not be subsequently reclassified in the income statement		**1,421**	**(164)**
Other gains (losses) that will be subsequently reclassified in the income statement:			
- Change in translation reserve	*6.22*	20	1,078
Total other comprehensive gains (losses) that will be subsequently reclassified in the income statement		**20**	**1,078**
Total other items of comprehensive income (B)		**1,441**	**914**
Total comprehensive income for the period (A) + (B)		**25,313**	**17,924**
Total comprehensive income attributable to the Group		25,096	17,907
Total comprehensive income attributable to minority interests		217	17

Consolidated cash flow statement

(amounts in thousands of euros)

	Note	31.07.2022	31.07.2021
Operating activities			
Net result for the period		23,872	17,010
Provision for taxes	*7.32*	11,977	10,031
Adjusted for:			
Net depreciation, amortisation and write-downs of fixed assets, including for leases	*7.28*	112,529	103,864
Net capital gains (losses) on fixed assets, including for leases		(712)	857
Net financial expenses (income) including for leases	*7.30*	26,155	33,927
Expenses (income) from foreign exchange differences and currency derivatives	*7.30*	(8,659)	6,972
Loss (gain) on derivatives due to change in fair value	*7.30*	(11,191)	(11,053)
Allocations to provisions	*6.19-6.20*	750	250
Utilisation of provisions	*6.19-6.20*	(1,868)	(1,001)
Cash flows from operating activities before changes in working capital		**152,853**	**160,857**
Cash flow generated/(absorbed) by change in working capital	*6.2-3-6-7-16-17-18-21*	(39,342)	33,176
Taxes paid		(6,732)	(3,714)
Net interest received (paid) including for leases		(24,910)	(49,361)
Realised foreign exchange differences and cash flows from currency derivatives		7,414	(2,575)
Other changes		1,072	1,402
Cash flow generated (absorbed) by operating activities		**90,355**	**139,785**
Investment activities			
(Investments in) fixed assets	*6.8-6.10-6.11*	(33,543)	(34,494)
Disposals of fixed assets	*6.8-6.10-6.11*	0	927
Cash out after business combinations during the year		(167)	(2,709)
Cash flow generated (absorbed) by investment activities		**(33,710)**	**(36,276)**
Financing activities			
Net change in financial assets and liabilities	*6.4-6.14*	(28,443)	(21,035)
(Repayment) of lease liabilities/collection of lease assets	*6.5-6.15*	(72,055)	(95,774)
(Buy-back) of treasury shares	*6.22*	(12,015)	0
Increase in share capital and reserves	*6.22*	0	80,606
Distribution of dividends		(11,222)	0
Cash flow generated (absorbed) by financing activities		**(123,735)**	**(36,203)**
Increase (decrease) in cash and cash equivalents		**(67,090)**	**67,306**
Cash and cash equivalents at start of period		**143,150**	**77,507**
Cash and cash equivalents at end of period		**76,060**	**144,813**

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

Consolidated statement of changes in the net equity

(amounts in thousands of euros)

	Share capital	Share premium reserve	Legal reserve	Reserve for treasury shares	Reserve for actuarial gains (losses)	Trans-lation reserve	IFRS 2 reserve	Other reserves	Retained earnings	Net result for the period	Total net equity attribut-able to the OVS Group	Non-con-trolling interests	Total net equity
Balance at 01 February 2021	**227,000**	**511,995**	**9,884**	**(1,496)**	**(3,840)**	**(1,013)**	**8,386**	**4,341**	**(25,812)**	**35,037**	**764,482**	**(197)**	**764,285**
- Appropriation of earnings for financial year 2020	*0*	*0*	*1,795*	*0*	*0*	*0*	*0*	*0*	*33,242*	*(35,037)*	*0*	*0*	*0*
- Paid capital increase	63,923	16,683	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	80,606	*0*	80,606
- Management incentive plans	***0***	***0***	***0***	***0***	***0***	***0***	*428*	***0***	*(64)*	***0***	*364*	*0*	*364*
Transactions with shareholders	63,923	16,683	1,795	0	0	0	428	0	33,178	(35,037)	80,970	**0**	80,970
Net result for the period	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***	*0*	*16,993*	*16,993*	*17*	*17,010*
- Other items of comprehensive income	***0***	***0***	***0***	***0***	*(124)*	*1,078*	***0***	*360*	*(400)*	*0*	*914*	*0*	*914*
Total comprehensive income for the period	0	0	0	0	(124)	1,078	0	360	(400)	16,993	17,907	17	17,924
Balance at 31 July 2021	**290,923**	**528,678**	**11,679**	**(1,496)**	**(3,964)**	**65**	**8,814**	**4,701**	**6,966**	**16,993**	**863,359**	**(180)**	**863,179**
Balance at 01 February 2022	**290,923**	**528,678**	**11,679**	**(1,496)**	**(3,793)**	**1,085**	**8,988**	**4,701**	**7,635**	**48,500**	**896,900**	**(57)**	**896,843**
- Appropriation of earnings for financial year 2021	*0*	*0*	*2,496*	*0*	*0*	*0*	*0*	*0*	*34,582*	*(48,500)*	*(11,422)*	*0*	*(11,422)*
- Acquisition of treasury shares	***0***	***0***	***0***	*(12,015)*	***0***	***0***	***0***	***0***	***0***	***0***	*(12,015)*	*0*	*(12,015)*
- Change in scope of consolidation	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***	*0*	*5*	*5*
- Management incentive plans	***0***	***0***	***0***	***0***	***0***	***0***	*1,237*	***0***	*(199)*	***0***	*1,038*	*0*	*1,038*
Transactions with shareholders	0	0	2,496	(12,015)	0	0	1,237	0	34,383	(48,500)	(22,399)	**5**	(22,394)
Net result for the period	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***	*0*	*23,655*	*23,655*	*217*	*23,872*
- Other items of comprehensive income	***0***	***0***	***0***	***0***	*1,421*	*20*	***0***	***0***	***0***	*0*	*1,441*	*0*	*1,441*
Total comprehensive income for the period	0	0	0	0	1,421	20	0	0	0	23,655	25,096	217	25,313
Balance at 31 July 2022	**290,923**	**528,678**	**14,175**	**(13,511)**	**(2,372)**	**1,105**	**10,225**	**4,701**	**42,018**	**23,655**	**899,597**	**165**	**899,762**

Notes to the financial statements

1. General information

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

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

These condensed consolidated half-year financial statements at 31 July 2022 have been prepared pursuant to Article 154-*ter* of Legislative Decree 58/1998 and the relevant CONSOB provisions, and they were approved by the Board of Directors on 20 September 2022.

The Group's main activities are set out in the Interim Report on Operations.

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

As described in greater detail in the Interim Report on Operations at 31 July 2022, although various geopolitical, economic and health uncertainties persist, the performance of the OVS Group in the first half of 2022 was excellent, thanks to an increase in sales and margins that brings the semester to the highest values ever recorded. The OVS Group also believes that it has clear and effective development strategies to continue its growth path in the second half of 2022 as well. Please also refer to the section Business Outlook in the Interim Report on Operations.

3. Criteria for preparation of the condensed consolidated half-year financial statements

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

3.1 Structure and content of the financial statements

The condensed consolidated half-year financial statements at 31 July 2022 were prepared pursuant to IAS 34, which relates to interim financial reporting. IAS 34 allows for the preparation of financial statements in condensed form, i.e. based on a minimum level of disclosure that is significantly lower than that required by the International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the European Union (IFRS), whenever full financial statements prepared pursuant to IFRS have already been made publicly available. The condensed consolidated half-year financial statements were prepared in "summary" form and should therefore be read in conjunction with the consolidated financial statements of the OVS Group for the year ended 31 January 2022, prepared pursuant to IFRS.

The condensed consolidated half-year financial statements at 31 July 2022 of the OVS Group, which comprise the consolidated statement of financial position, the consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in net equity, and the notes to the financial statements are stated in euros as the current currency of the economies in which the Group chiefly operates, and values are stated in thousands of euros, unless otherwise indicated.

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

- Statement of financial position: assets and liabilities are classified with current and non-current items shown separately;
- Income statement: prepared separately from the statement of comprehensive income with operating costs classified by nature;
- Statement of comprehensive income: in addition to the result for the period, other changes in the net equity regarding items of an economic nature which, by express provision of the international accounting standards, are recognised as components of the net equity;
- Cash flow statement: the statement shows the cash flows from operations, investments and financings. The indirect method was used to prepare this statement;
- Statement of changes in the net equity: it separately shows the result for the period and each income and expense item not posted to the income statement but recognised directly in net equity pursuant to specific IFRS.

The schedules used, as specified above, provide the best representation of the OVS Group's financial position and profit performance.

These 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 are elaborated upon when they are significant.

These condensed consolidated half-year financial statements at 31 July 2022 were prepared in accordance with the general criterion for reliable and truthful presentation of the Group's financial position, earnings and cash flow, in accordance with the general principles of business continuity, accrual basis accounting, consistency of presentation, relevance and aggregation, prohibition of offsetting, and comparability of information.

Please see the Interim Report on Operations for detailed information on the nature of the Group's business activity.

PricewaterhouseCoopers S.p.A. has performed a limited audit on the condensed consolidated half-year financial statements at 31 July 2022.

3.2 Scope of the consolidation

The condensed consolidated half-year financial statements at 31 July 2022 include, as well as the parent company's financial statements, the financial statements of all the subsidiaries from the date at which control is assumed until the date at which this control ceases.

The following is a list of the companies included within the scope of consolidation on a line-by-line basis:

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

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

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

In the half-year ended 31 July 2022, the following new companies were established and included within the scope of consolidation on a line-by-line basis:

Vespucci Fashion, Inc.: a company incorporated on 3 May 2022 with its registered office in New York (U.S.A.). At the date of these condensed consolidated half-year financial statements, the company is still inactive and is wholly owned by OVS S.p.A.. The company is expected to become active in the second half of 2022 to manage the first phase of commercial initiatives in the U.S.A..

OVS Innovazione e Sostenibilità S.r.l.: a company incorporated on 21 June 2022 with its registered office in Venice-Mestre. At the date of these condensed consolidated half-year financial statements, the company is still inactive and is wholly owned by OVS S.p.A.. The company will presumably become active in the second half of 2022, conditional on the approval by Puglia Sviluppo of the programme agreement presented and with the aim of opening an operating unit in Bari in which the Group's important innovation and sustainability activities will be established.

Energia Verde Uno S.r.l.: a company incorporated on 26 July 2022 with its registered office in Venice-Mestre. At the date of these condensed consolidated half-year financial statements, the company is still inactive and is 51% controlled by OVS S.p.A.. In the second half of 2022, the company will become the vehicle for the creation of a joint venture for the development, creation, and management of several photovoltaic projects in Italy.

Finally, OVS Germany G.m.b.H., which will have its registered office in Leipzig and will be wholly owned by OVS S.p.A., is being set up. It will be responsible for running commercial initiatives for the STEFANEL brand in Germany.

3.3 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, the net 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.

On 1 February 2022, the transfer of ownership to OVS of the GAP Italy business unit, consisting of 11 directly operated stores, was completed. The total price paid to the seller (GAP Italy S.r.l., a subsidiary of The GAP, Inc.) for the acquisition was provisionally defined at €807,000, but this sum will be partially adjusted to take into account certain price adjustment items, currently quantified at €591,000. The 11 stores, situated in high-quality locations, have been operating seamlessly since early February 2022.

The following table shows the fair value at the acquisition date of the components of the consideration transferred:

€/000	
Cash and cash equivalents	807
Financial receivables from GAP Italy S.r.l.	(591)
Total consideration transferred	**216**

Below is a summary of the amounts relating to the net equity acquired and those deriving from the provisional purchase price allocation process:

€/000	Net equity acquired	Purchase Price Allocation (provisional)	Adjusted Equity (provisional)
Cash and banks	46	2	49
Inventories	912	(46)	866
Other current receivables	1,001	(26)	975
Property, plant and equipment	200	-	200
Right of use assets	19,268	-	19,268
Goodwill	300	(300)	-
Deferred tax assets	-	84	84
Other current payables	(387)	(108)	(495)
Financial liabilities for leases	(19,268)	-	(19,268)
Employee benefits	(1,265)	140	(1,125)
Provisions for risks and charges	-	(554)	(554)
Total	**807**	**(807)**	**-**

Residual goodwill of €216,000 was obtained from the difference between the total consideration transferred and the (provisional) adjusted net equity. The final price allocation process will be concluded by the end of 2022.

3.4 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 the net 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 within the scope of consolidation.

Foreign exchange gains or losses arising from the translation of financial statements presented in foreign currencies using the above methods are cumulatively recognised under other comprehensive income in a specific equity reserve until the equity investments are disposed of.

The exchange rates used for translation are shown in the following table:

		Final exchange rate at		Average exchange rate for the half-year	
Currency	**Code**	**31.07.2022**	**31.01.2022**	**31.07.2022**	**31.07.2021**
US dollar	USD	1.02	1.12	1.07	1.20
Hong Kong dollar	HKD	8.01	8.70	8.42	9.31
Chinese renminbi	RMB	6.87	7.10	7.03	7.76
Croatian kuna	HRK	7.52	7.53	7.54	7.54
Serbian dinar	RSD	117.40	117.59	117.50	117.54
Indian rupee	INR	80.88	83.37	82.79	88.27

3.5 Accounting standards and consolidation criteria

The accounting standards and consolidation criteria used to prepare the condensed consolidated half-year financial statements at 31 July 2022 are consistent with those used to prepare the consolidated financial statements for the year ended 31 January 2022, to which reference is made for the purpose of completeness, except in the case of:

1. income taxes, which are also recognised on the basis of the best estimate of the expected weighted average rate for the full year;
2. the standards and amendments set out below, applied with effect from the financial year 2022, as they became mandatory after completion of the relevant approval procedures by the competent authorities, the application of which nevertheless did not have any significant effect on the Group's financial position and result.

Reference to the Conceptual Framework – amendments to IFRS 3: the amendments replace references to the previous version of the IASB's Conceptual Framework with the references to the latest version issued in March 2018, which do not significantly amend its requirements. They add an exception to the valuation principles of IFRS 3 to avoid the risk of potential losses or gains "on the day after" arising from potential or actual liabilities that would fall within the scope of IAS 37 or IFRS 21 Levies, if contracted separately. The amendments also clarify that potential assets do not qualify for recognition at the acquisition date.
This amendment has had no impact on the Group's condensed consolidated half-year financial statements.
Property, plant and equipment: income before use – amendments to IAS 16: the amendment prohibits the deduction from the cost of income generated before the property, plant or machinery is in the condition established by management. The entity must recognise this income and the related costs in the income statement. This amendment has had no impact on the condensed consolidated half-year financial statements as there were no sales within the scope of the amendments.
Onerous contracts – cost of fulfilling a contract – amendments to IAS 37: in May 2020 the IASB published amendments to IAS 37 specifying which costs should be considered by an entity when assessing whether a contract is onerous or loss-making. The amendment provides for the application of a "directly related cost approach". Costs that refer directly to a contract for the provision of goods or services include both incremental costs and costs directly attributed to contractual activities. However, general and administrative expenses are not directly related to a contract and are excluded unless they are explicitly chargeable to the counterparty on the basis of the contract. The application of the amendments to IAS 37 did not have any impact.
IFRS 9 Financial Instruments – the treatment of fees in the 10% test for the derecognition of financial liabilities: the amendment clarifies which fees an entity must include in the quantitative test to assess whether the changes made to the financial liability are to be considered modifications or write-downs of the original liability. The fees to be considered are only those between the two counterparties of the financial instrument. The amendment has had no impact on the condensed half-year financial statements.

The Group has not adopted in advance any standard, interpretation, or amendment that has been issued but which is not yet in force.

4. Use of estimates

When preparing these condensed consolidated half-year financial statements and the relative notes, the managers of the OVS Group were required to make estimates and assumptions which affect the values of the assets and liabilities in the financial statements and the relative disclosure. The final results of the accounting entries for which the above estimates and assumptions were used may differ from those reported in the financial statements, which recognise the effects of the occurrence of the event subject to estimation. Moreover, certain valuation processes, particularly those that are more complex, such as establishing impairment of non-current assets, are generally carried out in their fullest form only when the annual financial statements are prepared, when all the information that might be needed is available, except in cases where there are indicators of impairment that require an immediate assessment of any loss in value.
Management updated its valuations and estimates compared with the consolidated financial statements for the year ended 31 January 2022 in the light of events in the first half of 2022, if these had not already been adequately reflected in the last annual financial statements.
The estimates mainly concern the following items:

4.1 Impairment of tangible and intangible assets

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

4.2 Depreciation and amortisation

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

4.3 Inventory obsolescence

Provisions are allocated on the basis of the estimated realisable value of the collections in stock;

4.4 Provisions for doubtful accounts

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

4.5 Prepaid/deferred taxes

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

4.6 Pension funds and other employee benefits

They are recognised on the basis of the actuarial assessments performed.

4.7 Provisions for risks and charges

Provisions for risks and charges – these represent the risk of a negative outcome of legal or tax proceedings. These provisions represent 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 which might therefore have more significant effects than the current estimates;

4.8 Valuation of currency derivatives

These are financial instruments not listed on official markets, and which are therefore assessed on the basis of commonly used valuation financial techniques that require basic assumptions and estimates.

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

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

5. Information on financial risks

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

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

The condensed consolidated half-year financial statements at 31 July 2022 do not include all the information relating to financial risks described in the consolidated financial statements for the year ended 31 January 2022: please see these financial statements for a more detailed analysis.
There were no changes in the types of risks to which the OVS Group is exposed and its risk management policy compared with the risks described in the consolidated financial statements for the year ended 31 January 2022.

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

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

The OVS Group has also signed derivatives in order to reduce exchange rate risks relating to the US dollar, which is the main currency used to purchase goods from suppliers in the Far East.

5.1 Credit risk

Credit risk represents the OVS Group's exposure to the risk of potential losses arising from default by counterparties.
For the period under review, there are no significant concentrations of credit risk.

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 July 2022, the total guarantee amount was €78.7 million, including €19.9 million in overdue receivables (€74.5 million at 31 January 2022, including €18.1 million in overdue receivables).
The Group routinely assigns rotating receivables without recourse to a limited and selected group of customers. At 31 July 2022, the value of the receivables assigned was €8.2 million.
Trade receivables are recognised net of write-downs calculated on the basis of the risk of counterparty default, determined by using available information on the solvency of the customer and also taking historical data and prospective losses into account to the extent reasonably expected. Positions that are particularly significant, and that are objectively partially or totally irrecoverable, are written down individually.
Trade receivables totalled €118.9 million at 31 July 2022 (€89.3 million at 31 January 2022).
Receivables written down (partially or fully) amounted to €12.6 million at 31 July 2022 (€11.9 million at 31 January 2022).
Overdue receivables amounted to €36.0 million (€26.5 million at 31 January 2022).
Please see note 6.2 ("Trade receivables") for further details of the provision for doubtful accounts.

5.2 Liquidity risk

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

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

The OVS Group's liquidity requirements are monitored by the treasury department to ensure effective access to financial resources and adequate liquidity investment/yield levels.
To further strengthen the financial solidity already achieved by the Group with the shares and instruments put in place during 2021 (a capital increase of approximately €80 million and the issue of a Sustainability-Linked bond loan entered into on 10 November 2021, which contributed approximately €160 million), in the first half of 2022, the Parent Company OVS S.p.A. underwrote a new loan agreement (the "2022 Loan") with a small pool of banks for a total of €230 million, to partially repay the residual bank debt at this 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 future investment activities, management of working capital and the repayment of debt when it is contractually due.
For more information about the changes that took place in the OVS Group's capital and financial structure during the half-year, see also note 6.14 below.

Finally, we note that during the half-year, the net changes in financial assets and liabilities recognised in the consolidated cash flow statement (corresponding to a net cash absorption of €28.4 million) are analysed as follows: full repayment of the SACE loan for -€100.0 million, full repayment of the old Term B2 for -€66.7 million, income from the new amortising line for +€110 million, incremental change in the new revolving line for +€25.0 million and the Hot Money BPer Banca line for +€5.0 million, a decremental change in financial payables for interest for -€1.9 million, and other minor changes for +€0.2 million.

5.3 Market risk

Interest rate risk

The OVS Group uses external financial resources in the form of debt and employs liquidity available in bank deposits. Fluctuations in market interest rates 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 2022 Loan (subscribed on 7 April 2022 and disbursed on 8 April 2022) does not include an obligation to hedge interest rate risk. Finally, with regard to the Bond, we note that this carries a fixed coupon of 2.25% until maturity (10 November 2027), except for a possible step-up of an additional 25 bps from 2024 if certain ESG goals are not achieved.

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

In view of the composition of Group debt, which is only partially exposed to changes in interest rates, specific hedges are currently not in place against the risk of interest rate fluctuations. However, any trades may be implemented based on the current market volatility.

Foreign exchange risk

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

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

The Group is also exposed to the EUR/HKD exchange rate in relation to the translation risk of investee company OVS Hong Kong Sourcing Limited. The conversion effects of the other foreign companies for which

the euro is not the functional currency are marginal.
Exchange rate fluctuations may result in the realisation or reporting of foreign exchange gains or losses. The OVS Group also hedges orders, including those that are highly probable although not obtained, pursuing the management aim of minimising exposure to risk.
The OVS Group purchases most of its products for sale from foreign suppliers for which the reference currency is the US Dollar (USD). In order to ensure reliability in the planning of sales prices and the relative industrial margin (understood as the difference between sales prices in EUR and the purchase costs of products in USD), the OVS Group routinely enters into derivative contracts designed to stabilise the exchange rate of goods purchases. The nature of these instruments is quite simple, as they are purchases of forward USD currency (forward derivatives) implemented in relation to estimated inflows and with timelines associated with the foreseeable outflow of cash, usually with a time horizon of 12 to 24 months from the date of signing the associated contracts. The instruments in question are initially entered into, in particular, taking into account quantifications (based on estimates) determined on the basis of purchases of the previous collection and considering the business outlook. Such operational hedges of purchase flows take place, in fact, by collection and by month. The instruments are then constantly monitored and updated by the OVS Group in relation to potential changes in purchase and payment flows and therefore to the variable need for stabilisation of exchange rates during the operational development of commercial planning.
It should be noted that in exceptional cases the Group may liquidate derivative contracts that hedge the expected purchase of goods. No such transaction was necessary during 2022.

The derivatives described are recognised at 31 July 2022 at fair value, according to the methods of recognition and measurement established in IFRS 9. Under this accounting standard, the entity is still permitted, under certain conditions, to book derivatives using hedge accounting. In view of the operational complexity in managing the correspondence between the theoretical underlyings (the flows subject to the management hedging described) and the derivatives, the OVS Group has decided not to adopt hedge accounting. Consequently, the fair value of existing financial instruments and subsequent changes in such instruments are directly charged to the income statement on each reporting date. The fair value of derivatives is quantified using common valuation techniques and is mainly determined by the difference between the notional amount in USD converted into euro at the forward exchange rate at the time of entering into the contract and the notional amount in USD converted into euro at the exchange rate at the end of the reference period. This difference may be positive or negative depending on changes in the EUR/USD exchange rate.

In the period under review, the nature and structure of exposure to foreign exchange risk and the hedging policies followed by the OVS Group did not change substantially compared with the consolidated financial statements for the year ended 31 January 2022.

5.4 Fair value estimates

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

- Level 1: fair value is measured with reference to quoted prices (unadjusted) in active markets for identical financial instruments;
- Level 2: fair value is measured using valuation techniques with reference to variables observable on active markets;
- Level 3: fair value is measured using valuation techniques with reference to variables unobservable on active markets.

The financial instruments shown at fair value of the OVS Group are classified as Level 2, and the general criterion used to calculate it is the present value of future cash flows expected from the instrument being valued.
Moreover, it should be noted that in the first half of 2022 there were no transfers of financial assets and liabilities classified according to 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.

6. Notes to the consolidated statement of financial position

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

6.1 Cash and banks

	31.07.2022	31.01.2022	change
Cash and banks	**76,060**	143,150	(67,090)

The balance represents cash and cash equivalents at 31 July 2022 and 31 January 2022 and breaks down as follows (in thousands of euros):

		31.07.2022	31.01.2022	change
1)	Bank and post office deposits	69,674	136,885	(67,211)
2)	Checks	2	6	(4)
3)	Cash on hand	6,384	6,259	125
Total		**76,060**	**143,150**	**(67,090)**

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

6.2 Trade receivables

	31.07.2022	31.01.2022	change
Trade receivables	**118,911**	89,293	29,618

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

	31.07.2022	31.01.2022	change
Trade receivables			
Receivables for retail sales	419	429	(10)
Receivables for wholesale sales	119,887	88,419	31,468
Receivables for services provided	3,500	4,854	(1,354)
Disputed receivables	7,750	7,486	264
Trade receivables from related parties	0	0	0
Subtotal	**131,556**	**101,188**	**30,368**
(Provision for doubtful accounts)	(12,645)	(11,895)	(750)
Total	**118,911**	**89,293**	**29,618**

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.

Changes in the provision for doubtful accounts for the half-year ended 31 July 2022 are shown below:

(amounts in thousands of euros)	
Balance at 31 January 2022	**11,895**
Allocations in the period	750
Utilisations in the period	0
Balance at 31 July 2022	**12,645**

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 financial year. It has been adjusted to the risk assessments related to the particular economic situation in Italy and Europe.

The utilisations for the period concern receivable positions for which elements of certainty and accuracy, or the presence of insolvency procedures, determine the derecognition of the position. There were no utilisations during the half-year.

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

6.3 Inventories

	31.07.2022	31.01.2022	change
Inventories	**486,278**	389,849	96,429

The breakdown of inventories is shown in the following table:

(amounts in thousands of euros)	31.07.2022	31.01.2022
Goods	544,807	448,164
Gross stock	**544,807**	**448,164**
Provision for depreciation	(43,687)	(43,454)
Provision for inventory differences	(14,842)	(14,861)
Total provision for stock write-downs	**(58,529)**	**(58,315)**
Total	**486,278**	**389,849**

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 significant increase is mainly due to the earlier shipments of A/W 2022 collections (mainly from Far East areas still affected by pandemic restrictions) to avoid possible delays to the start of the season.

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

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

Changes in the provision for depreciation and the provision for inventory differences for the half-year ended 31 July 2022 are shown below:

(amounts in thousands of euros)	Provision for depreciation	Provision for inventory differences	Total
Balance at 31 January 2022	**43,454**	**14,861**	**58,315**
Allocation	15,420	6,256	21,676
Utilisation	(15,187)	(6,275)	(21,462)
Balance at 31 July 2022	**43,687**	**14,842**	**58,529**

6.4 Other current and non-current financial assets

	31.07.2022	31.01.2022	change
Current financial assets	**26,441**	15,213	11,228
Non-current financial assets	**34**	0	34

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

(amounts in thousands of euros)	31.07.2022	31.01.2022
Derivatives (current portion)	26,441	15,213
Total current financial assets	**26,441**	**15,213**
Derivatives (non-current portion)	34	0
Total non-current financial assets	**34**	**0**
Total	**26,475**	**15,213**

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

6.5 Financial assets for current and non-current leases

	31.07.2022	31.01.2022	change
Financial assets for current leases	**4,115**	2,470	1,645
Financial assets for non-current leases	**3,966**	4,548	(582)

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

6.6 Current tax assets

	31.07.2022	31.01.2022	change
Current tax assets	**12,099**	16,635	(4,536)

The balance mainly consists of receivables for excess IRES payments on account made by the Parent Company, OVS S.p.A. (€5.4 million) paid on a historical basis, already net of the payable for taxes accrued during the year by both OVS S.p.A. and 82 S.r.l.. In fact, during 2021, OVS S.p.A. joined the national tax consolidation scheme provided for by Articles 117 *et seq*. of Presidential Decree No. 117 of 22 December 1986 ("TUIR") and the Ministerial Decree of 1 March 2018, with the subsidiary, 82 S.r.l. (the consolidated entity). The national tax consolidation will continue uninterrupted during the period 2021-2023. The agreement also provides for the tacit renewal of the option for a further three years pursuant to Article 14, paragraph 1, of the Ministerial Decree of 1 March 2018.

The remaining balance of the item consists of receivables for withholding tax on fees (€2,030,000), tax credits of €3,816,000, and taxes withheld at the source.

6.7 Other current and non-current receivables

	31.07.2022	31.01.2022	change
Other current receivables	**19,439**	16,242	3,197
Other non-current receivables	**6,951**	6,907	44

Other receivables break down as follows:

	31.07.2022	31.01.2022	change
Other receivables	4,009	3,088	921
Receivables from insurance companies for claims reimbursement	248	385	(137)
Receivables from personnel	1,326	1,042	284
Accrued income and prepaid expenses - rents and service charges	4,335	4,690	(355)
Accrued income and prepaid expenses - insurance	812	825	(13)
Accrued income and prepaid expenses - interest on security deposits	24	24	0
Accrued income and prepaid expenses - other	8,685	6,188	2,497
Total current receivables	**19,439**	**16,242**	**3,197**
Security deposits	4,291	4,184	107
Minor investments	74	20	54
Other receivables	2,586	2,703	(117)
Total non-current receivables	**6,951**	**6,907**	**44**

The “Other receivables” item in current receivables concerns guarantee deposits made for new lease contracts amounting to €391,000 and receivables for business unit disposals amounting to €1,675,000, while the remainder refers to social security receivables and advances to suppliers and shippers.

“Receivables from insurance companies” mainly comprise the scheduled reimbursement for damage to goods during transport (€102,000) and damage due to flooding at the OVS store in Marcon (€119,000).

The item “Accrued income and prepaid expenses - other” primarily includes prepayments for advertising and marketing services of €1,907,000 and the share of deferred financial fees (€202,000) incurred to obtain the revolving credit facilities described in greater detail in note 6.14 (“Financial liabilities”) below.

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

“Other non-current receivables” include security deposits that relate mainly to security deposits paid for leases, utilities and deposits with customs authorities to guarantee the imports of goods.

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

The “Other non-current receivables” item refers to assets deferred beyond 12 months from the reporting date, receivable from third parties amounting to €1,527,000 and the medium/long-term portion of deferred financial fees of €744,000.

6.8 Property, plant, and equipment

	31.07.2022	31.01.2022	change
Property, plant, and equipment	**255,888**	250,782	5,106

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

Investments in the period 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 concern renovations of stores not under direct ownership.

6.9 Right of use assets

	31.07.2022	31.01.2022	change
Right of use assets	**936,004**	922,232	13,772

Pursuant to the IFRS 16 international accounting standard, this item includes right-of-use assets relating mainly to store leases and deposits and to a minor extent to leases on offices, apartments for company use and motor vehicles/other equipment.

For a detailed analysis, please refer to Appendix 2 concerning changes during the period.

6.10 Intangible assets

	31.07.2022	31.01.2022	change
Intangible assets	**593,939**	599,171	(5,232)

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

Intangible assets at 31 July 2022 mainly included the amounts allocated to the OVS Group deriving from the previous acquisition of Gruppo Coin by Icon, which was then transferred to the current OVS S.p.A. in July 2014.

At 31 July 2022, these amounts included:

- €377.5 million for the OVS brand, with an indefinite life (included under "Concessions, licences and brands”);

- €13.3 million for the Upim brand, with an indefinite life (included under "Concessions, licences and brands");
- €3.4 million for the Stefanel brand, registered during 2021 due to the acquisition of the namesake business unit in March 2021, with an indefinite life (included under “Concessions, licences and brands”).
- €49.2 million for the OVS franchising network, amortised over 20 years (included under “Other intangible assets”);
- €19.6 million for the Upim franchising network, amortised over 20 years (included under “Other intangible assets”);
- €77.2 million for licences relating to OVS stores, amortised over 40 years (included under “Concessions, licences and brands”);
- €20.4 million for licences relating to Upim stores, amortised over 40 years (included under “Concessions, licences and brands”);

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

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

6.11 Goodwill

	31.07.2022	31.01.2022	change
Goodwill	**297,902**	297,686	216

The goodwill mainly relates to the acquisition of Gruppo Coin by Icon on 30 June 2011 (the carrying amount was originally €451,778,000, allocated to the OVS CGU, which was written down by €155,000,000 in 2019 following impairment testing).

The change that took place in the first half of 2022 is entirely due to the acquisition of the GAP Italy business unit, provisionally allocated at 31 July 2022. Please refer to note 3.3 “Business combinations” above.

6.12 Updates to impairment tests for goodwill and fixed assets with an indefinite life

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 intangible 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.

With regard to goodwill and the brands, when preparing this half-yearly financial report at 31 July 2022, any impairment indicators were assessed that may be identified using internal or external information sources. The analyses performed did not reveal the need to record impairment losses on these items in the financial statements.

In particular, with respect to the internal assumptions relating to the flows underlying the impairment test at the end of 2021, no new triggers have been identified with respect to the projections at the end of 2021 (no new plans or explicit revisions of the 2022 Budget and/or 2023-2024 business plan have been approved to date). For the OVS CGU, the business dynamics recorded in the first half of 2022 are significantly better than the assumptions used to verify the recoverability of the value of goodwill and applied when preparing the consolidated annual financial statements at 31 January 2022. Accordingly, no indicators of possible impairment had been identified and no specific impairment tests were therefore carried out for the purposes of preparing the consolidated half-year financial statements at 31 July 2022.

Furthermore, from the simulations carried out, the increase in interest rates experienced in the last period and the consequent effect on WACC is not such as to jeopardise the soundness of the tests which, with reference to 31 January 2022, showed broad hedging overall.

Finally, it should be noted that the Company's stock market capitalisation, based on the average OVS share price in the first half of 2022, shows a still negative differential with the Group's accounting net equity, but this differential is currently considered to be cyclical and closely related to the market turbulence tied to the energy crisis and the Russian-Ukrainian war. As proof of this, in December 2021, the market capitalisation

was higher than the book value of the net equity. The events of February 2022 also triggered significant tension across European and global markets.
For the purposes of preparing the Half-year Financial Report, it was therefore not necessary to prepare and approve a new impairment test for the Group's CGUs.

Impairment testing on licences and right of use assets relating to stores
With regard to licences and right of use assets relating to OVS Group stores that indicate impairment, the Group calculated value in use for each store thus identified and/or the relevant fair value. No impairment indicators emerged from the analysis carried out on the half-year ended 31 July 2022.

6.13 Equity investments

	31.07.2022	31.01.2022	change
Equity investments	**0**	0	0

There were no changes in the first half 2022.

6.14 Other current and non-current financial liabilities

	31.07.2022	31.01.2022	change
Current financial liabilities	**40,638**	100,782	(60,144)
Non-current financial liabilities	**260,826**	228,732	32,094

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

(amounts in thousands of euros)	31.07.2022	31.01.2022
Current bank payables	30,514	71,000
Current portion of non-current debt	10,054	29,782
Other current financial payables	70	0
Current financial liabilities	**40,638**	**100,782**
Non-current bank payables	260,826	228,732
Other non-current financial payables	0	0
Non-current financial liabilities	**260,826**	**228,732**

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

(amounts in thousands of euros)	Maturity date	Interest rate	At 31 July 2022		
			Total	of which non-current portion	of which current portion
Revolving Credit Line (2022 Loan)	07.04.2027	Euribor + 1.75%	25,000	0	25,000
Hot Money BPer Bank	04.10.2022	2.25%	5,000	0	5,000
Due for financial expenses			514	0	514
Current bank payables			**30,514**	**0**	**30,514**
Sustainability-Linked Bond	10.11.2027	2.25%	160,000	160,000	0
Amortising Credit Line (2022 Loan)	07.04.2027	Euribor + 2.25%	110,000	102,500	7,500
SG Loan	30.06.2024		302	118	184
Due for financial expenses			2,604	0	2,604
Finance costs			(2,026)	(1,792)	(234)
Non-current bank payables			**270,880**	**260,826**	**10,054**

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

- a Sustainability-Linked Amortising Line for a capital amount of €110,000,000 (the "Amortising Line"). This line provides for a grace period and then 8 half-yearly instalments of €7,500,000 each from 31 May 2023 and a final instalment of €50,000,000;
- a Revolving Sustainability-Linked Line of €120,000,000 (the "Revolving Line" or "RCF" and, together

with the Amortising Line, the “Credit Lines”).

Among the other credit lines available to the OVS Group, we also recall the sustainability-linked fixed-rate bond (the “Bond Loan”) issued on 10 November 2021 for a total nominal amount of €160,000,000.

Below is a summary description of the current terms and conditions underlying the loans outstanding at 31 July 2022.

With regard to the 2022 Loan, the applicable interest rate for the Amortising Line at 31 July 2022 is equal to the sum of (i) the margin (the “Amortising Line Margin”) of 2.25% per annum and (ii) the Euribor; while for the RCF, the interest rate applicable at 31 July 2022 is equal to the sum of (i) the margin (the “RCF Margin” and, together with the Amortising Line Margin, the “Margin”) of 1.75% per annum and (ii) the Euribor. The Euribor parameter is set at zero if the parameter is negative. The interest rate is calculated on a quarterly basis for the Amortising Line, and on a monthly, quarterly, or half-yearly basis for the Revolving Line, as indicated in the relevant request for use.

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

- if the ratio of average financial debt to EBITDA is greater than or equal to 3.50:1, the applicable Amortising Line Margin will be 2.60% per annum and the applicable RCF Margin will be 2.10% per annum;
- if the ratio of average financial debt to EBITDA is less than 3.50:1 but greater than or equal to 3.00:1, the applicable Amortising Line Margin will be 2.45% per annum and the applicable RCF Margin will be 1.95% per annum;
- if the ratio of average financial debt to EBITDA is less than 3.00:1 but greater than or equal to 2.50:1, the applicable Amortising Line Margin will be 2.35% and the applicable RCF Margin will be 1.85% per annum;
- if the ratio of average financial debt to EBITDA is less than 2.50:1 but greater than or equal to 2.00:1, the applicable Amortising Line Margin will be 2.25% per annum and the applicable RCF Margin will be 1.75% per annum;
- if the ratio of average financial debt to EBITDA is less than 2.00:1 but greater than or equal to 1.50:1, the applicable Amortising Line Margin will be 2.15% per annum and the applicable RCF Margin will be 1.65% per annum;
- if the ratio of average financial debt to EBITDA is less than 1.50:1 but greater than or equal to 1.00:1,

the applicable Amortising Line Margin will be 2.05% per annum and the applicable RCF Margin will be 1.55% per annum; and

- if the ratio of average financial debt to EBITDA is less than 1.00:1, the applicable Amortising Line Margin will be 1.90% per annum and the applicable RCF Margin will be 1.40% per annum.

As of the financial year ending 31 January 2025, the applicable Margin pursuant to the 2022 Loan Agreement will also be linked to a selection of certain key performance indicators (KPIs) in line with the provisions of the Bond. This mechanism for the Margin's variability depending on the above KPIs from 2024 provides for a maximum step up/step down of 10 bps;

At 31 July 2022, the ratio of average financial debt to EBITDA was 1.36x.
The final due date of the 2022 Loan Agreement, which also coincides with the repayment date for the credit lines, is set at 7 April 2027, without prejudice to the provisions for early repayment provided for pursuant to the 2022 Loan.

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

Pursuant to the 2022 Loan Agreement, OVS S.p.A. has also agreed to announce the occurrence of any significant adverse events or events of default that could restrict and/or impede the ability of the Parent Company, OVS S.p.A., or any guarantor to meet its contractual obligations pursuant to the 2022 Loan Agreement.
In terms of financial obligations, the only parameter that the Parent Company, OVS S.p.A., has agreed to comply with is the leverage ratio (as defined in the 2022 Loan Agreement), i.e. the ratio of the OVS Group's net debt to EBITDA, on a consolidated basis. From 31 January 2022, this parameter must be equal to or less than 3.50:1 for each testing period (i.e., each 12-month period ending in a reporting date, that is, either 31 January and 31 July of each year), according to a calculation based on the OVS Group's consolidated financial statements and consolidated interim reports. This parameter must be equal to or less than 3.00:1 from the period ending on the reporting date of 31 January 2024.

The 2022 Loan Agreement is governed by Italian law and any disputes relating thereto fall under the exclusive jurisdiction of the Milan court.

Any breach of the covenants provided for in the 2022 Loan Agreement constitutes an event of default that may be remedied according to, among other things, the following:

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

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

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

The Bond is governed by English law and any disputes relating thereto fall under the exclusive jurisdiction of English courts.

The par value of the Bond is €160,000,000 and it has a term of 6 years from the issuance date, with a maturity date of 10 November 2027, subject to the early repayment provisions established in the Bond regulations.

As part of the offer, 160,000 bonds with a par value of €1,000 each were subscribed at an issuance price equal to 100% of the par value.

The gross annual return of the Bond is 2.25% on an annual basis.

Furthermore, as described in the Bond Prospectus, in the KID (Key Information Document) for the Bonds and in the Sustainability-Linked Bond Framework relating to OVS' sustainability goals, which are all available to the public on the Parent Company's website (www.ovscorporate.it), we note that, in view of the "sustainability-linked" nature of the Bonds, the interest rate may be increased starting in 2024, until the maturity date of the bonds, by a margin of up to 0.25% per annum for each interest period starting on or after the interest payment date immediately following any failure by OVS to achieve the sustainability performance goals (the key performance indicators, or KPIs) provided for in the Bond Regulation by 2024, or in the event of any failure on the part of OVS to report on these key performance indicators at the due dates established in the Bond Regulation.

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

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

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

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

(amounts in thousands of euros)	31.07.2022	31.07.2022 Excluding IFRS 16	31.01.2022	31.01.2022 Excluding IFRS 16
A. Cash	76,060	76,060	143,150	143,150
B. Cash equivalents	0	0	0	0
C. Other current financial assets	30,556	26,441	17,683	15,213
D. Liquid assets (A)+(B)+(C)	**106,616**	**102,501**	**160,833**	**158,363**
E. Current financial debt	(30,584)	(30,584)	(71,000)	(71,000)
F. Current portion of non-current financial debt	(154,456)	(11,175)	(164,865)	(30,878)
G. Current financial debt (E)+(F)	**(185,040)**	**(41,759)**	**(235,865)**	**(101,878)**
J. Net current financial debt (I)+(E)+(D)	**(78,424)**	**60,742**	**(75,032)**	**56,485**
I. Non-current financial debt	(952,058)	(103,102)	(908,545)	(71,575)
J. Debt instruments	(160,000)	(160,000)	(160,000)	(160,000)
K. Trade and other non-current payables	0	0	0	0
L. Non-current financial debt (I)+(J)+(K)	**(1,112,058)**	**(263,102)**	**(1,068,545)**	**(231,575)**
M. Total financial debt (H)+(L)	**(1,190,482)**	**(202,360)**	**(1,143,577)**	**(175,090)**
Non-current financial receivables	**4,000**	**34**	**4,548**	**0**
Net Financial Position	**(1,186,482)**	**(202,326)**	**(1,139,029)**	**(175,090)**

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

(amounts in thousands of euros)	31.07.2022	31.07.2022 Excluding IFRS 16	31.01.2022	31.01.2022 Excluding IFRS 16
Current bank payables	30,514	30,514	71,000	71,000
Derivatives	70	70	0	0
Payables for finance leases	144,402	1,121	135,083	1,096
Current portion of the non-current financial debt	10,054	10,054	29,782	29,782
Current financial payables	**185,040**	**41,759**	**235,865**	**101,878**
Non-current bank payables	260,826	260,826	228,732	228,732
Derivatives	0	0	0	0
Payables for finance leases	851,232	2,276	839,813	2,843
Non-current bank payables	**1,112,058**	**263,102**	**1,068,545**	**231,575**

6.15 Financial liabilities for current and non-current leases

	31.07.2022	31.01.2022	change
Financial liabilities for current leases	**144,402**	135,083	9,319
Financial liabilities for non-current leases	**851,232**	839,813	11,419

Financial lease liabilities are recognised in accordance with the application of IFRS 16 with effect from 2019. As indicated with regard to the “Accounting standards and consolidation criteria” of the 2021 Annual Financial Report, the application of the practical expedient relating to discounts and/or exemptions from payments on lease agreements following the Covid-19 emergency (introduced with the amendments to IFRS 16) was completed in the first half of 2022.

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	
	31.07.2022	**31.01.2022**	**31.07.2022**	**31.01.2022**
Within 1 year	182,880	175,173	144,402	135,083
From 1 to 5 years	593,940	567,725	495,906	464,359
Beyond 5 years	396,593	420,666	355,326	375,454
Total	**1,173,413**	**1,163,564**	**995,634**	**974,896**

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

	31.07.2022	31.01.2022
Minimum payments owed for finance leases	1,173,413	1,163,564
(Future financial expenses)	(177,779)	(188,668)
Present value of payables for finance leases	995,634	974,896

6.16 Trade payables

	31.07.2022	31.01.2022	change
Trade payables	**420,571**	317,911	102,660

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 €259,100,000; it also includes exposure in foreign currency (mainly USD) amounting to USD 242,780,00, already net of USD 559,000 for advances.

The significant increase is mainly due to the earlier shipments of A/W 2022 collections (mainly from Far East areas still affected by pandemic restrictions) to avoid possible delays to the start of the season.

6.17 Current tax liabilities

	31.07.2022	31.01.2022	change
Current tax liabilities	**3,916**	4,591	(675)

This item mainly includes the current portion of the substitute tax payable arising from the realignment of the tax value with the statutory value of the OVS and Upim brands recognised in the Parent Company's financial statements made in the 2020 financial year and payable by 31 July 2023.

Current taxes accrued during the period for IRES corporate income tax and IRAP regional productivity tax have been fully offset with a surplus of payments on account.

The remaining portion relates to the current tax payables of the subsidiary OVS Hong Kong Sourcing Ltd.

6.18 Other current and non-current payables

	31.07.2022	31.01.2022	change
Other current payables	**143,554**	156,522	(12,968)
Other non-current payables	**9,908**	14,059	(4,151)

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

	31.07.2022	31.01.2022	change
Payables to personnel for holidays not taken and related contributions	8,645	8,324	321
Payables to employees for deferred salaries, overtime, bonuses and related contributions	22,609	32,342	(9,733)
Payables to Directors and Statutory Auditors for compensation	1,031	519	512
Other payables	38,891	34,949	3,942
Payables to pension and social security institutions	4,709	6,661	(1,952)
VAT payables	30,306	38,799	(8,493)
Other tax payables	1,210	3,563	(2,353)
Other payables – to customers	448	432	16
Accrued expenses and deferred income – rents and leasing	1,888	3,144	(1,256)
Accrued expenses and deferred income – utilities	7,049	4,837	2,212
Accrued expenses and deferred income – insurance	534	559	(25)
Accrued expenses and deferred income – other	26,234	22,393	3,841
Total current payables	**143,554**	**156,522**	**(12,968)**
Tax payables	0	3,714	(3,714)
Accrued expenses and deferred income – other	9,908	10,345	(437)
Total non-current payables	**9,908**	**14,059**	**(4,151)**

Payables to employees concern benefits accrued and not paid out at 31 July 2022.

"Other payables" mainly concern the recognition of €22,190,000 for the value of expected returns on sales made, pursuant to IFRS 15 (this was €18,764,000 at 31 January 2022).

The balance also includes advance payments by customers for pre-orders of goods and purchases of vouchers amounting to €7,391,000, and payables for deposits and securities received from customers to guarantee affiliation agreements for €7,904,000.

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

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

The "Other tax payables" item includes IRPEF (personal tax) on employees, payables to tax offices and payables for unpaid withholding tax.

The item "Other accrued expenses/deferred income" includes €13,193,000 of accrued expenses for local taxes, €796,000 of travel expenses, €127,000 of bank charges, €2,407,000 of deferred income for contributions paid by partners and lessors, and €6,474,000 of unredeemed reward points in customer loyalty programmes (this was €5,400,000 at 31 January 2022).

“Non-current payables” also include €9,491,000 as the non-current portion of deferred income for contributions paid by lessors after store renovations and conversions. These contributions were discounted based on the term of the lease. The same item includes €417,000 for the deferral of the contribution deriving from investments in new capital goods, which benefited from the “Tremonti-quater” exemption. Investments were booked including the contribution amount, which was spread throughout the period of depreciation of the goods concerned.

6.19 Employee benefits

	31.07.2022	31.01.2022	change
Employee benefits	**30,667**	32,873	(2,206)

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 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, flows of severance benefits subsequent to that date were 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)).

The change in the "Employee benefits" item is shown below.

(amounts in thousands of euros)	
Balance at 31 January 2022	**32,873**
Acquisitions from business combinations	1,125
Increase in period	85
Actuarial gains (losses)	(1,870)
Benefits paid	(1,546)
Balance at 31 July 2022	**30,667**

6.20 Provisions for risks and charges

	31.07.2022	31.01.2022	change
Provisions for risks and charges	**7,901**	6,919	982

Changes in the “Provision for risks and charges” item for the half-year ended 31 July 2022 are shown below:

(amounts in thousands of euros)	
Balance at 31 January 2022	**6,919**
Allocations in the period	750
Acquisitions from business combinations	554
Used/released during the period	(322)
Balance at 31 July 2022	**7,901**

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 the end of the period.
The provision of €750,000 allocated during the half-year concerns legal or contractual risks. The further increase of €554,000 derives from the Purchase Price Allocation of the GAP Italy business unit acquired during the period and refers to the estimated cost of redundancy incentives.
The decrease refers to drawings on previous provisions made for disputes with former employees and various legal cases.

6.21 Deferred tax liabilities

	31.07.2022	31.01.2022	change
Deferred tax liabilities	**24,650**	20,050	4,600

Changes in the “Deferred tax liabilities” item in the half-year ended 31 July 2022 are stated below:

(amounts in thousands of euros)	Balance at 31.01.2022	Allocated/released to income statement	Allocated/released to statement of comprehensive income	Balance at 31.07.2022
Provision for stock write-downs	13,628	204		13,832
Appropriation for local taxes	2,754	295		3,049
Provisions for risks and charges	1,660	172		1,832
Doubtful accounts	2,955	180		3,135
Tangible and intangible assets	(48,779)	(3,471)	84	(52,166)
IFRS 15 – Sales with a right of return	2,219	460		2,679
IFRS 16 – Leases	(163)	0		(163)
Employee severance benefits calculated according to IAS 19	1,198	0	(449)	749
Tax losses	2,918	(2,918)		0
Other minor	1,560	843		2,403
Total net prepaid (deferred)	**(20,050)**	**(4,235)**	**(365)**	**(24,650)**

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

We note the full utilisation of previous tax losses that were fully absorbed by the positive result for the half-year and the allocation during the period for deferred tax liabilities for the statutory/tax differential of the brands, which was already realigned in 2020.

6.22 Net equity

The net equity amounted to €899.8 million.

Further details of all the changes in the items included in the net equity are provided in the relative accounting prospectus.

Share capital

At 31 July 2022, the share capital of OVS S.p.A. amounted to €290,923,470, comprising 290,923,470 ordinary shares with no par value.

OVS was incorporated on 14 May 2014 with share capital of €10,000.

The Transferral of the OVS-Upim Business Unit by the then sole shareholder Gruppo Coin, which took effect as of 31 July 2014, entailed a share capital increase from €10,000 to €140,000,000, with a premium of €249,885,000.

On 24 February 2015, the global offer for subscription and sale of ordinary shares of OVS S.p.A., with the aim of listing this company on the MTA, was successfully completed.

The subscription operation entailed a further capital increase of €87,000,000, increasing the share capital from €140,000,000 to €227,000,000, divided into 227,000,000 ordinary shares with no par value.
Lastly, the aforementioned paid capital increase, in tranches, entailed an increase in share capital of €63,923,470, from €227,000,000 to €290,923,470, divided into 290,923,470 ordinary shares with no par value.

Treasury shares

At 31 July 2022, the Parent Company OVS S.p.A. held a total of 7,507,258 treasury shares, equal to 2.5805% of the share capital (including 809,226 shares, equal to 0.356% of the share capital, purchased in 2018 for a total amount of €1,496,000).
In the first half of 2022, 6,698,032 treasury shares were purchased for a total amount of €12,015,000, while no disposals were recorded. For more details on the authorising resolutions passed by the Shareholders' Meetings of 28 May 2021 and of 31 May 2022, see the detailed section entitled "Significant events during the first half of 2022" in the Interim Report on Operations. Finally, we note that the Meeting of the Board of Directors of 20 September 2022, in executing the authorisation to purchase treasury shares issued by the Shareholders' Meeting on 31 May 2022, resolved to continue implementing the plan to purchase treasury shares for up to an additional €20 million.
In this regard, it should be recalled that, to implement the above programme, the Company granted a top-tier intermediary the task of assuming and executing, with full independence, decisions on the purchase of OVS shares, in accordance with the contractually pre-established parameters and criteria and with the provisions of the applicable regulations and the authorisation resolution by the Shareholders' Meeting. The plan is intended to increase the portfolio of treasury shares to (i) execute, directly or through intermediaries, any investment transactions, also to contain anomalous movements in prices, to regularise trading and price performance, and to support the stock's liquidity on the market, (ii) retain it for subsequent uses (known as a "securities warehouse"), (iii) to service compensation and incentive plans based on financial instruments reserved for the directors and employees of OVS and/or the companies directly or indirectly controlled by it. Please also note that the per-share purchase price may not be 15% higher or lower than the reference price recorded by the OVS stock in the trading session preceding each individual transaction.

Other reserves

The breakdown of other reserves is as follows:

The **share premium reserve**, amounting to €528.7 million, derives from the increases in the capital of OVS S.p.A., as previously mentioned, and is shown net of listing costs of €7,590,000 (gross costs of €10,469,000 and deferred tax of €2,879,000), and the capital increase of July 2021, amounting to €394,000 (gross costs of

€518,000 and deferred tax of €124,000).

With regard to the accounting treatment applied to these costs, pursuant to IAS 32, following the positive outcome of the listing process, the ratio between the number of new shares and the number of shares post-listing determined the percentage of charges registered as a direct reduction in the net equity, while the remainder was recognised under costs in the income statement.

The **legal reserve** totals €14.2 million, and was created with the allocation of profits from previous years.

There are also **other reserves**, with a positive net balance of €55.7 million, which mainly include retained earnings of €42.0 million, the effects of the direct recognition in the net equity of actuarial gains/(losses) relating to employee severance benefits, the translation reserve and the effects of booking management incentive plans in the net equity reserves in compliance with the provisions of IFRS 2 (see also note 7.26 ("Staff costs") and the impacts of the adoption of IFRS 9 and IFRS 16 on the date of their respective initial application.

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

Minority interest capital and reserves

Minority interests refer to the incorporation in 2017 of 82 S.r.l., which is 70% owned by OVS S.p.A. and 30% by Massimo Piombo. The amount shown includes €3,000 for share capital and a positive €157,000 for a net result accrued as at 31 July 2022. The remaining value refers to the newly incorporated company Energia Verde Uno S.r.l., whose share capital is 49% (€4,900) held by the minority shareholder Deaway S.r.l..

For further details on changes during the period, please refer to the consolidated statement of changes in the net equity.

7. Notes to the consolidated income statement

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

7.23 Revenues

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

	31.07.2022	31.07.2021
Revenues from retail sales	679,928	594,307
VAT on retail sales	(122,616)	(107,257)
Net sales	**557,312**	**487,050**
Revenues from sales to affiliates, administered and wholesale	148,221	111,876
Subtotal net sales	**705,533**	**598,926**
Revenues from services	270	316
Total	**705,803**	**599,242**

As reported in the Interim Report on Operations, to which the reader is referred, in the first half of 2022 the Group fully returned to the turnover levels of the pre-pandemic period (the comparative half-year was still subject to partial lockdown in March and April 2021).

7.24 Other operating income and revenues

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

	31.07.2022	31.07.2021
Revenues from services provided	27,132	19,315
Rental income and leases	7,059	7,531
Compensation for damage	109	859
Capital gains from asset disposals	795	743
Other revenues	2,415	2,941
Total	**37,510**	**31,389**

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

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

7.25 Purchases of raw materials, consumables, and goods

Purchases of raw materials, supplies, consumables, and goods mainly consist of purchases of products for sale and amount to €306,503,000.
The item breaks down as follows:

	31.07.2022	31.07.2021
Purchases of raw materials, consumables, and goods	402,932	238,286
Change in inventories	(96,429)	9,838
Total	**306,503**	**248,124**

7.26 Staff costs

The breakdown of the item “Staff costs” is provided below:

	31.07.2022	31.07.2021
Wages and salaries	108,229	93,971
Social security charges	30,407	25,294
Employee severance benefits	6,825	6,345
Other staff costs	1,160	668
Directors' fees	1,350	625
Total	**147,971**	**126,903**

The significant increase compared to the first half of 2021 is mainly due to the return to full operation of the entire sales network and therefore to the lesser use of employment support tools, still present in the comparative half-year due to the pandemic.
The number of employees, expressed as the full-time equivalent headcount, was 6,038 at the end of the half-year, compared with 5,906 at 31 January 2022.

7.27 Share based payments

Since June 2015, key employees of the Parent Company and its subsidiaries have been granted options to purchase OVS S.p.A. shares under the Company's stock option plans (hereinafter also the “Plans”). 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 TUF, the adoption of a new incentive plan named the “2019-2022 Stock Option Plan” (or the “2019-2022 Plan”), to be implemented through the assignment free of charge of options on the subscription of 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 a capital increase for the issuance of shares to be offered for subscription to beneficiaries of the aforementioned 2019-2022 Plan. Based on this capital increase, the authorised capital has a par value of €5,000,000, through the issue of a maximum of 5,000,000 newly issued ordinary shares of OVS.

Information on the modalities for exercising options is provided below.

The aforementioned Shareholders’ Meetings delegated to the Board of Directors the widest powers to implement the capital increases in one or more tranches, granting employees options, as deemed appropriate by the Board, and thus, among other things:

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

In execution of the powers received from the Shareholders' Meeting, the Board of Directors granted a total of 13,836,375 options, none of which had been exercised by 31 July 2022.

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

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

On 8 June 2015, pursuant to the mandate granted by the Extraordinary Shareholders' Meeting of 26 May 2015, the Board of Directors resolved to carry out a paid share capital increase by the deadline of 8 June 2025, by issuing, in one or more tranches, up to 5,107,500 new ordinary shares of OVS, constituting 2.25% of the current share capital of OVS S.p.A., subscribed and paid up, with no par value, with the same characteristics as the ordinary shares outstanding on the issue date, with ordinary rights, excluding option rights pursuant to Article 2441, paragraph 8, of the Italian Civil Code, to be reserved for subscription by the beneficiaries of the stock option plan called the “2015-2020 Plan”.
On 21 September 2017, pursuant to the mandate granted by the Extraordinary Shareholders' Meeting of 31 May 2017, the Board of Directors resolved to carry out a paid share capital increase by the deadline of 30 June 2027, by issuing, in one or more tranches, up to 3,935,000 new ordinary shares of OVS with no par value, with the same characteristics as the ordinary shares outstanding on the issue date, with ordinary rights, excluding option rights pursuant to Article 2441, paragraph 8, of the Italian Civil Code, to be reserved for subscription by the beneficiaries of the aforementioned stock option plan called the “2017-2022 Plan”.
Lastly, on 19 June 2019, pursuant to the mandate granted by the Extraordinary Shareholders' Meeting of 31 May 2019, the Board of Directors resolved to carry out a paid share capital increase by the deadline of 30 June 2026, by issuing, in one or more tranches, up to 5,000,000 new ordinary shares of OVS with no par value, with the same characteristics as the ordinary shares outstanding on the issue date, with ordinary rights, excluding option rights pursuant to Article 2441, paragraph 8, of the Italian Civil Code, to be reserved for subscription by the beneficiaries of the aforementioned stock option plan called the “2019-2022 Plan”.

All three Plans provide for the assignment free of charge to each of the beneficiaries of options that confer the right to subscribe to or purchase the ordinary shares of OVS in the ratio of one ordinary share for each Option exercised at a price of €4.08 per share (for the 2015-2020 Plan), €5.26 per share (for the 2017-2022 Plan) and €1.72 per share (for the 2019-2022 Plan).
The ordinary shares of the Company allocated to beneficiaries after the exercise of the options will carry ordinary rights, the same as those of the ordinary shares of the Company outstanding on the assignment 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, the maintenance of the relationship of permanent employment or executive management with OVS or a subsidiary, depending on the type of beneficiary (the "Relationship").

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 financial years 2019, 2021, and 2022 have been achieved, and provided that the condition of access to the plan is fulfilled (i.e., that the weighted average daily closing price in the second half-year preceding the end of 2022, i.e., in the period from 1 August 2022 to 31 January 2023, is at least €2.11).

The Plan described above is defined as equity-settled pursuant to IFRS 2. In accordance with this accounting standard, the fair value of the Plans was estimated at the grant date, using the Black-Scholes method. The portion of the overall fair value of the individual Plans pertaining to the reporting period has therefore been recognised in the income statement. In particular, staff costs attributable to the granting of OVS shares, amounting to €11,664,000 (of which €10,626,000 was accounted for at 31 January 2022), were recognised with a balancing entry under the net equity. It should also be noted that during the first half of 2022 no Beneficiaries left the Group as "good leavers": accordingly, there were no reversals of the IFRS 2 reserve relating to options accrued but subject to cancellation as they are not exercised by the deadline provided for in the event of termination of the employment relationship.

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

Stock Option Plan	Exercise Price	Currency	No. of options at 31/01/2022	Options assigned	Options cancelled	Options exercised	Options lapsed	No. of options at 31/07/2022
2015-2020 Plan	4.08	Euro	2,598,963	126,000	-	-	-	2,724,963
2017-2022 Plan	5.26	Euro	1,182,000	40,000	-	-	-	1,222,000
2019-2022 Plan	1.72	Euro	4,800,000	-	-	-	-	4,800,000
Total			**8,580,963**	**166,000**	**-**	**-**	**-**	**8,746,963**

At 31 July 2022, 8,746,963 options were potentially exercisable (accrued or accruable).
No options were exercised in the first half of 2022.

On 31 May 2022, the Ordinary Shareholders’ Meeting approved a new medium/long-term equity-based incentive plan named the “2022 – 2026 Performance Shares Plan” (the “Plan”), which aims to align the interests of the beneficiaries with the creation of value for OVS's Shareholders and investors in the long term, and to promote the continued employment of the beneficiaries, by incentivising them to develop the Company and at the same time creating a tool for fostering their loyalty. The Plan is for the top management of the Company and its subsidiaries and other employees and contractors (including consultants and/or providers of intellectual work) of OVS and/or the subsidiaries that play roles held to be strategically important for the Company's business or that are otherwise able to make a significant contribution in light of the pursuit of the strategic objectives of OVS and its subsidiaries.
When a performance objective is achieved for each three-year vesting period for measuring results, starting on 1 February and ending on 31 January of the third following year (2022-2024/2023-2025/2024-2026), the Plan entitles each beneficiary to receive OVS shares free of charge, subject to the circumstances set out in the Plan (existence of the employment relationship with the company and absence of any disciplinary sanctions). The number of actual shares assigned to each beneficiary in the event of the objective’s achievement, under the terms and conditions of the Plan regulations, will be determined by applying different criteria depending on whether the reference price of the OVS share is less than or equal to €3.00 or more than €3.00 per share.
The Plan is divided into three three-year (“rolling”) performance cycles, 2022-2024, 2023-2025, and 2024-2026 respectively, and it will expire on 31 January 2027. A maximum number of 4,500,000 shares may be assigned to beneficiaries in performance of the Plan.
For further information on the Plan, please refer to (i) the explanatory report on the 4th (fourth) item on the agenda of the Ordinary Shareholders' Meeting of OVS of 31 May 2022, and (ii) the information document prepared pursuant to Article 84-*bis* of CONSOB Regulation No. 11971 of 14 May 1999, available on the Company’s website www.ovscorporate.it and on the “1Info” authorised data storage mechanism at www.1info.it.
The first three-year cycle was assigned by resolution of the Board of Directors of 14 June 2022. On 31 May 2022, the Extraordinary Shareholders’ Meeting resolved to grant to the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, for a period of five years from the date of this resolution, the power to increase the share capital, free of charge and in one or more tranches, pursuant to Article 2349 of the Italian Civil Code, to be granted to the employee beneficiaries of the Plan, through the issuance of a maximum of 4,500,000 ordinary shares at an issue price equal to the accounting par value of the OVS shares at the execution date, to be fully allocated to capital. Article 5 of the Articles of Association was consequently amended.
Pursuant to IFRS 2, the 2022 Performance Share Plan is also defined as equity-settled. Accordingly, the fair

value of the Plan was estimated at the assignment 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 at 31 July 2022 attributable to the granting of OVS shares under this last plan, amounting to €60,000, were recognised with a balancing entry under the net equity.

Lastly, on 20 December 2019, the Chief Executive Officer, the managers with strategic responsibilities and another five managers of the Parent Company, OVS S.p.A., signed an agreement with the shareholder TIP in the form of a call option agreement on a portion of the OVS shares held by TIP. The 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; they will be exercisable between 1 January 2023 and 30 June 2023.

7.28 Depreciations, amortisations, and write-downs of assets

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

	31.07.2022	31.07.2021
Amortisation of intangible assets	9,669	9,612
Depreciation of tangible assets	22,500	21,104
Amortisation of the right of use assets	78,702	71,392
Impairment of tangible and intangible assets	1,658	1,756
Total	**112,529**	**103,864**

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

For a detailed analysis regarding changes in the period, please refer to Appendix 2.

It should be noted that the amount of write-downs of tangible and intangible assets in the appendices in question has been included in the amounts shown in the "Disposals" and "Write-downs" columns.

Write-downs refer to assets written down due to store closures that have already taken place or are planned, and/or any results of impairment testing on stores.

7.29 Other operating expenses

Service costs

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

	31.07.2022	31.07.2021
Advertising	13,170	12,190
Utilities	21,659	14,657
Miscellaneous sales costs	31,555	27,237
Professional services and consultancies	13,002	10,365
Travel and other staff expenses	5,081	3,391
Insurance	1,739	1,548
Maintenance, cleaning and security	17,343	16,030
Other services	665	599
Board of Statutory Auditors / Supervisory Board fees	123	117
Total	**104,337**	**86,134**

Costs for the use of third-party assets

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

	31.07.2022	31.07.2021
Rental costs and ancillary charges	15,213	(5,941)
Leasing of plants, equipment, and vehicles	2,068	1,533
Total	**17,281**	**(4,408)**

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

With regard to the comparative period, we recall that the application of practical expedients relating to discounts and/or exemptions from payments on lease agreements following the Covid-19 emergency had resulted in a benefit in the income statement of around €18.4 million at 31 July 2021 (including around €16.0 million relating to 2020 but signed for in the first half of 2021).

In the first half of 2022, the temporary period of application of the above expedients ended, and at the same time, we have witnessed a gradual recovery of the national economic environment, which has brought rents for the period to their contractual levels.

Write-downs and provisions

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

	31.07.2022	31.07.2021
Doubtful accounts	750	1,222
Provisions for risk	750	250
Total	**1,500**	**1,472**

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

Other operating charges

Other operating charges break down as follows:

	31.07.2022	31.07.2021
Materials and equipment for offices and points of sale	3,106	2,792
Taxes	4,715	4,350
Capital losses	82	1,600
Charitable donations	191	255
Corporate expenses	357	381
Other general and administrative costs	392	373
Other operating expenses	2,196	1,903
Total	**11,038**	**11,654**

7.30 Financial income (expenses)

Financial income

	31.07.2022	31.07.2021
Financial income from miscellaneous sources	0	8
Income from financial assets for leasing	159	207
Total	**159**	**215**

Financial expenses

	31.07.2022	31.07.2021
Financial expenses on bank current accounts	0	0
Financial expenses on loans	4,315	9,742
Charges from financial liabilities for leasing	19,143	22,494
Interest cost on provision for employee severance benefits	107	6
Other financial expenses/fees	2,748	1,901
Total	**26,314**	**34,143**

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

With regard to the financial income/expenses for leases due to the adoption of IFRS 16, please refer to the extensive comments in the sections above.

The weighted average IBR applied in the first half of 2022 was 3.94%.

Foreign exchange gains and losses

	31.07.2022	31.07.2021
Foreign exchange gains	23,278	70
Foreign exchange losses	(14,619)	(7,042)
Gains (losses) on the change in fair value on forward derivatives	11,191	11,053
Total	**19,850**	**4,081**

7.31 Taxes

The tax impact in the consolidated income statement is as follows:

	31.07.2022	31.07.2021
Current taxes	7,742	3,058
Deferred/(prepaid) taxes	4,235	6,973
Total	**11,977**	**10,031**

Current taxes at 31 July 2022 mainly include the estimate of the Parent Company's IRES corporate income tax and IRAP regional productivity tax liability totalling €7,263,000. The net balance of deferred tax liabilities includes the full use of the Parent Company’s residual benefit on past tax losses (please refer to note 6.21 above, “Deferred tax liabilities”).

The effective tax liability for the first half of 2022 is 33.4% (an improvement on the 37.1% at 31 July 2021) and differs from the theoretical tax liability due to several permanent items that have increased the tax base for the period.

7.32 Earnings per share

As previously indicated, due to the paid capital increase completed on 30 July 2021, the current share capital is divided into 290,923,470 shares with no par value.

The calculation of earnings per share shown in the following table is based on the ratio of earnings attributable to the Group to the weighted average number of shares of OVS S.p.A. outstanding in the period, net of treasury shares held (7,507,258 shares, equal to 2.580% of the share capital).

	Period ended 31.07.2022	Period ended 31.07.2021
Net profit for the period (in €/000)	23,655	16,993
Number of ordinary shares at end of the period	290,923,470	290,923,470
Average weighted number of shares outstanding for the calculation of basic earnings per share	287,272,026	228,261,072
Basic earnings per share (in euros)	**0.082**	**0.075**
Diluted earnings per share (in euros)	**0.082**	**0.073**

Diluted earnings per share were in line with basic earnings per share, as the dilutive effects at 31 July 2022 of the various stock option plans (described in note 7.27 above) were not significant.

8. Relations with related parties

With regard to the related parties identified below, the OVS Group mainly carries out commercial activities relating to the sale of goods, as well as IT, supply chain and commercial premises sub-letting activities.
The following table summarises the OVS Group's lending and borrowing relationships with related parties at the reporting date, as defined by IAS 24:
Following the alignment of the CONSOB Regulation with the parameters laid down by IAS 24 for determining related parties, in June 2021, Coin S.p.A. ceased to be a related party, as previously understood according to the CONSOB determinations. Accordingly, the income statement balances up to that date are shown for the purposes of the income statement prospectus for the first six months of 2021.

(amounts in thousands of euros)	Related parties				
	Centomila-candele S.c.p.a. in liquidation	Directors and managers with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Trade receivables					
At 31 July 2022	0	0	0	118,911	0.0%
At 31 January 2022	0	0	0	89,293	0.0%
Financial assets for leases – current					
At 31 July 2022	0	0	0	4,115	0.0%
At 31 January 2022	0	0	0	2,470	0.0%
Financial assets for leases – non-current					
At 31 July 2022	0	0	0	3,966	0.0%
At 31 January 2022	0	0	0	4,548	0.0%
Trade payables					
At 31 July 2022	0	0	0	(420,571)	0.0%
At 31 January 2022	0	0	0	(317,911)	0.0%
Other current payables					
At 31 July 2022	0	(2,816)	(2,816)	(143,554)	2.0%
At 31 January 2022	0	(6,778)	(6,778)	(156,522)	4.3%

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

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

(amounts in thousands of euros)	Related parties				
	Centomila-candele S.c.p.a. in liquidation	Directors and managers with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Half year ended 31 July 2022					
Revenues	0	0	0	705,803	0.0%
Other operating income and revenues	0	0	0	37,510	0.0%
Purchases of raw materials, consumables and goods	0	0	0	(306,503)	0.0%
Staff costs	0	(2,987)	(2,987)	(147,971)	2.0%
Service costs	0	0	0	(104,337)	0.0%
Costs for the use of third-party assets	0	0	0	(17,281)	0.0%
Write-downs and provisions	0	0	0	(1,500)	0.0%
Other operating charges	0	0	0	(11,038)	0.0%
Financial income	0	0	0	159	0.0%
Financial expenses	0	0	0	(26,314)	0.0%

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

(amounts in thousands of euros)	Related parties					
	Coin S.p.A.	Centomila-candele S.c.p.a. in liquidation	Directors and managers with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Half year ended 31 July 2021						
Revenues	395	0	0	395	599,242	0.1%
Other operating income and revenues	728	0	0	728	31,389	2.3%
Purchases of raw materials, consumables and goods	0	0	0	0	(248,124)	0.0%
Staff costs	0	0	(2,335)	(2,335)	(126,903)	1.8%
Service costs	(32)	128	0	96	(86,134)	(0.1)%
Costs for the use of third-party assets	97	0	0	97	4,408	2.2%
Write-downs and provisions	0	28	0	28	(1,472)	(1.9)%
Other operating charges	0	0	0	0	(11,654)	0.0%
Financial income	66	0	0	66	215	30.7%
Financial expenses	0	0	0	0	(34,143)	0.0%

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

(amounts in thousands of euros)	Related parties				
	Centomila-candele S.c.p.a. in liquidation	Directors and managers with strategic responsibilities	Total	Total cash flow from the cash flow statement	Percentage of balance sheet item
Half year ended 31 July 2022					
Cash flow generated (absorbed) by operating activities	0	(6,292)	(6,292)	90,355	(7.0)%
Cash flow generated (absorbed) by investment activities	0	0	0	(33,710)	0.0%
Cash flow generated (absorbed) by financing activities	0	0	0	(123,735)	0.0%
Half year ended 31 July 2021					
Cash flow generated (absorbed) by operating activities	128	(2,818)	(2,690)	139,785	(1.9)%
Cash flow generated (absorbed) by investment activities	0	0	0	(36,276)	0.0%
Cash flow generated (absorbed) by financing activities	28	0	28	(36,203)	(0.1)%

In view of the development plans that the Group intends to carry out during this and the coming financial years, also by means of new acquisitions and programs that give heavy impetus to the growth of the business, the Board of Directors (following the Shareholders' Meeting that approved the 2021 Financial Statements on 31 May 2022) assessed the appropriateness of attributing new and broader powers to the CEO than those that had been granted before, at the same time terminating the existing executive relationship with this same person by mutual consent. The manager's compensation package was thus tied entirely to his status as a Director and it was formalised in an agreement signed with the CEO, which entered into effect on the date of the 2022 Remuneration Policy's approval by the aforementioned Shareholders' Meeting.

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

9. Information on operating segments

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

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

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

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

	31 July 2022				31 July 2021		
(amounts in thousands of euros)	OVS	UPIM	Other businesses	Total	OVS(*)	UPIM	Total
Revenues by segment	**524,087**	**164,125**	**17,591**	**705,803**	**472,417**	**126,825**	**599,242**
Adjusted EBITDA	**67,024**	**17,441**	**(2,154)**	**82,311**	**49,704**	**10,429**	**60,133**
% of revenues	12.8%	10.6%	(12.2)%	11.7%	10.5%	8.2%	10.0%
Non-recurring expenses				(2,201)			(3,642)
Forex Reclassification				(13,353)			871
Stock Option plan				(1,038)			(364)
IFRS 16 effects				88,964			103,754
EBITDA				**154,683**			**160,752**
Depreciations, amortisations, and write-downs of assets				(112,529)			(103,864)
Profit before net financial expenses and taxes				**42,154**			**56,888**
Financial income				159			215
Financial expenses				(26,314)			(34,143)
Foreign exchange gains and losses				19,850			4,081
Gains (losses) from equity investments				0			0
Net result before tax				**35,849**			**27,041**
Taxes				(11,977)			(10,031)
Net result for the period				**23,872**			**17,010**

(*) this included STEFANEL

10. Other information

10.1 Contingent liabilities

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

10.2 Sureties and guarantees relating to third parties

These amounted to €86,012,000 (compared with €83,786,000 at 31 January 2022), and they were granted on behalf of the Group by banks or insurance companies, mainly to guarantee Italian lease contracts.

10.3 Other commitments

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

10.4 Directors' and Statutory Auditors' fees

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

(amounts in thousands of euros)	**Directors**	**Auditors**
31.07.2022	1,213	91
31.07.2021	548	91

10.5 Significant non-recurring events and operations

In accordance with CONSOB Communication DEM/6064293 of 28 July 2006, we note that the Group's result for the first half of 2022 was influenced by non-recurring net expenses of €1,673,000.

	31.07.2022	**31.07.2021**
Staff costs	251	461
Service costs	1,883	2,845
Other operating charges	67	336
Taxes	(528)	(874)
Total	**1,673**	**2,768**

Non-recurring charges refer to:

- staff costs of €251,000 relating to transactions with employees;
- services costs of €1,883,000, relating to expenses directly attributable to the Covid-19 crisis;
- operating expenses of €67,000, relating to expenses directly attributable to the Covid-19 crisis;
- the tax effect on the above non-recurring items of €528,000.

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

11. Significant events after the reporting date

The “Coin” dossier continues to be examined in detail, with financial and strategic due diligence processes still ongoing. No significant events took place after 31 July 2022.

12. Appendices to the condensed consolidated half-year financial statements

The following documents contain additional information on the condensed consolidated half-year financial statements at 31 July 2022.

Appendices:

- 1: Property, plant, and equipment at 31 July 2022;
- 2: Right of use assets at 31 July 2022;
- 3: Intangible assets at 31 July 2022.

APPENDIX 1

Property, plant, and equipment

Composition and changes during the period were as follows (amounts in thousands of euros):

	Situation at 31.01.2022	Changes during the period: Acquisitions / increases		Sales/ disposals		Amortisation/ write-downs	Situation at 31.07.2022
Leasehold improvements							
initial cost	222,410	4,373		(3,923)		0	222,860
write-downs	(35)	0		22		13	0
amortisation	(168,611)	0		3,333		(4,409)	(169,687)
net	**53,764**	**4,373**		**(568)**		**(4,396)**	**53,173**
Land and buildings							
initial cost	6,823	0		0		0	6,823
write-downs	0	0		0		0	0
amortisation	(1,919)	0		0		(16)	(1,935)
net	**4,904**	**0**		**0**		**(16)**	**4,888**
Plant and machinery							
initial cost	314,088	4,910		(1,588)		0	317,410
write-downs	(31)	0		20		11	0
amortisation	(237,387)	0		1,306		(6,226)	(242,307)
net	**76,670**	**4,910**		**(262)**		**(6,215)**	**75,103**
Industrial and commercial equipment							
initial cost	367,271	10,301		(6,074)		0	371,498
write-downs	(52)	0		33		19	0
amortisation	(268,385)	0		5,134		(10,403)	(273,654)
net	**98,834**	**10,301**		**(907)**		**(10,384)**	**97,844**
Other assets							
initial cost	65,936	1,108		(89)		0	66,955
write-downs	0	0		0		0	0
amortisation	(58,115)	0		86		(1,446)	(59,475)
net	**7,821**	**1,108**		**(3)**		**(1,446)**	**7,480**
Assets under construction and payments on account							
initial cost	8,789	10,653		(2,042)		0	17,400
write-downs	0	0		0		0	0
amortisation	0	0		0		0	0
net	**8,789**	**10,653**		**(2,042)**	(1)	**0**	**17,400**
Total							
initial cost	985,317	31,345		(13,716)		0	1,002,946
write-downs	(118)	0		75		43	0
amortisation	(734,417)	0		9,859		(22,500)	(747,058)
net	**250,782**	**31,345**	(3)	**(3,782)**	(2)	**(22,457)**	**255,888**

(1) Of this amount, €2,042,000 represents assets under construction at 31.01.2022, restated under the specific asset categories in the first half of 2022.

(2) This includes €1,701,000 relating to fixed assets disposed of and written down in the period due to the closure of points of sale.

(3) Purchases/increases in the period include property, plant and equipment for acquisition of the GAP Italy business unit on 01.02.2022, the valuation of which is still provisional at 31.07.2022.

APPENDIX 2
Right of use assets

Composition and changes during the period were as follows (amounts in thousands of euros):

	Situation at 31.01.2022	Changes during the period				Situation at 31.07.2022
		Acquisitions / increases	Remeasure-ments	Decreases	Amortisation / write-downs	
Land and buildings						
initial cost	1,292,339	66,211	26,032	(16,168)	0	1,368,414
write-downs	0	0	0	0	0	0
amortisation	(374,965)	0	0	16,168	(77,958)	(436,755)
net	**917,374**	**66,211**	**26,032**	**0**	**(77,958)**	**931,659**
Plant and machinery						
initial cost	640	0	0	0	0	640
write-downs	0	0	0	0	0	0
amortisation	(166)	0	0	0	(36)	(202)
net	**474**	**0**	**0**	**0**	**(36)**	**438**
Industrial and commercial equipment						
initial cost	3,641	0	0	0	0	3,641
write-downs	0	0	0	0	0	0
amortisation	(713)	0	0	0	(182)	(895)
net	**2,928**	**0**	**0**	**0**	**(182)**	**2,746**
Other assets						
initial cost	5,835	122	109	(672)	0	5,394
write-downs	0	0	0	0	0	0
amortisation	(4,379)	0	0	672	(526)	(4,233)
net	**1,456**	**122**	**109**	**0**	**(526)**	**1,161**
Total						
initial cost	1,302,455	66,333	26,141	(16,840)	0	1,378,089
write-downs	0	0	0	0	0	0
amortisation	(380,223)	0	0	16,840	(78,702)	(442,085)
net	**922,232**	**66,333** (1)	**26,141**	**0**	**(78,702)**	**936,004**

(1) Period acquisitions/increases include €19,268,000 as acquisition balances for the GAP Italy business unit on 01.02.2022, the valuation of which is still provisional at 31.07.2022. For further details on the provisional PPA, see the "Business Combinations" section of the notes to the financial statements.

APPENDIX 3

Intangible assets

Composition and changes during the period were as follows (amounts in thousands of euros):

	Situation at 31.01.2022	Changes during the period: Acquisitions / increases	Sales / disposals	Amortisation / write-downs	Situation at 31.07.2022
Rights to industrial patents and intellectual property rights					
initial cost	177,753	3,960	0	0	181,713
write-downs	0	0	0	0	0
amortisation	(152,305)	0	0	(4,989)	(157,294)
net	**25,448**	**3,960**	**0**	**(4,989)**	**24,419**
Concessions, licences and brands					
initial cost	518,112	135	(919)	0	517,328
write-downs	(8,170)	0	815	0	(7,355)
amortisation	(10,579)	0	104	(569)	(11,044)
net	**499,363**	**135**	**0**	**(569)**	**498,929**
Assets under construction and payments on account					
initial cost	220	284	(187)	0	317
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**220**	**284**	**(187)** (1)	**0**	**317**
Other intangible assets					
initial cost	165,764	245	0	0	166,009
write-downs	0	0	0	0	0
amortisation	(91,624)	0	0	(4,111)	(95,735)
net	**74,140**	**245**	**0**	**(4,111)**	**70,274**
Total					
initial cost	861,849	4,624	(1,106)	0	865,367
write-downs	(8,170)	0	815	0	(7,355)
amortisation	(254,508)	0	104	(9,669)	(264,073)
net	**599,171**	**4,624**	**(187)**	**(9,669)**	**593,939**
Goodwill					
initial cost	297,686	216	0	0	297,902
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**297,686**	**216** (2)	**0**	**0**	**297,902**

(1) Of this amount, €187,000 represents assets under construction at 31.01.2022, restated under the specific asset categories in the first half of 2022.

(2) Acquisitions/increases during the period include the goodwill for the acquisition of the GAP Italy business unit on 01.02.2022, the valuation of which is still provisional at 31.07.2022. For further details on the provisional PPA, see the "Business Combinations" section of the notes to the financial statements.

Certification of the condensed consolidated half-year financial statements pursuant to Article 81-*ter* of CONSOB Regulation No. 11971 of 14 May 1999, as subsequently amended

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 condensed consolidated half-yearly financial statements in the period from 1 February 2022 to 31 July 2022.

2. The evaluation of the adequacy of the administrative and accounting procedures used in the preparation of the condensed consolidated half-year financial statements at 31 July 2022 was based on a process defined by OVS S.p.A. consistent with the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (CoSo), which is a generally accepted international framework.

3. Moreover:

   3.1 the condensed consolidated half-year 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, and IAS-34 – interim financial statements in particular;

   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 Interim Report on Operations includes a reliable review of significant events occurring in the first six months of the year and their impact on the condensed consolidated half-year financial statements, as well as a description of the main risks and uncertainties for the remaining six months of the year. The Interim Report on Operations also includes a reliable review of information on significant transactions with related parties.

Venice - Mestre, 20 September 2022

Stefano Beraldo	**Nicola Perin**
The Chief Executive Officer	The Financial Reporting Officer

Independent Auditors' Report on the condensed consolidated half-year financial statements

REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of OVS SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of OVS SpA and its subsidiaries ("OVS Group") as of 31 July 2022, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cashflows and the related notes. The directors of OVS SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution n° 10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial statements of the OVS Group as of 31 July 2022 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Treviso, 23 September 2022

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

PricewaterhouseCoopers SpA

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