OVS

Annual Report 2023

OVS
LOVE PEOPLE. NOT LABELS.

OVS kids

upim

BluKids

CROFF

LES COPAINS

STEFANEL

OVS

Contents

Letter to Shareholders

Dear Shareholders,

The 2023 saw the continuation of the growth and the further consolidation of our leadership, with the market share that reached 9.6%, despite a very delayed start of the summer and an anomalous persistence of warm temperatures that severely penalized sales.

The year closed with net sales of €1,536 million, up by 1.5% on the previous year, and an EBITDA of €182.2 million, or 11.9% of sales. Net financial position and the leverage ratio continue to improve, falling to €145.5 million and 0.80x, respectively, at 31 January 2024.

These results are due to the strategic change that is under way. We have been able to offer our customers a wide range of products that meet their different lifestyles. We have paid particular attention to the women's segment, which has registered the most significant growth, with particular appreciation for the B.Angel collections, dedicated to younger women, and beauty products. The evolution of the PIOMBO brand continues successfully, enriched with the PIOMBO Contemporary collection characterized by a minimal style, OVS interpretation of quiet luxury. Great appreciation also for the denim collection created in collaboration with Adriano Goldschmied, internationally recognized as the "godfather of denim". Finally, we have expanded into new market segments, including sport, which has seen the success of Altavia, a brand dedicated to skiing and outdoor developed in collaboration with Deborah Compagnoni.

This development is complemented by the journey we began nearly ten years ago to limit the environmental impact of our business. Our commitment to decarbonisation continues in order to achieve goals approved by the Science Based Targets initiative, guiding company strategies on the evolution of the materials portfolio and store energy efficiency.

We look to the coming years with optimism and solid growth expectations. Thanks to our strategy of introducing brands with a wide range of market positionings, we will continue to expand our customer base, successfully maintaining relationships with our most price-conscious customers while also extending it to those who demand higher quality and style. The medium-term goal is to keep increasing our market share and continue to expand abroad, where we are achieving good results.

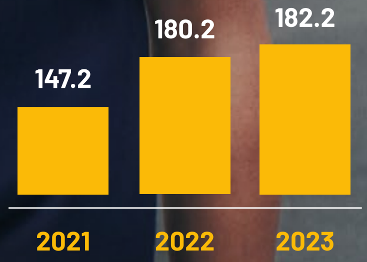
We would like to extend a heartfelt thanks to our Shareholders for their trust and constant support, to all our employees for their unwavering commitment and to our partners for their fruitful collaboration.

Stefano Beraldo
Chief Executive Officer

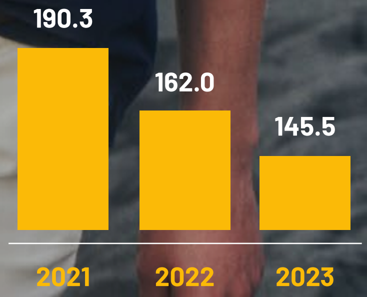
Highlights

1,536M
Net sales

182.2M
EBITDA



145.5M
Net financial position



64.3M
Operating cash flow

(in milions of euro)

Corporate officers

BOARD OF DIRECTORS[1]

FRANCO MOSCETTI[2]	Chairman
GIOVANNI TAMBURI[3]	Vice-Chairman
STEFANO BERALDO	Chief Executive Officer and General Manager
CARLO ACHERMANN[3 4]	Director
ROBERTO CAPPELLI	Director
ELENA ANGELA LUIGIA GARAVAGLIA[4]	Director
ALESSANDRA GRITTI	Director
CHIARA MIO[2 3 4]	Director
FLAVIA SAMPIETRO[2]	Director

BOARD OF STATUTORY AUDITORS[1]

STEFANO POGGI LONGOSTREVI	Chairman
FEDERICA MENICHETTI	Standing Auditor
MASSIMILIANO NOVA	Standing Auditor
MARZIA NICELLI	Alternate Auditor
DONATA PAOLA PATRINI	Alternate Auditor

INDEPENDENT AUDITOR

KPMG S.P.A.[5]

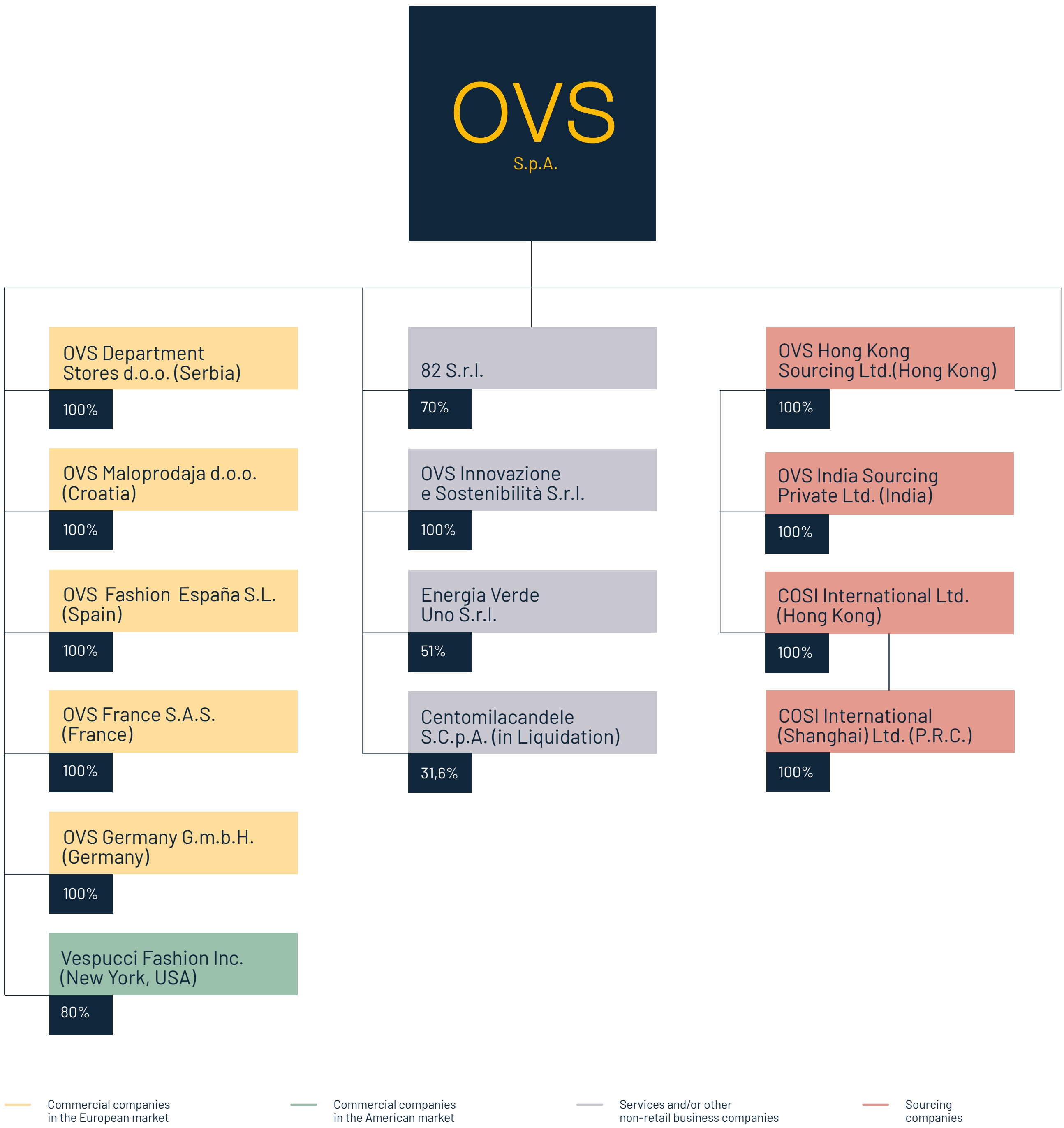
FINANCIAL REPORTING OFFICER

NICOLA PERIN[6]

1. In office from 31 May 2023 until the Shareholders' Meeting called to approve the financial statements as at 31 January 2026
2. Member of the Control, Risks and Sustainability Committee
3. Member of the Appointments and Remuneration Committee
4. Member of the Related Party Transactions Committee
5. Appointed by the Shareholders' Meeting of 31 May 2022 for financial years 2023-2031
6. In office until the end of the term of office of the incumbent Board of Directors, i.e. until the Shareholders' Meeting called to approve the financial statements at 31 January 2026

Group structure
at 31 January 2024

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



Brand

OVS
LOVE PEOPLE. NOT LABELS.

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

OVS kids

OVS is the undisputed leading company on the Italian market for kids' clothes and can boast a double-digit market share with its OVS KIDS brand.
The brand is present in all OVS sales points as well as in 450 stand-alone stores in Italy and abroad.
Its target consists of kids from 0 -14 years old, offering competitively priced clothing of the highest quality made with carefully selected raw materials, and developed to combine style and practical wear. From the Fagottino line, dedicated to babiesin their first 36 months, to kids' clothes for up to 8 years, and on to older kids from 9 to 14 years.
Quality is an essential requirement for OVS.
For many of its clothing and underwear items, OVS uses Biocotton (grown without synthetic chemicals) and has Oeko-Tex certification that guarantees no chemicals are used in the garments.

upim

Upim, founded in Verona in 1928, is the Italian family department store and a reference point for service shopping affordable, accessible and oriented towards the actual needs of families.
With over 700 stores, including sales points dedicated to kids' clothing, it offers a local-based service with a wide, varied range of products, ranging from clothing for the whole family, to beauty and homecare products. Attention to contemporary style and people's real lives, taking into account the needs of families and the real needs of their customers, which make Upim an everyday presence, a tradition in the home and a genuine reference point for each store's local area.

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

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

CROFF

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

LES COPAINS

An iconic Italian brand acquired by OVS S.p.A. in 2022, it is characterised by a versatile, refined style, aimed at contemporary women who choose to express themselves elegantly at various times of day. Les Copains is present on the market with stand-alone stores and corners in Upim stores.

Report on Operations

at 31 January 2024

Foreword on methodology

The Annual Report at 31 January 2024 has been prepared in accordance with the IAS and IFRS international reporting standards issued by the International Accounting Standards Board, and includes the following:

- Separate and consolidated statement of financial position
- Separate and consolidated income statement
- Separate and consolidated statement of comprehensive income
- Separate and consolidated statement of cash flows
- Statement of changes in shareholders' equity of the Parent Company and the Group
- Notes to the separated and consolidated financial statements at 31 January 2024.

In this Report on Operations at 31 January 2024, in addition to the indicators provided for in the financial statements and in compliance with the IFRSs, some alternative performance indicators used by management to monitor and assess the Group's performance are also presented. In particular, with the introduction of the IFRS 16 international accounting standard, relating to the accounting treatment of leases, with effect from financial year 2019, in order to make the Group's data comparable with the years prior to 2019 and for a better understanding of performance in relation to other comparables in the sector, some adjustments have been introduced with regard to: EBITDA, operating result, profit before tax, net result for the year, net invested capital, net financial position and cash flow generated by operating activities, as detailed below. For this reason, the results are also commented on excluding IFRS 16 in order to maintain a consistent basis of comparison. As in previous years, the impacts of the application of IFRS 16 have been reported separately, and the reconciliation with the financial statements is further detailed in the section entitled "Reconciliation of the consolidated results for 2023" below.

Group operating performance

The year 2023 was characterised by a very delayed start to the summer and an anomalous continuation of summer temperatures until mid-October. This resulted in a sharp decrease in sales in May, June, September and October, which are some of the most important months of the year in terms of turnover and margins. The Group also faced inflationary pressures on store, overhead and service costs.
Despite a contraction of 2.5% in the clothing market in Italy, the company achieved sales growth of 1.5%, a gross margin of 57.3% on sales, up on the previous year, higher EBITDA than in the previous year and solid cash generation.
The Group continues to evolve towards a growing focus on the needs of female customers, not only as mothers, and thus interested in the children's segment, but above all to get them interested in purchases for themselves. The women's segment reported the greatest growth, with particular approval of the collections dedicated to younger women, thanks to the excellent performance of the B-Angel brand and cosmetics. The Piombo brand continued to perform very well.
Cash flow for the period, after significant investments in special operations projects, was €64.3 million. Net financial position is constantly improving and the leverage ratio is 0.80x.

Key information on operating results at 31 January 2024

The OVS Group's results for year 2023 were all up on the previous year, for all the main economic KPIs. Further growth was recorded in both sales and EBITDA.

The year ended 31 January 2024 closed with **net sales** of **€1,536 million**, up 1.5% on the previous year, despite exceptionally unfavourable weather that penalised the clothing market at the beginning of both seasons.
The excellent performance was also due to the **strongest fourth quarter ever**, with net sales of €433.1 million and adjusted EBITDA of €60.7 million.
Adjusted **EBITDA** for the year was **€182.2 million**, or 11.9% of sales. The trend in revenues and the gross margin, which rose to 57.3% of sales, more than offset the inflationary pressures on indirect costs.
Reported net profit was **€52.4 million**, up significantly

compared with the previous year. **Adjusted net profit** was **€75.9 million**.
Cash flow for the period was **€64.3 million**, after significant investments in special projects.
The adjusted **net financial position** and the **leverage ratio** continued to improve, falling to **€145.5 million** and **€0.80x** respectively as of 31 January 2024, after €47.8 million utilised during the period for dividend distributions and share buybacks.
Sales in the first few months of 2024 were up by around 5% compared with the already robust performance in the same period of 2023.

As will be stated elsewhere in the document, a dividend of €0.07 per share will be proposed to the Shareholders' Meeting that, when added to the dividend distributed in February 2024, gives a dividend yield calculated with respect to the current share value of 4.6%.
An extension of the current buyback plan for an additional €20 million will also be proposed.
The table below summarises the Group's key performance indicators.

KEY PERFORMANCE INDICATORS

€m	31 January '24 reported	31 January '24 adjusted	31 January '23 reported	31 January '23 adjusted	Chg. (adjusted)	% chge (adjusted)
Net sales	**1,535.2**	**1,535.6**	**1,512.7**	**1,512.7**	**22.8**	**1.5%**
Gross margin	**869.4**	**879.4**	**828.4**	**863.9**	**15.5**	**1.8%**
% on net sales	*56.6%*	*57.3%*	*54.8%*	*57.1%*		
EBITDA	**359.5**	**182.2**	**316.6**	**180.2**	**2.0**	**1.1%**
% on net sales	*23.4%*	*11.9%*	*20.9%*	*11.9%*		
EBIT	**126.9**	**119.1**	**90.9**	**120.1**	**(1.0)**	**(0.8)%**
% on net sales	*8.3%*	*7.8%*	*6.0%*	*7.9%*		
Profit before taxes - PBT	**72.3**	**101.3**	**56.1**	**106.1**	**(4.8)**	**(4.5)%**
% on net sales	*4.7%*	*6.6%*	*3.7%*	*7.0%*		
Net result for the year	**52.4**	**75.9**	**39.6**	**78.4**	**(2.5)**	**(3.2)%**
% on net sales	*3.4%*	*4.9%*	*2.6%*	*5.2%*		
Net financial position	**1,141.9**	**145.5**	**1,206.5**	**162.0**	**(16.5)**	**(10.2)%**
Market share (%)		**9.6**		**9.4**		**2.2%**

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 2023, the results were adjusted mainly to strip out the impacts of IFRS 16. In particular, with regard to the effects of IFRS 16, the following should be noted: (i) €191.7 million on EBITDA to reflect rent, (ii) €33.5 million in higher net costs on EBIT due to the reversal of depreciation and amortisation of €158.2 million, and (iii) €7.1 million in lower net costs on the reported result for the year due to the reversal of €40.9 million relating to net financial expenses and €0.3 million in higher taxes. Lastly, (iv) the net financial position was adjusted for a €996.7 million decrease in liabilities.
EBITDA for the 2023 financial year was also adjusted as follows: (i) €9.3 million in net foreign exchange gains on forward hedging of purchases of goods in foreign currency, reclassified from "Net financial expenses (income)" to "Purchases of raw materials, consumables and goods"; (ii) €0.7 million in extraordinary bonuses to Middle Eastern customers; (iii) €1.5 million in costs relating to stock option plans (non-cash costs); and (iv) other net one-off costs of €2.9 million, mainly related to the start-up phase of some foreign businesses.
Other adjustments that affected EBIT and EBT related to: (i) costs of €8.6 million related to the amortisation of intangible assets due to the purchase price allocation (PPA) of past business combinations, and other extraordinary depreciation, amortisation and write-downs of assets of €2.6 million related to some partially discontinued Italian and foreign businesses; and (ii) adjusted financial income of €4.1 million, mainly relating to foreign exchange gains arising from the valuation of items denominated in foreign currency, including with respect to forward derivatives and realised foreign exchange gains (the latter reclassified to "Purchases of raw materials, consumables and goods").
Lastly, the adjusted net result for the period reflects taxes recalculated following the aforementioned adjustments, entailing an increase in expenses of €5.2 million.

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

Adjusted consolidated results

The following table shows the adjusted consolidated results for 2023, classified by nature, compared with the previous year (in millions of euro).

€m	31 January '24 reported	31 January '24 adjusted	31 January '23 reported	31 January '23 adjusted	Chg. (adjusted)	% chge (adjusted)
Net sales	**1,535.2**	**1,535.6**	**1,512.7**	**1,512.7**	**22.8**	**1.5%**
Purchases of raw materials, consumables and goods	665.7	656.1	684.3	648.8	7.3	1.1%
Gross margin	**869.4**	**879.4**	**828.4**	**863.9**	**15.5**	**1.8%**
GM %	*56.6%*	*57.3%*	*54.8%*	*57.1%*		
Staff costs	312.2	309.8	307.1	304.9	4.9	1.6%
Service costs	233.7	233.3	236.0	231.7	1.6	0.7%
Costs for the use of third-party assets, net of other operating income	(57.1)	133.8	(54.2)	125.5	8.3	6.6%
Provisions	2.8	2.8	0.4	0.4	2.4	600.9%
Other operating charges	18.4	17.5	22.5	21.3	(3.8)	(17.8)%
Total net operating costs	**510.0**	**697.2**	**511.8**	**683.8**	**13.5**	**2.0%**
Operating costs on net sales in %	*33.2%*	*45.4%*	*33.8%*	*45.2%*		
EBITDA	**359.5**	**182.2**	**316.6**	**180.2**	**2.0**	**1.1%**
EBITDA %	*23.4%*	*11.9%*	*20.9%*	*11.9%*		
Depreciation, amortisation and write-downs	232.5	63.1	225.7	60.1	3.0	5.0%
EBIT	**126.9**	**119.1**	**90.9**	**120.1**	**(1.0)**	**(0.8)%**
EBIT %	*8.3%*	*7.8%*	*6.0%*	*7.9%*		
Net financial expenses (income)	54.6	17.8	34.7	14.0	3.8	27.2%
EBT	**72.3**	**101.3**	**56.1**	**106.1**	**(4.8)**	**(4.5)%**
Taxes	19.9	25.5	16.5	27.7	(2.3)	(8.2)%
Net result for the year	**52.4**	**75.9**	**39.6**	**78.4**	**(2.5)**	**(3.2)%**

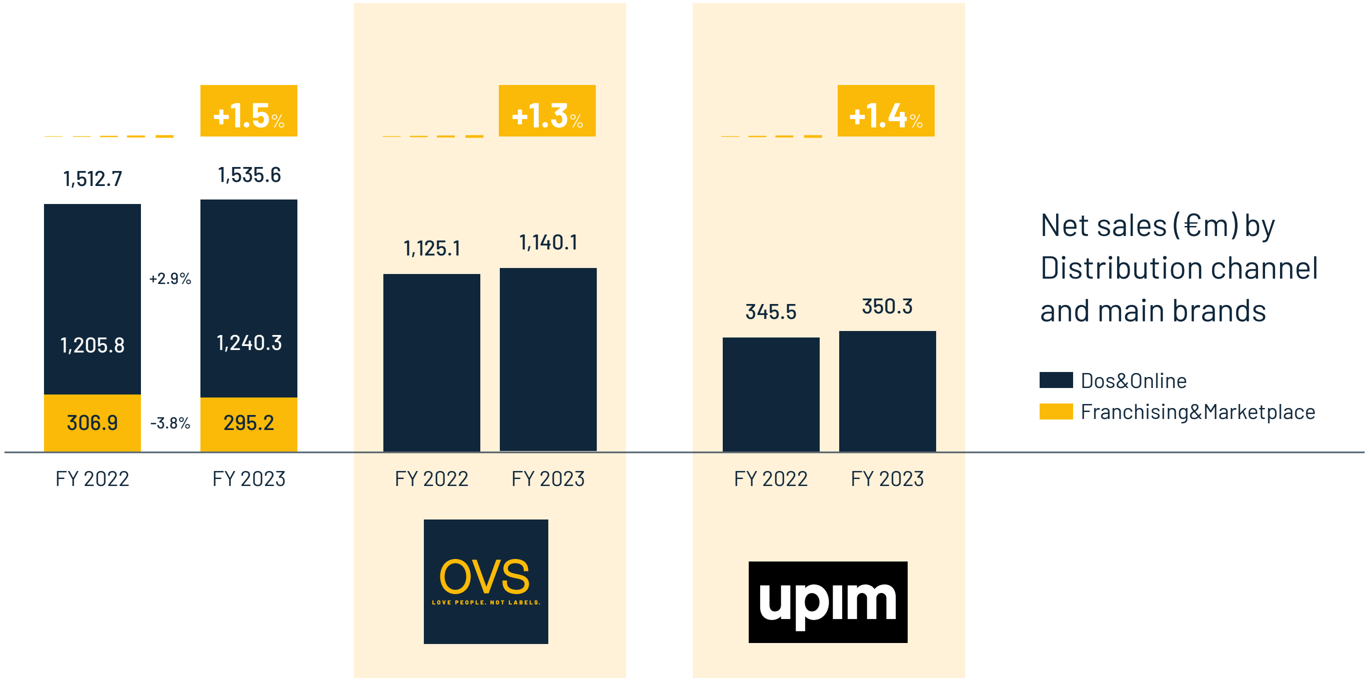
The following table shows the consolidated results by business segment for 2023 compared with the same period of the previous year (in millions of euro).

€m	31 January '24 adjusted	31 January '23 adjusted	23 vs 22%
Net sales			
OVS	1,140.1	1,125.1	1.3%
UPIM	350.3	345.5	1.4%
Other businesses	45.2	42.1	7.2%
Total net sales	**1,535.6**	**1,512.7**	**1.5%**
EBITDA			
OVS	152.6	149.2	2.3%
EBITDA margin	*13.4%*	*13.3%*	
UPIM	34.6	34.0	1.8%
EBITDA margin	*9.9%*	*9.8%*	
Other businesses	(5.0)	(3.0)	64.5%
Total EBITDA	**182.2**	**180.2**	**1.1%**
EBITDA margin	***11.9%***	***11.9%***	
Depreciation and amortisation	(63.1)	(60.1)	5.0%
Operating result	**119.1**	**120.1**	**(0.8)%**
Net financial (expenses)/income	(17.8)	(14.0)	27.2%
EBT	**101.3**	**106.1**	**(4.5)%**
Taxes	25.5	27.7	(8.2)%
Net result for the year	**75.9**	**78.4**	**(3.2)%**

Comments on the main items in the adjusted consolidated income statement

Net sales

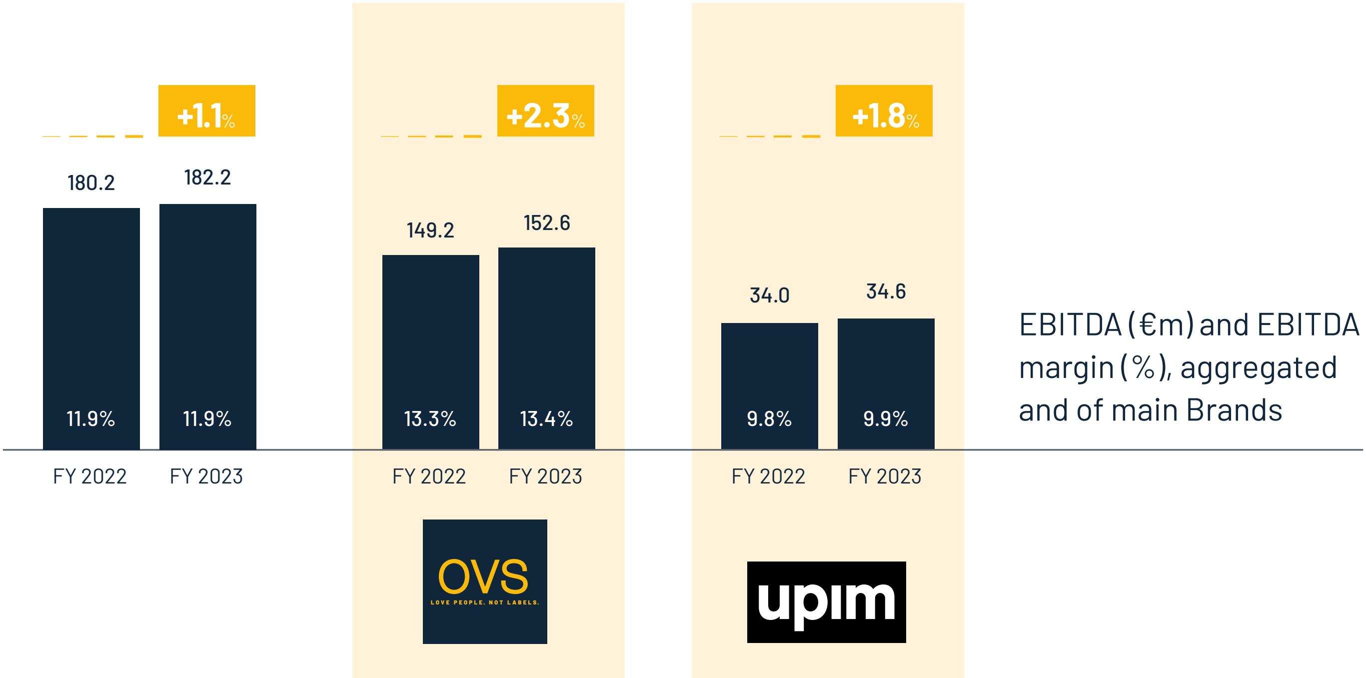
(amounts in millions of euro)



Adjusted net sales for the year reached €1,535.6 million, up 1.5% compared with the previous year. The 2.9% increase in DOS, essentially on a like-for-like basis, was diluted by the franchising performance, which, although stable at the sell-out level, decreased in terms of sell-in due to delays in deliveries at the end of 2023. Stefanel and GAP sales rose further.

EBITDA

(amounts in millions of euro)



Adjusted EBITDA for the year was €182.2 million, up €2.0 million compared with 2022. The incidence on sales was 11.9%.
The performance of the main brands was positive.
OVS's EBITDA, up from €149.2 million in the previous year, at 13.3% of sales, increased to €152.6 million in 2023, to 13.4% of sales.
Upim's EBITDA reached €34.6 million in 2023, from €34.0 million in 2022 (respectively 9.9% and 9.8% of sales).

EBIT

EBIT, adjusted to better reflect the Group's operating performance, amounted to €119.1 million, largely unchanged compared with the €120.1 million recorded in 2022. The slight decrease during the year was mainly due to an increase in depreciation and amortisation, which rose as a result of the substantial special investments made in the last two years.

Net result for the year

Adjusted net profit for the year was €75.9 million. Compared with €78.4 million in the previous year, the result reflects higher EBITDA and a better tax rate, as well as higher depreciation and amortisation due to investments and increases in financial expenses, which are modest compared with normal market rates thanks to a mix of sources in which the fixed-rate sustainability-linked bond is prevalent.
The reported net profit and net profit of OVS S.p.A. closed at €52.4 million and €58.9 million respectively, up significantly on the previous year.

Non-recurring income and expenses

The adjusted consolidated results of the OVS Group included, at 31 January 2024, non-recurring and non-operating income and expenses totalling €6.3 million before tax (compared with €6.3 million at 31 January 2023). This item consists of €0.7 million in extraordinary bonuses to Middle Eastern customers; one-off net costs of €2.9 million, mainly related to the start-up phase of certain foreign businesses and to extraordinary depreciation, amortisation and write-downs of assets of €2.6 million related to some partially discontinued Italian and foreign businesses.

Net financial position

€m	**31 January 2024**	**31 January 2023**
Reported net debt	1,141.9	1,206.5
Adjusted net debt for MtM hedging instruments and IFRS 16	**145.5**	**162.0**
Leverage on EBITDA Adjusted net debt/ adjusted EBITDA last 12 months	**0.80x**	**0.90x**

As of 31 January 2024, the Group's net financial position, adjusted for the mark-to-market impact of hedging instruments and the adoption of IFRS 16, stood at €145.5 million, down by €16.5 million compared with 31 January 2023. The ratio of adjusted net financial position to adjusted EBITDA is 0.80x, an improvement compared to 0.90x as of 31 January 2023.
The net financial position was affected by the purchase during the year of €31.4 million of treasury shares (14,694,813 shares purchased at an average carrying price of €2.136) and the distribution of dividends of €16.4 million.
Please see the following paragraphs for a breakdown of the net financial position of the Parent Company, OVS S.p.A..

Summary statement of financial position

The table below shows the consolidated statement of financial position for 2023 compared with the end of the previous year (in millions of euro). It is also shown adjusted to provide a representation of the Group's financial position net of application of IFRS 16 and reclassifying liabilities for returns recognised under IFRS 15 (€25.1 million at 31 January 2024) among the components of operating working capital (compared with the presentation in the financial statements under Other current payables).

€m	31 January '24 Reported	31 January '23 Reported	Chge
Trade Receivables	105.2	115.2	(10.0)
Inventories	461.0	477.6	(16.7)
Trade payables	(400.6)	(393.2)	(7.4)
Operating working capital	**165.5**	**199.6**	**(34.1)**
Other short-term non-financial receivables/(payables)	(149.6)	(139.0)	(10.6)
Net Working Capital	**16.0**	**60.7**	**(44.7)**
Net fixed assets	2,100.3	2,117.9	(17.5)
Net deferred taxes	(27.8)	(30.3)	2.5
Other long term assets/(liabilities)	(11.3)	(4.2)	(7.1)
Pension funds and other provisions	(34.4)	(34.4)	0.1
Net capital employed	**2,042.8**	**2,109.6**	**(66.8)**
Shareholders' equity	900.9	903.2	(2.3)
Net debt	1,141.9	1,206.5	(64.5)
Total source of financing	**2,042.8**	**2,109.6**	**(66.8)**

€m	31 January '24 Adjusted	31 January '23 Adjusted	Chge
Trade Receivables	80.1	87.5	(7.4)
Inventories	461.0	477.6	(16.7)
Trade payables	(405.4)	(414.0)	8.6
Operating working capital	**135.7**	**151.2**	**(15.5)**
Other short-term non-financial receivables/(payables)	(117.2)	(96.1)	(21.0)
Net Working Capital	**18.5**	**55.0**	**(36.5)**
Net fixed assets	1,184.2	1,164.1	20.1
Net deferred taxes	(34.8)	(37.1)	2.3
Other long term assets/(liabilities)	(23.0)	(15.9)	(7.1)
Pension funds and other provisions	(34.4)	(34.4)	0.1
Net capital employed	**1,110.5**	**1,131.7**	**(21.2)**
Shareholders' equity	965.3	960.5	4.8
Net debt	145.2	171.2	(26.0)
Total source of financing	**1,110.5**	**1,131.7**	**(21.2)**

The reported net invested capital of the Group at 31 January 2024, which therefore also includes the impacts of IFRS 16, was €2,042.8 million, down €66.8 million compared with 31 January 2023, due to a net improvement in operating working capital, which decreased by €34,1 million during the period. The decrease of around €17 million in net fixed assets is mainly attributable to the decrease in right-of-use assets, also caused by contractual changes and interest rate hikes, which was partially mitigated by the strong push in investments that also took place in 2023.

Shareholders' equity

Consolidated shareholders' equity amounted to €900.9 million at 31 January 2024, down from €903.2 million in the previous year. The change during the year reflects the purchase of €31.4 million in treasury shares during the year and the distribution of €16.4 million in dividends.
The reconciliation table for the shareholders' equity and the net result for the year of the Parent Company with the consolidated shareholders' equity and the consolidated net result for the year is shown below in the notes to the consolidated financial statements.

Adjusted summary consolidated statement of cash flows

The following table shows the 2023 statement of cash flows, compared with the statement of cash flows for the previous year, both restated according to management criteria and adjusted to exclude the effects of IFRS 16 as it does not have an impact on Group cash flows.

€m	31 January '24 Excluding IFRS 16	31 January '23 Excluding IFRS 16	Chge
EBITDA - Adjusted	**182.2**	**180.2**	**2.0**
Adjustments	(3.6)	(8.1)	4.5
Change in operating working capital	15.5	(17.1)	32.6
Other changes in Working Capital	(1.2)	11.0	(12.2)
Net investments	(94.4)	(80.8)	(13.6)
Operating cash flow	**98.5**	**85.2**	**13.3**
Financial expenses	(16.2)	(13.1)	(3.1)
Severance indemnity payments	(2.3)	(2.8)	0.5
Taxes and other	(15.7)	(5.2)	(10.5)
Net cash flow (excluding equity movements, MtM derivatives and IFRS 16)	**64.3**	**64.1**	**0.2**
Dividends	(16.4)	(11.3)	(5.1)
Cash out due to buyback	(31.4)	(24.5)	(6.9)
Net cash flow (excluding MtM derivatives and IFRS 16)	**16.5**	**28.2**	**(11.7)**
Change in MtM derivatives	9.5	(24.4)	33.9
Net cash flow (excluding IFRS 16)	**25.9**	**3.8**	**22.1**

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.
The net cash flow for the year, excluding capital transactions (dividend payment and purchase of treasury shares), amounted to €64.3 million, which was almost in line with the cash generation of €64.1 million in 2022. This result is due to the increase in EBITDA and, for €15.5 million, to the improvement in operating working capital, partially offset by higher investments.

Dividends

Thanks to excellent cash generation and the further improvement in the Group's net financial position, the Board of Directors has resolved to propose to the Shareholders' Meeting a dividend payment of €0.07 per share. Considered together with the amount approved in January 2024 and distributed in February 2024, the dividend yield calculated on the current share value is 4.6%.

Reconciliation of consolidated results for 2023

The following table shows the Group's consolidated results for 2023, presenting separately the effect of the application of IFRS 16, net non-recurring expenses before IFRS 16, stock option expenses, amortisation of intangible assets deriving from the purchase price allocation of previous business combinations, and income and expenses relating to foreign exchange gains or losses, both realised and from the valuation of items in foreign currencies (mainly USD) at the reporting date, including with respect to contractualised forward derivatives.

(millions of euro)	31 January 2024	of which IFRS 16	of which non-recurring	of which stock options; derivatives; PPA; foreign exchange gains/ losses		31 January 2024 adjusted
Net sales	1,535.2		(0.4)	0		1,535.6
Other operating income and revenues	95.6	(1.4)	0.1	0		96.9
Revenues and income	**1,630.8**	**(1.4)**	**(0.3)**	**0**		**1,632.5**
Purchases of raw materials, consumables and goods	665.7		0.3	9.3	(a)	656.1
Staff costs	312.2		0.8	1.5	(b)	309.8
Other operating expenses	293.4	(193.1)	2.2	0		484.3
EBITDA	**359.5**	**191.7**	**(3.6)**	**(10.8)**		**182.2**
Depreciation, amortisation and write-downs of assets	232.5	158.2	(2.6)	8.6	(c)	63.1
Operating result - EBIT	**126.9**	**33.5**	**(6.3)**	**(19.4)**		**119.1**
Net financial income (expenses)	(54.6)	(40.9)	0	4.1	(d)	(17.8)
EBT	**72.3**	**(7.4)**	**(6.3)**	**(15.4)**		**101.3**
Taxes	(19.9)	0.3	1.5	3.7		(25.5)
Net result for the year	**52.4**	**(7.1)**	**(4.8)**	**(11.7)**		**75.9**

(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 for the financial year 2022:

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

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

With regard to the results at 31 January 2024, it should be noted that:

- Revenues and income, which came in at €1,535.6 million, mainly include the retail sales generated by the OVS, Upim and Stefanel brands.
- The gross operating margin or adjusted EBITDA, as the difference between revenues and operating costs, net of the effects of IFRS 16, excluding depreciation and amortisation (including amortisation of intangible assets deriving from the purchase price allocation of previous business combinations), non-recurring expenses and stock option plans, and adjusted to take account of foreign exchange gains or losses realised on forward instruments entered into by the Group and underlying goods already purchased and sold, amounted to €182.2 million, equal to 11.9% of sales.
- The reported and adjusted profit before tax came in at €72.3 million and €101.3 million, respectively (the latter net of the effects of IFRS 16, non-recurring costs and other costs shown in the fourth column of the table).
- Net taxes amounted to €19.9 million and reflect the normalisation of the tax rate, which decreased from 29,4% to 27,6% during the year.
- The reported and adjusted net profit for the year were €52.4 million and €75.9 million, respectively, net of the above expenses.

Impacts of IFRS 16 and alternative performance indicators

The consolidated income statement for 2023 is shown below, including and excluding the effects of IFRS 16.

€m	31 January '24 Reported	Effects IFRS 16	31 January '24 Excluding IFRS 16
Revenues	1,535.2		1,535.2
Other operating income and revenues	95.6	1.4	97.0
Total revenues	**1,630.8**	**1.4**	**1,632.2**
Purchases of raw materials, consumables and goods	665.7		665.7
Staff costs	312.2	0.0	312.2
Depreciation, amortisation and write-downs of assets	232.5	(158.2)	74.3
Other operating expenses			
Service costs	233.7	0.9	234.5
Costs for the use of third-party assets	38.5	193.1	231.6
Write-downs and provisions	2.8		2.8
Other operating charges	18.4	(0.8)	17.6
Profit before net financial expenses and taxes	**126.9**	**(33.5)**	**93.4**
Financial income	1.1	(0.1)	0.9
Financial expenses	59.8	(41.0)	18.7
Foreign exchange gains and losses	4.1		4.1
Gains (losses) from equity investments	0.0		0.0
Net result for the year before tax	**72.3**	**7.4**	**79.7**
Taxes	19.9	0.3	20.3
Net result for the year	**52.4**	**7.1**	**59.4**

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

€m	31 January '24 reported	Effects IFRS 16	31 January '24 Excluding IFRS 16
Net sales	**1,535.2**		**1,535.2**
Gross margin	**869.4**		**869.4**
% on net sales	*56.6%*		*56.6%*
EBITDA	**359.5**	**(191.7)**	**167.7**
% on net sales	*23.4%*		*10.9%*
EBIT	**126.9**	**(33.5)**	**93.4**
% on net sales	*8.3%*		*6.1%*
EBT	**72.3**	**7.4**	**79.7**
% on net sales	*4.7%*		*5.2%*
Net result for the year	**52.4**	**7.1**	**59.4**
% on net sales	*3.4%*		*3.9%*

As already indicated in the introduction, with the adoption of the IFRS 16 accounting standard as of 2019, the main economic and financial indicators have been significantly affected and are not comparable with data from periods prior to 2019. With regard to the income statement figures presented above, the recognition of €158.2 million of depreciation of right-of-use assets under tangible assets, together with €40.9 million of net interest expenses on net lease liabilities, replacing €191.7 million of net rental costs (for leases and sub-leases under the standard), resulted in an increase in the operating result and EBITDA.

The following table shows the reclassified consolidated statement of financial position at 31 January 2024, including and excluding the effects of IFRS 16.

€m	31 January '24 reported	Effects IFRS 16	31 January '24 Excluding IFRS 16
Trade Receivables	105.2	0	105.2
Inventories	461.0	0	461.0
Trade payables	(400.6)	(4.8)	(405.4)
Operating working capital	**165.5**	**(4.8)**	**160.8**
Other short-term non-financial receivables/(payables)	(149.6)	7.3	(142.3)
Net Working Capital	**16.0**	**2.5**	**18.5**
Net fixed assets	2,100.3	(916.1)	1,184.2
Net deferred taxes	(27.8)	(7.0)	(34.8)
Other long term assets/(liabilities)	(11.3)	(11.7)	(23.0)
Pension funds and other provisions	(34.4)	0	(34.4)
Net capital employed	**2,042.8**	**(932.3)**	**1,110.5**
Shareholders' equity	900.9	64.4	965.3
Net debt	1,141.9	(996.7)	145.2
Total source of financing	**2,042.8**	**(932.3)**	**1,110.5**

Alternative performance indicators

The OVS Group uses certain alternative performance indicators, which are not identified as accounting measures under IFRSs, to enable a better assessment of Group performance.
The calculation criterion applied by the Group may therefore not be consistent with those used by other groups and the balance obtained may not be comparable with theirs.
These alternative performance indicators are constructed solely on the basis of Group historical data.
They are calculated in accordance with the Guidelines on Alternative Performance Indicators issued by ESMA/2015/1415 and adopted by Consob with Communication no. 92543 of 3 December 2015. They refer only to the performance for the accounting year covered by this Annual Report and the comparison years, and not to the Group's expected performance, and should not be regarded as a substitute for the indicators envisaged by the reference accounting standards (IFRSs).
The alternative performance indicators used in the Annual Report are defined below:
Adjusted net sales: consists of total revenues, net of non-recurring revenues.
Adjusted purchases of raw materials, consumables and goods: consists of purchases of raw materials, consumables and goods, net of non-recurring components but including foreign exchange gains and losses for forward hedging on purchases of goods in foreign currencies, reclassified from "Net financial income (expenses)".
Reported gross margin: the gross margin on sales, calculated as the difference between net sales and purchases of raw materials, consumables and goods.
Adjusted gross margin: calculated as the difference between adjusted net sales and adjusted purchases of raw materials, consumables and goods.
With regard to **reported EBITDA, adjusted EBITDA, the reported operating result, adjusted EBIT, adjusted profit before taxes (PBT)** and the **adjusted net result for the year**, please see the section entitled "Reconciliation of consolidated results for 2023" above.
Net invested capital: consists of the total of non-current assets and current assets, excluding financial assets (current and non-current financial assets, current and non-current financial assets for leases, and cash and banks) net of non-current liabilities and current liabilities, excluding financial liabilities (current and non-current financial liabilities and current and non-current financial liabilities for leases).
Adjusted net invested capital: consists of net invested capital excluding the impacts of the adoption of the IFRS 16 accounting standard.
Net financial position or **net (financial) debt:** calculated as the sum of current and non-current financial liabilities and current and non-current financial liabilities for leases, net of the cash and banks balance, current and non-current financial assets including the positive fair value of derivative instruments, and current and non-current financial assets for leases.
Adjusted net financial position or **adjusted net (financial) debt:** represented by net (financial) debt excluding the impacts on current and non-current lease liabilities of IFRS 16 and the impacts of mark-to-market.
Adjusted summary consolidated statement of cash flows: consists of the net cash flow generated (absorbed) by operating, investment and financing

activity, excluding the effects of the IFRS 16 accounting standard, and reclassified according to management criteria, i.e. based on the operating flow of adjusted EBITDA.

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

The following table shows the consolidated results for 2023 of the Parent Company, OVS S.p.A., presenting separately the effects of the application of IFRS 16, net non-recurring expenses before IFRS 16, stock option expenses, amortisation of intangible assets deriving from the purchase price allocation (PPA) of previous business combinations, and income and expenses relating to foreign exchange gains or losses, both realised and from the valuation of items in foreign currencies (mainly USD) at the reporting date, including with respect to contractualised forward derivatives.

(millions of euro)	31 January 2024	of which IFRS 16	of which non-recurring	of which stock options; derivatives; PPA; foreign exchange gains/ losses	31 January 2024 adjusted
Net sales	1,526.3	0	(0.7)	0	1,527.0
Other operating income and revenues	93.8	(1.4)	0	0	95.2
Revenues and income	**1,620.2**	**(1.4)**	**(0.7)**	**0**	**1,622.3**
Purchases of raw materials, consumables and goods	699.9	0	0	9.3	690.6
Staff costs	299.7	0	0.5	1.5	297.7
Other operating expenses	285.9	(190.1)	0.8	0	475.2
EBITDA	**334.7**	**188.7**	**(2.0)**	**(10.8)**	**158.8**
Depreciation, amortisation and write-downs of assets	227.7	155.7	2.1	8.6	61.3
Operating result - EBIT	**107.0**	**33.0**	**(4.1)**	**(19.4)**	**97.5**
Gains (losses) from equity investments	23.0	0	0	0	23.0
Net financial gains (losses) and foreign exchange differences	(52.5)	(40.2)	0	5.0	(17.3)
EBT	**77.5**	**(7.2)**	**(4.1)**	**(14.4)**	**103.2**
Taxes	(18.6)	0.3	1.0	3.5	(23.4)
Net result for the year	**58.9**	**(6.9)**	**(3.1)**	**(10.9)**	**79.8**

The following is the reconciliation table for the financial year 2022:

(millions of euro)	31 January 2023	of which IFRS 16	of which non-recurring	of which stock options; derivatives; PPA; foreign exchange gains/ losses	31 January 2023 adjusted
Net sales	1,507.2	0	0	0	1,507.2
Other operating income and revenues	90.2	(8.1)	0.1	0	98.2
Revenues and income	**1,597.4**	**(8.1)**	**0.1**	**0**	**1,605.4**
Purchases of raw materials, consumables and goods	726.7	0	0	35.5	691.2
Staff costs	295.9	0	0.3	1.9	293.7
Other operating expenses	291.4	(185.3)	5.4	0	471.3
EBITDA	**283.4**	**177.2**	**(5.6)**	**(37.4)**	**149.2**
Depreciation, amortisation and write-downs of assets	221.9	155.1	0	8.5	58.3
Operating result - EBIT	**61.5**	**22.1**	**(5.6)**	**(45.9)**	**90.9**
Gains (losses) from equity investments	15.0	0	0	0	15.0
Net financial gains (losses) and foreign exchange differences	(36.1)	(38.6)	0	16.3	(13.8)
EBT	**40.4**	**(16.5)**	**(5.6)**	**(29.6)**	**92.1**
Taxes	(15.4)	3.1	1.3	7.1	(26.9)
Net result for the year	**25.0**	**(13.4)**	**(4.3)**	**(22.5)**	**65.2**

With regard to the results at 31 January 2024, it should be noted that:

- Revenues and income, which came in at €1,620.2 million, mainly include the retail sales generated by the OVS, Upim and Stefanel brands.
- Depreciation and amortisation of €227.7 million refers to right-of-use assets for €155.7 million, while the remainder essentially relates to store improvements and refits.
- Other operating expenses of €285.9 million, gross of the effects of IFRS 16 (€190.1 million) and non-recurring expenses of €0.8 million, would have amounted to €475.2 million, and may be broken down as follows: costs for the use of third-party assets (€226.5 million), miscellaneous operating expenses (€16.2 million), service costs (€229.8 million) and write-downs and provisions (€2.7 million).
- Gains/(losses) on equity investments include income for dividends received from subsidiary OVS Hong Kong Sourcing Ltd of €29.4 million and from subsidiary 82 S.r.l. of €0.9 million, and expenses arising from the write-down of the Italian and foreign investee companies totalling €7.3 million.
- Net financial expenses of €52.5 million, gross of the effects of IFRS 16 of €40.2 million, would have amounted to €12.3 million, deriving from financial expenses of €17.3 million and foreign exchange losses and the positive fair value of forward derivatives in the income statement of €5.0 million.
- Taxes were negative for €18.6 million; without the adjustments in the columns on the table, they would also have been negative for €23.4 million.
- The reported and adjusted net result for the year was, respectively, a profit of €58.9 million and a profit of €79.8 million.

Financial performance

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

(millions of euro)	31 January 2024	31 January 2023
Operating capital (A)	(69.6)	(32.8)
Net capital employed (B)	2,081.5	2,111.8
Net debt	1,130.2	1,200.9
Shareholders' equity	881.7	878.1

(A) The item includes: Trade receivables and payables, current and deferred tax assets, other receivables, inventories, current and deferred tax liabilities, other payables, employee benefits and provisions for risks and charges.

(B) The item includes: Property, plant and equipment, right-of-use assets, intangible assets, goodwill and equity investments.

Financial management

Net debt stood at €1,130.2 million at 31 January 2024, compared with €1,200.9 million at 31 January 2023.
The breakdown is as follows (in millions of euro):

(millions of euro)	31 January 2024	31 January 2023
Cash and cash equivalents and net financial assets	93.1	102.3
Receivables/(payables) for derivatives	0.3	(9.2)
Financial receivables/(payables) with respect to third parties	6.6	5.1
Financial receivables/(payables) with respect to subsidiaries	12.3	2.0
Financial receivables/(payables) with respect to banks	(256.1)	(270.3)
Financial receivables/(payables) with respect to other lenders	0	0
Finance lease receivables/(payables)	(986.4)	(1,030.8)
Net financial position	**(1,130.2)**	**(1,200.9)**

Excluding the payables recognised under IFRS 16 but keeping only the lease liabilities under IAS 17, the net financial position of OVS S.p.A. decreased from €172.9 million at 31 January 2023 to €145.6 million at 31 January 2024, reflecting the excellent cash performance for the year, in terms of both operations and working capital management.
Payables to banks are described later in this report.

Main subsidiaries

OVS Hong Kong Sourcing Ltd

OVS Hong Kong Sourcing Ltd, which has its registered office in Hong Kong, operates in the Far East (mainly China, Bangladesh and India, and, more generally, in areas outside Europe), aiming to select suppliers, win orders, and manage the entire product development and quality control phase up to delivery. OVS Hong Kong Sourcing Ltd, which has facilities in various countries, is able to support production activities and monitor that the costs and quality of products are in line with Group standards. Specifically, the company focuses on strengthening existing supplier relationships in the Asia region, further boosting its presence in Bangladesh and China by increasing purchasing volumes. At the same time, purchasing has also increased in the India and Pakistan region, and the search has continued for more sources of supply in countries in that area that can meet the quality standards required by the Group in a context of lower costs (e.g. Cambodia and Vietnam).
The company recorded net profit of €23.3 million in 2023 (compared with €30.3 million in 2022).

OVS Maloprodaja d.o.o.

The company operates in the Croatian market and now directly operates four OVS stores.
One store was closed in 2023.
The company is not material for the purposes of the consolidated financial statements.

OVS Department Stores d.o.o.

The company operates in the Serbian market, directly operating 11 OVS stores.
In 2023, the company opened two new full-format DOS and an OVS Kids store, all in Belgrade.
There were no closures during the year.
The company is not material for the purposes of the consolidated financial statements.

OVS Fashion España S.L.

OVS Fashion España S.L., which was acquired in 2016 in order to achieve more direct operation of the major Spanish retail market, operates the sales network in Spain, with 96 stores in franchising and two directly operated stores. There were ten closures and 16 new openings of stores in franchising in 2023. In the same year, an OVS Kids DOS was closed and a PIOMBO store was opened in Madrid.
The company is not material for the purposes of the consolidated financial statements.

OVS France S.A.S.

OVS France S.A.S., which was established in 2018 for the direct operation of stores in France, became operational in 2019 with the first temporary opening of a full-format directly operated store in Paris. This store stopped selling to the public in December 2020, as the company launched a "Kids" format DOS development plan. The first two of these store openings took place during 2022.
A DOS under the PIOMBO brand was also opened in Rue St. Honoré in Paris in 2023.
The company is not currently material for the purposes of the consolidated financial statements.

OVS Germany G.m.b.H.

OVS Germany G.m.b.H. was incorporated on 28 September 2022, with its registered office in Leipzig.
As at the date of these consolidated financial statements, the company is wholly owned by OVS S.p.A..
During 2023, the company definitively closed its only DOS operating under the STEFANEL brand, which had been opened in Duesseldorf in 2022. The company is therefore not currently material for the purposes of the consolidated financial statements.

Vespucci Fashion, Inc.

Vespucci Fashion, Inc. was incorporated on 3 May 2022, with its registered office in New York (USA).
As at the date of these consolidated financial statements, the company is 80% controlled by OVS S.p.A..
In financial year 2023, the company closed a PIOMBO-branded DOS, originally opened in 2022 as a pilot project, and instead opened a new PIOMBO-branded store on a major commercial street in Soho, New York. The company is not, however, currently material for the purposes of the consolidated financial statements.

82 S.r.l.

82 S.r.l. was incorporated in 2017 and is a subsidiary of OVS S.p.A., which owns 70% of the company. Partner Massimo Piombo is a minority shareholder, holding the remaining 30%. The company was initially established to undertake the development through several PIOMBO-branded stores, dedicated to upper casual men's wear. In 2018, 82 S.r.l., the licensee of the PIOMBO brand, granted OVS S.p.A. the sub-licence of the brand after structured negotiations, for organisational reasons, and simultaneously revised its strategy of opening DOS and focusing its business on the operational management of the brand. As part of this strategy, it should finally be noted that on 9 March 2021 an agreement was signed for the sale of the PIOMBO brand with Ciro Paone S.p.A., as a result of which the latter became the owner of the brand.
The company recorded net profit of €2.0 million in 2023 (compared with €1.5 million in 2022).

OVS Innovazione e Sostenibilità S.r.l.

OVS Innovazione e Sostenibilità S.r.l. was incorporated on 21 June 2022, with its registered office in Venice-Mestre. As at the date of these consolidated financial statements, the company is wholly owned by OVS S.p.A. During 2023, following the approval by Puglia Sviluppo of the programme contract submitted for the launch of an operating unit in Bari, where the Group's major innovation and sustainability activities will be established, the company launched the three-year programme of investments in both industrial research and experimental development and logistics. The final Programme Agreement between OVS Innovazione e Sostenibilità S.r.l. and the Department of Economic Development of the Puglia Regional Authority was signed on 29 November 2023. The investment programmes of OVS Innovazione e Sostenibilità S.r.l., totalling €36,152,507, were approved by the Authority for inclusion in the subsidised programme.
The company recorded a net loss of €0.2 million in 2023 (compared with a net loss of €24 thousand in 2022).

Energia Verde Uno S.r.l.

Energia Verde Uno S.r.l. was incorporated on 26 July 2022, with its registered office in Venice-Mestre. As at the date of these consolidated financial statements, the company continues to be inactive and is 51% controlled by OVS S.p.A.. During 2024, the company is to become the vehicle for the creation of a joint venture for the development, creation and management of certain photovoltaic projects in Italy. The company is not currently material for the purposes of the consolidated financial statements.

Main risks and uncertainties

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

Credit risk

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

Liquidity risk

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

Market risk

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

Management of financial risks

Financial risk management is carried out according to guidelines defined by the Board of Directors. The aim is to ensure a liability structure that is consistent with the composition of the assets and the Group's requirements in order to maintain adequate solvency of the assets. The Group is exposed to various degrees to financial risks associated with its core business.

Risk of change in prices and cash flows

The Group's margins are influenced by changes in the prices of the goods it deals in.
Any reduction in the price of items sold, if not accompanied by a corresponding reduction in purchase cost, generally entails a decrease in operating results.
In fact, the economic environment in the year just ended was characterised by very strong inflationary pressures. Only the careful management of this risk by the OVS Group, which caused it to secure several contracts in the previous year at prices that then proved to be very advantageous, together with an inevitable but never calibrated action on the sale lists and a further reduction in promotional activities,

resulted in a gross margin of 57.3% in 2023, a further improvement on 2022.
The Group's cash flows are also exposed to the risk of changes in market exchange rates and interest rates. Specifically, exposure to exchange rates arises because the Group operates in currencies other than the euro, in which it purchases a substantial part of the products marketed, listed or pegged to the US dollar.
Lastly, interest rate fluctuations affect the market value of the Group's financial liabilities and its net financial expenses.

OBJECTIVES AND POLICIES FOR MANAGING THE RISK OF CASH FLOW CHANGES
The Group has guidelines in place for financial operations that involve the use of forward derivatives to reduce foreign exchange risk against the US dollar (forward currency purchase contracts) and the risk of interest rate fluctuations.

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

Interest rate risk

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

Foreign exchange risk

The OVS Group purchases most of its products for sale from foreign suppliers for which the reference currency is the US Dollar (USD). In order to ensure reliability in the planning of sales prices and the relative industrial margin (understood as the difference between sales prices in EUR and the purchase costs of products in USD), the OVS Group routinely enters into derivative contracts designed to stabilise the exchange rate of goods purchases. The nature of these instruments is quite simple, as they are purchases of forward USD currency (forward derivatives) implemented in relation to estimated inflows and with timelines associated with the foreseeable outflow of cash, usually with a time horizon of 12 to 24 months from the date of signing the associated contracts. The instruments in question are initially entered into, in particular, taking into account quantifications (based on estimates) determined on the basis of purchases of the previous collection and considering the business outlook. Such operational hedges of purchase flows take place, in fact, by collection and by month. The instruments are then constantly monitored and updated by the OVS Group in relation to potential changes in purchase and payment flows and therefore to the variable need for stabilisation of exchange rates during the operational development of commercial planning.
The derivatives described are recognised at 31 January 2024 at fair value, according to the methods of recognition and measurement established in the reference accounting standards (IFRS 9). Under this accounting standard (as was already the case under IAS 39), the entity may, under certain conditions, book derivatives using hedge accounting. In view of the operational complexity in managing the correspondence between the theoretical underlyings (the flows subject to the management hedging described) and the derivatives, the OVS Group has decided not to adopt hedge accounting. Consequently, the fair value of existing financial instruments and subsequent changes in such instruments are directly charged to the income statement on each reporting date. The fair value of derivatives is quantified using common valuation techniques and is mainly determined by the difference between the notional amount in USD converted into euro at the forward exchange rate at the time of entering into the contract and the notional amount in USD converted into euro at the exchange rate at the end of the reference period. This difference may be positive or negative depending on changes in the EUR/USD exchange rate, resulting in a certain level of volatility in the Group's results. This is appropriately taken into account in the presentation of adjusted figures in this document.
For an in-depth analysis and representation of financial risk management, as well as for the other information required under IFRS 7, please refer to the details provided in the notes to these financial statements.

Environmental risks and impacts of climate change on the consolidated financial statements

Environmental issues are a strategic priority for the OVS Group, and the relevant risks are defined, assessed and consequently managed as part of a mitigation and adaptation plan in order to achieve certain objectives and, ultimately, to preserve the continuity of the business and the Group.

Within the periodic risk identification and assessment process, OVS also considers risks related to environmental and social aspects both from an inside-out perspective (impacts generated) and from an outside-in perspective (impacts suffered).

Climate change is identified as an area of significant risk, due to the actual impact generated by OVS in terms of CO2 emissions and also the consequences that climate change may have on the business of the company and the Group.

Some time ago, OVS launched a decarbonisation plan with objectives approved by the Science Based Targets Initiative, to keep global warming below 1.5°C, and the annual performance was in line with projections.

With regard to the possible effects suffered, OVS believes that the increase in climate variability due to global warming may lead to more unpredictable weather conditions and, consequently, greater difficulty in planning the types of goods to be sold according to seasonality. Climate change may also have an adverse impact on extreme weather events, affecting business operations in the geographical areas concerned.

This area of risk, however, also determines some opportunities, specifically for the OVS core business, as new cultivation areas may become available for textile raw materials that are typically grown in tropical or subtropical regions (e.g. cotton).

Lastly, less regular rainfall increases the productiveness of the renewable energy production plants with photovoltaic panels with which OVS covers part of its electricity requirements. For further information on environmental risk management, please refer to the 2023 Consolidated Non-Financial Statement.

Investment and development

Gross investments of €94.4 million were made in 2023. The investments made in 2023 represent the third year of a three-year plan that entailed more substantial investments than usual for the Group. Specifically, in 2023 these related to: (i) the restructuring of 38 stores in the existing network, extraordinary maintenance and other commercial activities relating to the existing network, amounting to around €38 million, (ii) new store openings (around €13 million) under the Group's brands, (iii) the development of new IT and digital transformation systems, including through subsidiary OVS Innovazione e Sostenibilità S.r.l. (around €18 million), (iv) the upgrading of the logistics unit (around €20 million) in order to improve distribution efficiency, and (v) maintenance and redevelopment of the head office in Mestre, Venice.

The investments made in 2022 amounted to €80.8 million, including around €31 million relating to extraordinary restructuring and maintenance and €18 million for new store openings.

At Group level, the sales network comprised a total of 2,245 stores at 31 January 2024 (including the small-format stores) including 862 DOS (21 abroad), 1,264 affiliated stores (367 abroad) and 119 administered stores (89 abroad).

In 2023 (1 February 2023 – 31 January 2024), the network continued to expand and achieved further growth in terms of stores (net of closures) of 77 units, including 13 DOS, 63 affiliated stores and one administered store.

In 2022 (1 February 2022 – 31 January 2023), the Group had increased the sales network (net of closures) by 117 units, including 18 DOS and 110 affiliated stores, while the number of administered stores decreased by eleven.

Research and development

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

Related party transactions

In accordance with the applicable laws and regulations, the Parent Company's Board of Directors approved the "Procedure governing related party transactions", first by resolution of 23 July 2014, effective from 2 March 2015, recently updated by resolution of the Board of Directors of 17 June 2021, with effect from the same date.
The Procedure was adopted by the Company in implementation of Article 2391-bis of the Italian Civil Code and the regulation on related party transactions adopted by Consob by Resolution no. 17221 of 12 March 2010 as amended, also taking into account the instructions and clarifications provided by Consob in Communication no. DEM/10078683 of 24 September 2010.
The Procedure identifies the rules governing the approval and execution of transactions with related parties entered into by OVS, directly or through subsidiaries, in order to define the relevant competencies and responsibilities and ensure the transparency and substantive and procedural correctness of such transactions.
Information on, and details of, relations with related entities are provided in the notes to the consolidated financial statements and the separate financial statements, pursuant to IAS 24.

Significant events during the reporting period

Impacts of global conflicts and inflation on the Group's performance

2023, like 2022, was also particularly marked by the macroeconomic phenomena that followed the outbreak of the Russian-Ukrainian conflict that began in February 2022 and the conflict in the Middle East that began in October 2023: the general rise in commodity prices, the high inflation rates in all the European economies (therefore including Italy) and the adjustment of interest rates to their highest levels in the last decade, even though the latest signals from the ECB suggest a possible revision. In this extremely difficult economic environment, the OVS Group's results in terms of sales and EBITDA were particularly satisfying. The high purchase cost of the spring summer 2023 collection, which was ordered during 2022, when (i) raw material prices, (ii) transport costs and (iii) the EUR/USD exchange rate were extremely unfavourable, was more than offset by better sales and careful mark-down management, resulting overall in a further increase in the gross margin and in EBITDA.
The additional scenarios of war in the Red Sea region and the consequent lengthening of the maritime routes for circumnavigation of Africa were also duly considered in the business plans underlying some financial statement estimates. For more information, please see the "Business outlook" section and the notes to the financial statements.

Other significant events during the reporting period

Among the key events in 2023, it should be noted that on 31 March 2023, OVS obtained the single authorisation from the Government Commissioner of the Adriatica Special Economic Zone (SEZ) to begin work on the creation of the new technological hub serving the Group. With this authorisation, the OVS Group has launched an investment plan of around €33 million. In the region of the Bari Industrial Development Area, the following are under construction: a technological hub where the Group will focus on the development of projects with high digital content, utilising around €19 million in resources, and an innovative plant, which will support the Group's development on issues related to the reuse of clothing for the circular economy, for about another €14 million of investments, in the three-year period 2023-2025. The new establishment is expected to create 125 new jobs, including for graduates with digital skills in both artificial intelligence and cyber security, and specialist positions for reworking clothing and activities linked to the multi-function centre.
The treasury shares buyback plan also continued: from 1 February 2023 to 31 January 2024, the Parent Company purchased 14,694,813 treasury shares, equal to 5.0511% of the share capital, for a total amount of €31,374,000. Disposals totalled 4,146 treasury shares.
On 26 May 2023, we note the subscription and simultaneous payment of a convertible loan of €3.6 million to NYKY S.r.l., operating in the retail and wholesale clothing sector under the momonì, ATTIC AND BARN and OOF Wear brands and present in both the domestic and the international markets, particularly in Europe and the United States.
On 31 May 2023, the Ordinary Shareholders' Meeting of the Parent Company, OVS S.p.A (the "Company") approved the financial statements at 31 January 2023, also resolving to distribute an ordinary dividend of €0.06 per share for the financial year ended 31 January 2023. The detachment date for coupon no. 5 was 19 June 2023 and the payment date was 21 June 2023 (record date 20 June 2023). For further details, please see the consolidated statement of changes in shareholders' equity.
The Ordinary Shareholders' Meeting also approved, by binding resolution, the first section of the report on the remuneration policy and compensation paid (remuneration policy) and, in an advisory capacity, voted in favour of the second section of that report (compensation paid).
On the same date, the Ordinary Shareholders' Meeting fixed the number of members of the Board of Directors at 9 (nine) and appointed the new Board, which will remain in office until the approval of the financial statements for the year ended 31 January 2026 and is composed of Franco Moscetti, Stefano Beraldo, Giovanni Tamburi, Alessandra Gritti, Chiara Mio, Roberto Cappelli, Carlo Achermann, Flavia Sampietro and Elena Garavaglia.
On the basis of the two lists presented, the Shareholders' Meeting also appointed the new Board of Statutory Auditors, which will remain in office until the approval of the financial statements for the year ended 31 January 2026 and is composed of Stefano Poggi Longostrevi (Chairman of the Board of Statutory Auditors), Massimiliano Nova and Federica Menichetti (and Marzia Nicelli and Donata Paola Patrini as alternate auditors).
The same Ordinary Shareholders' Meeting approved the authorisation of (i) the purchase, in one or more tranches and for a period of 18 months, up to a maximum number of shares in the Company that, taking into account the ordinary OVS shares held from time to time by the Company and its subsidiaries, shall not exceed 10% of the Company's share capital,

and therefore within the limits of the law; and (ii) the disposal of all or part of the treasury shares held.
This resolution has replaced the authorisation granted to the Board of Directors by the Shareholders' Meeting held on 31 May 2022. For further information on the other characteristics of the authorisation to purchase and dispose of treasury shares, please see (i) the press release dated 19 April 2023 and (ii) the explanatory report, which is available on the Company's website at www.ovscorporate.it ("Governance/Shareholders' Meeting of 31 May 2023" section).
The new Board of Directors, which met for the first time on 31 May 2023 (immediately after its appointment by the Shareholders' Meeting), appointed Director Stefano Beraldo as Chief Executive Officer, confirming the management agreement signed on 31 May 2022, and appointed Giovanni Tamburi as Vice-Chairman.
The Board also ascertained that the members of the new Board of Directors and the new Board of Statutory Auditors met the requirements of integrity, professionalism and independence as established by applicable legislation and the Corporate Governance Code for the position, on the basis of information provided by the said members and verified at the Board of Statutory Auditors' meeting that was also held on 31 May 2023.
The Board also confirmed the appointment of Nicola Perin, the company's Chief Financial Officer, as the Financial Reporting Officer, pursuant to Article 154-bis of the TUF, following a favourable opinion from the Board of Statutory Auditors.
On 21 December 2023, OVS S.p.A. and J. Brand International S.r.l. signed a preliminary purchase and sale agreement concerning 100% of the shares of JB Licenses S.r.l., a company incorporated in March 2024 after the demerger of the business unit of J. Brand International S.r.l. relating to the production and marketing of clothing under a licence or sub-licence.
On 24 January 2024, the Company's Ordinary Shareholders' Meeting approved the distribution of an extraordinary dividend of €0.03 per share from the "Retained earnings reserve". The dividend (coupon no. 6) was paid out with an ex-dividend date of 19 February 2024, a record date of 20 February 2024 and a payment date of 21 February 2024, for a total of €7,828,000.
The Ordinary Shareholders' Meeting also approved the authorisation of (i) the purchase, in one or more tranches and for a period of 18 months, up to a maximum number of shares in the Company that, taking into account the ordinary OVS shares held from time to time by the Company and its subsidiaries, shall not exceed one-fifth of the Company's share capital; and (ii) the disposal of all or part of the treasury shares held. This resolution replaced the authorisation granted to the Board of Directors by the Shareholders' Meeting held on 31 May 2023, which is largely complete.
The resolution was adopted with a voting composition such that the exemption provided for by the combined provisions of Article 106, paragraphs 1, 1-bis and 1-ter, as applicable, and 3, of the TUF and Article 44-bis, second paragraph, of the Issuers' Regulations, applies. For further information, please see (i) the press release dated 13 December 2023 and (ii) the reports on the items on the agenda of the Shareholders' Meeting, which are available on the Company website at www.ovscorporate.it.

Following the vote by the shareholders during the Shareholders' Meeting of 24 January 2024, the Board of Directors, at its meeting of 31 January 2024, approved the launch, starting 5 February 2024, of a share buyback programme with a maximum amount of €20 million, up to a maximum of 11 million shares, in execution and in accordance with the procedures, terms and conditions set out in the resolution approved by the Shareholders' Meeting of 24 January 2024. The programme launched is designed to: (i) carry out, directly or through intermediaries, any investment transactions, including to contain anomalous share price trends, regularise trading and price performance and support the liquidity of the security on the market, (ii) hold shares for the purpose of subsequent use (the creation of a "bank of shares"), including use as consideration for any extraordinary transactions for the purposes of inorganic growth and (iii) to service financial instrument-based remuneration and incentive plans reserved for directors and employees of OVS and/or the companies it directly or indirectly controls.

Purchases will be made on the Euronext Milan market, organised and managed by Borsa Italiana S.p.A. ("EXM"), on one or more occasions, including on a revolving basis, according to terms and conditions established in European Union or other applicable legislation, as well as to the aforementioned shareholders' resolution, within a period of 18 months from the resolution, and therefore by 24 July 2025, unless revoked.

As of today (17 April 2024), the Company holds 36,092,754 treasury shares (equal to 12.4063% of the share capital), while its subsidiaries do not hold any OVS shares.

There were no other significant events in the 2023 financial year.

Other information

Notes on share performance

OVS S.p.A. shares have been listed since 2 March 2015 on Euronext Milan, a regulated market organised and managed by Borsa Italiana S.p.A..
At 31 January 2024, the last quotation day of the financial year, the closing price of the OVS share was €2.21, in line with the closing price of €2.20 in the previous year.
The market capitalisation at 31 January 2024 was €642.9 million.

2023 was an extremely complex year for the financial markets, with significant pressure on interest rates and a very tense geopolitical environment.
In the first part of the year, the excellent results for the 2022 financial year and the solid first quarter of 2023 supported the share price, which reached €2.77 on 9 May 2023. The subsequent contraction in stock market valuations caused by the sudden increase in interest rates first of all, as well as particularly adverse weather conditions that affected the entire clothing market, were the basis for the decline in the share price, which closed at €1.64 on 23 October 2023. From the end of October, encouraging figures on falling inflation and better-than-expected unemployment data led to cautious optimism in the financial markets, which began to factor in the possibility of less aggressive monetary policies and interest rate reductions, even in the short term, than in previous projections. The stock benefited from this positive sentiment, rising to €2.28 on 27 December 2023 before ending the year at €2.21 on 31 January 2024.
At 31 March 2024, it should be noted that the six brokers that monitor the OVS S.p.A. shares have four "Buy" and two "Hold" recommendations.
During 2023, engagement activities with investors were undertaken both at the time of publication of the Company's results and through participation in various equity investment conferences - in particular the "Italian Investment Conference" organised by Unicredit and Kepler Cheuvreux and the "Euronext Sustainability Week" organised by Borsa Italiana - and roadshows specifically organised with the support of the Company's main brokers.
For more information and updates on share performance, and for the latest press releases, please visit the "Investor Relations" section of the website at www.ovscorporate.it.

Stock option plans

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

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

The same Shareholders' Meeting was also convened in extraordinary session to resolve upon the proposal to grant the Board of Directors, for a period of five years from the date of the resolution, the power to increase the share capital, pursuant to Article 2443 of the Italian Civil Code, in tranches, excluding option rights pursuant to Article 2441, paragraph 8 of the Italian Civil Code, for a total maximum nominal amount of €35,000,000.00, through the issue, in one or more tranches, of up to 5,107,500 ordinary shares with no par value, to be reserved for the beneficiaries of the 2015-2020 Stock Option Plan, with the consequent amendment of Article 5 of the Articles of Association.

As of 31 January 2024, 2,724,963 options had been granted under the "Stock Option Plan 2015-2020".

It should also be noted that the Shareholders' Meeting of 31 May 2017 had approved another stock option plan, called the "Stock Option Plan 2017-2022", reserved for directors who are also employees, executives with strategic responsibilities and/or other employees of OVS S.p.A. and its subsidiaries, which may be implemented using either (i) treasury shares bought back under the authorisation pursuant to Article 2357 of the Italian Civil Code granted by the Shareholders' Meeting from time to time; or (ii) shares deriving from a capital increase by the Board of Directors, after the granting of a mandate to the same to increase the share capital pursuant to Article 2443 of the Italian Civil Code, in tranches, excluding option rights pursuant to Article 2441, paragraph 8 of the Italian Civil Code, for a total maximum nominal amount of €4,080,000, through the issue, in one or more tranches, of up to 4,080,000 new ordinary shares of OVS, to be reserved for the beneficiaries of the "2017-2022 Stock Option Plan".

This Plan was 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 provided for the free allocation to each beneficiary of up to a total of 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 matured when determined performance targets were met.

As of 31 January 2024, 1,222,000 options had been granted under the "Stock Option Plan 2017-2022".

The Ordinary Shareholders' Meeting of 31 May 2019 had then approved, pursuant to Article 114-bis of the Consolidated Law on Finance, the adoption of an incentive plan named the "Stock Option Plan 2019-2022", to be implemented through the granting of free stock options for newly issued ordinary shares of OVS S.p.A.. The Plan was reserved for directors who are also employees, executives with strategic responsibilities and/or other employees of OVS S.p.A. and its subsidiaries, pursuant to Article 93 of Legislative Decree no. 58 of 24 February 1998, who were identified by the Board of Directors, after consultation of the Appointments and Remuneration Committee, from among the individuals who played a key role in the achievement of the Company's strategic objectives (hereinafter, the "Beneficiaries").

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

The exercise price of the shares is currently set at €1.60.

At 31 January 2024, 4,795,854 option rights under the "Stock Option Plan 2019-2022" had been granted and not yet exercised.

With regard to the three plans in place, it should be recalled that, in 2021, the dilutive effect of the capital increase in July 2021 had to be neutralised by adjusting the strike price and any access condition price (present only in the 2019-2022 Plan). The new values, calculated according to the formulas commonly used in similar situations, are therefore recalculated as follows:

Stock Option Plan (amounts in euro)	Exercise price	New exercise price
2015-2020 Plan	4.88	4.08
2017-2022 Plan	6.39	5.26
2019-2022 Plan	1.85	1.72

The new strike prices indicated above are also further adjusted to neutralise the effects of the distribution of dividends in 2022, 2023 and early 2024 (totalling €0.13 per ordinary share).
Lastly, on 31 May 2022, the Ordinary Shareholders' Meeting approved, pursuant to Article 114-bis of the Consolidated Law on Finance, the adoption of a stock grant plan named the "Performance Shares 2022 Plan" reserved for the Chief Executive Officer, executives with strategic responsibilities, employees, staff and advisors of OVS and its subsidiaries. For more information on the aforementioned incentive plan, see note 7.27 in the notes to this document and the specific documentation relating to the Shareholders' Meeting, which is available on the corporate website.
For details of all the plans, see the reports of the Board of Directors and the information documents, pursuant to Article 84-bis of Consob Regulation no. 11971/1999, which are available on the Company website at www.ovscorporate.it, in the Governance/Shareholders' Meeting section.

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

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

Treasury shares

At 31 January 2024, the Parent Company, OVS S.p.A., had a total of 29,038,201 treasury shares, equal to 9.9814% of the share capital (of which 809,226, equal to 0.356% of the share capital, were purchased in 2018 for a total amount of €1,496,000).
During 2022, 13,538,308 treasury shares were purchased at an average carrying price of €1.812 for a total amount of €24,522,000, while no disposals of treasury shares were recorded.
During 2023, 14,694,813 treasury shares were purchased at an average carrying price of €2.136 for a total amount of €31,374,000, while 4,146 shares were disposed of for around €7,000.

Article 15 of the Market Regulations (adopted by Consob by Resolution no. 20249 of 28 December 2017)

Investee companies with registered offices in non-EU countries, of which the biggest is OVS Hong Kong Sourcing Ltd, are not significant within the meaning of Article 151 of the Regulation for Issuers, as their respective assets make up less than 2% of the assets in the Group's consolidated financial statements at 31 January 2024, and their respective revenues make up less than 5% of the Group's consolidated revenues at 31 January 2024.

Article 16, paragraph 4, of the Market Regulations (adopted by Consob by Resolution no. 20249 of 28 December 2017)

At 31 January 2019, OVS S.p.A. was a 17.835%-owned investee company of Gruppo Coin S.p.A..
On 11 March 2019, Gruppo Coin S.p.A., the vendor, and Tamburi Investment Partners S.p.A., as the buyer, reached an agreement concerning the sale of the equity investment (17.835%) held by Gruppo Coin S.p.A. in OVS S.p.A.. Due to this purchase, Tamburi Investment Partners S.p.A., which was already a shareholder of OVS with an equity investment of approximately 4.912%, obtained a total stake of around 22.747% in OVS's capital.
Lastly, as a result of the paid capital increase completed in July 2021 and subsequent purchases on the market, shareholder Tamburi Investment Partners S.p.A. currently holds a total stake of approximately 28.44% in OVS's capital.

Despite the equity investment held by Tamburi Investment Partners S.p.A., 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 no. 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 no. 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.

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

On 17 April 2024, the Company's Board of Directors approved its report on corporate governance and ownership structure for the year ended 31 January 2024. The report (the "Corporate Governance Report") was compiled pursuant to Article 123-bis of the Italian Consolidated Law on Finance.
The Corporate Governance Report contains a description of the corporate governance system adopted by the Company in the financial year 2023, information on its ownership structure and adherence to the Corporate Governance Code as of the date of the Corporate Governance Report, information on the Company's main governance practices and the characteristics of its risk management and internal control system for the financial reporting process.

For further information on the Company's corporate governance structure, which was adopted in application of the principles enunciated in the Corporate Governance Code, see the document entitled "Corporate Governance Report", which is available in the Governance/Shareholders' Meeting 2024 section of the Company website.

Significant events after the reporting period

On 5 February 2024, the Italian Competition Authority (AGCM) did not impose any restrictions on the transaction involving the acquisition by OVS S.p.A. of the J. Brand International S.r.l. business unit. As already mentioned, the object of the acquisition is a newly formed company ("JB Licenses S.r.l.") to which, at the end of March 2024 as a result of a demerger, J. Brand International S.r.l. transferred the business unit relating to the activity of production of casual clothing under licence, through foreign contractors, and sale to other companies, which then resell the products thus purchased.
On 6 February 2024, the Company signed a letter of intent with the shareholders of Goldenpoint S.p.A., with the aim of developing a possible industrial partnership. Goldenpoint has a sales network of around 380 stores in prestigious locations in major Italian historical centres and shopping centres and generates turnover of nearly €100 million.
The rationale for the deal is to expedite growth in a segment in which OVS already has significant competencies and considerable market share due to sales in its own stores.
The goal of the partnership is to improve Goldenpoint's performance by reinforcing its current product range and achieving synergies by sharing the OVS Group's supply chain as well as developing new stores.
On 2 April 2024, further to the above letter of intent, OVS S.p.A. signed a binding investment agreement with the aim of achieving control, and thus 100% of Goldenpoint S.p.A., in several phases.
The agreement provides for an initial investment of €3 million to subscribe to a convertible bond loan and the acquisition of 3% of Goldenpoint's share capital. By 31 July 2025, OVS S.p.A. will have the option to increase its holding to 51% by converting the loan and exercising a share purchase option against payment of a predetermined price, also payable in treasury shares. The remaining 49% of the share capital may be acquired by OVS through the exercise of put-and-call options in the time window between 1 August 2026 and 31 July 2029.

Thanks to the support of OVS and its incorporation within the Group, Goldenpoint's business plan envisages a significant increase in sales through the enhancement of its commercial offer, particularly in the underwear and accessory categories, and the expansion of the network with larger stores. Once the plan is implemented, partly as a result of improved sourcing and the virtuous effect of operating leverage, strong EBITDA growth and a good contribution to the consolidated results of OVS can be expected.
The acquisition is in any case such that it does not result in significant cash absorption and will be financed entirely using the flows generated by OVS.
Closing is subject to the obtainment of normal regulatory approvals and other conditions typical of such transactions.
On 10 April 2024, an agreement was signed to purchase shares between OVS S.p.A. and J. Brand International S.r.l. under which the Company acquired full control of JB Licenses S.r.l. with effect from 1 April 2024.
Finally, the treasury shares buyback plan continued: since 1 February 2024 to date, the Parent Company has purchased 7,087,317 treasury shares, equal to 2.4361% of the share capital, for a total amount of €16,050,000 and, at the same time, sold on the market 32,764 treasury shares following the exercise of options by certain Beneficiaries of the 2019-2022 Stock Option Plan, which became exercisable on 1 July 2023.
There were no other significant events after 31 January 2024.

Business outlook

In 2024 the company expects sales to grow further compared with the year just ended, due both to the current strengthening of its customer base, increasingly appreciative of new product projects, and the effect of expected climate normalisation. Year-to-date sales are up by around 5% compared with the same period in 2023, when they were already up sharply compared with the previous year.
Overall, 2024 will benefit from the normalisation of product costs which, after skyrocketing in the post-Covid period, only began to fall in the second half of 2023. We expect that the projected increase in labour costs due to the renewal of the national agreement will be offset by better sales combined with a better margin.
Extraordinary investment in the new logistics automation systems will be completed in 2024, enabling optimised distribution of goods to each store, as will the new smart registers, in the cloud and on the mobile platform, which allow complete integration between physical stores and digital systems, a personalised shopping experience and more streamlined, efficient store operations.
The Goldenpoint project, involving a company for which we recently announced an investment agreement, is also being launched. We are confident that we can achieve good results and create the basis for material future growth in this attractive market segment.
Lastly, with regard to the buyback plan, given the importance of this instrument, we believe it is appropriate to continue with the share buyback programme for an additional €20 million.

Proposal for approval of the financial statements and appropriation of earnings for the 2023 financial year of OVS S.p.A.

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

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

- having heard and approved the statements of the Board of Directors;
- having examined the data in the separate financial statements of OVS S.p.A. at 31 January 2024 and the Report on Operations of the Board of Directors;
- having acknowledged the reports of the Board of Statutory Auditors and the independent auditor;
- having examined the consolidated financial statements at 31 January 2024;

resolves

1. to approve the separate financial statements of OVS S.p.A. at 31 January 2024;
2. to approve the appropriation of the net profit for the financial year 2023 of OVS S.p.A., amounting to €58,917,831.00, as follows:
   i. €2,945,892.00 to the legal reserve;
   ii. to the Shareholders, an ordinary gross dividend of €0.07 for each of the ordinary shares in issue, therefore excluding treasury shares (date of payment on 26 June 2024, coupon no. 7 detachment date on 24 June 2024 and record date – the accounting day at the end of which the records of the accounts are valid for the purposes of entitlement to dividend payment – on 25 June 2024);
   iii. the remainder carried forward."

Mestre, Venice, 17 April 2024

for the Board of Directors
The Chief Executive Officer
Stefano Beraldo

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

ASSETS	Note	31.01.2024	of which related parties	31.01.2023	of which related parties
Current assets					
Cash and banks	6.1	105,790		106,019	
Trade receivables	6.2	105,202	0	115,194	0
Inventories	6.3	460,972		477,635	
Financial assets	6.4	5,445		5,686	
Financial assets for leases	6.5	817	0	1,931	0
Current tax assets	6.6	7,271		18,685	
Other receivables	6.7	24,117		17,721	
Total current assets		**709,614**		**742,871**	
Non-current assets					
Property, plant and equipment	6.8	293,681		267,662	
Right of use assets	6.9	919,112		957,334	
Intangible assets	6.10	589,847		595,168	
Goodwill	6.11	297,686		297,686	
Equity investments	6.13	0		0	
Financial assets	6.4	3,773		0	
Financial assets for leases	6.5	1,476	0	3,650	0
Other receivables	6.7	7,898		6,639	
Total non-current assets		**2,113,473**		**2,128,139**	
TOTAL ASSETS		**2,823,087**		**2,871,010**	

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.01.2024	of which related parties	31.01.2023	of which related parties
Current liabilities					
Financial liabilities	6.14	19,512		26,487	
Financial liabilities for leases	6.15	141,321		170,033	
Trade payables	6.16	400,632	(47)	393,198	(47)
Current tax liabilities	6.17	7,289		4,436	
Other payables	6.18	173.674	2,417	170,923	8,630
Total current liabilities		**742,428**		**765,077**	
Non-current liabilities					
Financial liabilities	6.14	238,944		253,560	
Financial liabilities for leases	6.15	859,464		873,670	
Employee benefits	6.19	28,039		27,844	
Provisions for risks and charges	6.20	6,324		6,571	
Deferred tax liabilities	6.21	27,833		30,308	
Other payables	6.18	19,178		10,810	
Total non-current liabilities		**1,179,782**		**1,202,763**	
TOTAL LIABILITIES		**1,922,210**		**1,967,840**	
SHAREHOLDERS' EQUITY					
Share capital	6.22	290,923		290,923	
Treasury shares	6.22	(57,384)		(26,018)	
Other reserves	6.22	614,948		598,645	
Net result for the year		52,303		39,202	
GROUP SHAREHOLDERS' EQUITY		**900,790**		**902,752**	
NON-CONTROLLING INTERESTS	6.22	87		418	
TOTAL SHAREHOLDERS' EQUITY		**900,877**		**903,170**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,823,087**		**2,871,010**	

CONSOLIDATED INCOME STATEMENT
(thousands of euro)

	Note	31.01.2024	of which related parties	31.01.2023	of which related parties
Revenues	7.23	1,535,166	0	1,512,719	0
Other operating income and revenues	7.24	95,614	0	92,394	0
Total revenues		**1,630,780**		**1,605,113**	
Purchases of raw materials, consumables and goods	7.25	665,748		684,340	
Staff costs	7.26	312,173	7,556	307,078	10,977
Depreciation, amortisation and write-downs of assets	7.28	232,536		225,750	
Other operating expenses					
Service costs	7.29	233,671	128	235,953	(47)
Costs for the use of third-party assets	7.29	38,500	0	38,212	0
Write-downs and provisions	7.29	2,804	0	400	0
Other operating charges	7.29	18,434		22,530	
Profit before net financial expenses and taxes		**126,914**		**90,850**	
Financial income	7.30	1,081	0	800	0
Financial expenses	7.30	(59,761)		(53,855)	
Foreign exchange gains and losses	7.30	4,062		18,331	
Gains (losses) from equity investments	7.30	0	0	(7)	0
Net result for the year before tax		**72,296**		**56,119**	
Taxes	7.31	(19,922)		(16,547)	
Net result for the year		**52,374**		**39,572**	
Net result for the year attributable to the Group		**52,303**		**39,202**	
Net result for the year attributable to minority interests		**71**		**370**	
Earnings per share (in euro)	7.32				
- basic		0.193		0.138	
- diluted		0.190		0.139	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(thousands of euro)

	Note	31.01.2024	31.01.2023
Net result for the year (A)		**52,374**	**39,572**
Other gains (losses) that will not be subsequently reclassified in the income statement:			
- Change in consolidation reserve	6.22	0	0
- Actuarial gains (losses) for employee benefits	6.19-6.22	(1,509)	3,588
- Tax on items recognised in the reserve for actuarial gains (losses)	6.21-6.22	362	(861)
Total other comprehensive gains (losses) that will not be subsequently reclassified in the income statement		**(1,147)**	**2,727**
Other gains (losses) that will be subsequently reclassified in the income statement:			
- Change in translation reserve	6.22	961	(1,988)
Total other comprehensive gains (losses) that will be subsequently reclassified in the income statement		**961**	**(1,988)**
Total other items of comprehensive income (B)		**(186)**	**739**
Total comprehensive income for the period (A) + (B)		**52,188**	**40,311**
Total comprehensive income attributable to the Group		52,117	39,941
Total comprehensive income attributable to minority interests		71	370

CONSOLIDATED STATEMENT OF CASH FLOWS
(thousands of euro)

	Note	31.01.2024	31.01.2023
Operating activities			
Net result for the year		52,374	39,572
Provision for taxes	7.32	19,922	16,547
Adjusted for:			
Net depreciation, amortisation and write-downs of fixed assets, including for leases	7.28	232,536	225,750
Net capital (gains) losses on fixed assets, including for leases		(83)	(1,378)
Write-downs of equity investments	7.30	0	0
Losses (gains) from equity investments	7.30	0	7
Net financial expenses (income) including for leases	7.30	58,680	53,062
Expenses (income) from foreign exchange differences and currency derivatives	7.30	5,388	(42,745)
Loss (gain) on derivatives due to change in fair value	7.30	(9,450)	24,414
Allocations to provisions	6.19-6.20	1,045	1,109
Utilisation of provisions	6.19-6.20	(3,563)	(5,469)
Cash flows from operating activities before changes in working capital		**356,849**	**310,869**
Cash flow generated/(absorbed) by change in working capital	6.2-3-6-7-16-17-18-21	28,262	(25,537)
Taxes paid		(6,416)	(10,531)
Net interest received (paid) including for leases		(60,434)	(48,535)
Realised foreign exchange differences and cash flows from currency derivatives		(6,053)	36,713
Other changes		2,070	(209)
Cash flow generated (absorbed) by operating activities		**314,278**	**262,770**
Investment activities			
(Investments in) fixed assets	6.8-6.10-6.11	(95,480)	(80,672)
Disposals of fixed assets	6.8-6.10-6.11	1,470	69
(Increase) decrease in equity investments	6.13	0	0
Cash in/(out) after business combinations during the year		0	731
Change in consolidation scope		0	106
Cash flow generated (absorbed) by investment activities		**(94,010)**	**(79,766)**
Financing activities			
Net change in financial assets and liabilities	6.4-6.14	(15,178)	(58,655)
(Repayment) of lease liabilities/collection of lease assets	6.5-6.15	(157,466)	(125,628)
(Buy-back) of treasury shares	6.22	(31,366)	(24,522)
Increase in share capital and reserves	6.22	0	0
Distribution of dividends		(16,487)	(11,330)
Cash flow generated (absorbed) by financing activities		**(220,497)**	**(220,135)**
Increase (decrease) in cash and cash equivalents		**(229)**	**(37,131)**
Cash and cash equivalents at start of period		**106,019**	**143,150**
Cash and cash equivalents at end of period		**105,790**	**106,019**

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

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

	Share capital	Share premium reserve	Legal reserve	Reserve for treasury shares	Reserve for actuarial gains (losses)	Translation reserve
Balances at 1 February 2022	**290,923**	**528,678**	**11,679**	**(1,496)**	**(3,793)**	**1,086**
- Appropriation of earnings for financial year 2021	0	0	2,496	0	0	0
- Distribution of dividends	0	0	0	0	0	0
- Buy-back of treasury shares	0	0	0	(24,522)	0	0
- Change in consolidation scope	0	0	0	0	0	0
- Management incentive plans	0	0	0	0	0	0
Transactions with shareholders	**0**	**0**	**2,496**	**(24,522)**	**0**	**0**
- Net result for the year	0	0	0	0	0	0
- Other items of comprehensive income	0	0	0	0	2,727	(1,988)
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**2,727**	**(1,988)**
Balances at 31 January 2023	**290,923**	**528,678**	**14,175**	**(26,018)**	**(1,066)**	**(902)**
Balances at 1 February 2023	**290,923**	**528,678**	**14,175**	**(26,018)**	**(1,066)**	**(902)**
- Appropriation of earnings for financial year 2022	0	0	1,248	0	0	0
- Distribution of dividends	0	0	0	0	0	0
- Buy-back of treasury shares	0	0	0	(31,366)	0	0
- Change in consolidation scope	0	0	0	0	0	0
- Management incentive plans	0	0	0	0	0	0
Transactions with shareholders	**0**	**0**	**1,248**	**(31,366)**	**0**	**0**
- Net result for the year	0	0	0	0	0	0
- Other items of comprehensive income	0	0	0	0	(1,147)	961
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**(1,147)**	**961**
Balances at 31 January 2024	**290,923**	**528,678**	**15,423**	**(57,384)**	**(2,213)**	**59**

IFRS 2 reserve	Other reserves	Retained earnings	Net result for the year	Total shareholders' equity attributable to the OVS Group	Non-controlling interests	Total shareholders' equity
8,987	**4,701**	**7,635**	**48,500**	**896,900**	**(57)**	**896,843**
0	0	46,004	(48,500)	0	0	0
0	0	(11,422)	0	(11,422)	0	(11,422)
0	0	0	0	(24,522)	0	(24,522)
0	0	0	0	0	105	105
2,054	0	(199)	0	1,855	0	1,855
2,054	**0**	**34,383**	**(48,500)**	**(34,089)**	**105**	**(33,984)**
0	0	0	39,202	39,202	370	39,572
0	0	0	0	739	0	739
0	**0**	**0**	**39,202**	**39,941**	**370**	**40,311**
11,041	**4,701**	**42,018**	**39,202**	**902,752**	**418**	**903,170**
11,041	**4,701**	**42,018**	**39,202**	**902,752**	**418**	**903,170**
0	0	37,954	(39,202)	0	0	0
0	0	(24,224)	0	(24,224)	(402)	(24,626)
0	0	0	0	(31,366)	0	(31,366)
0	0	0	0	0	0	0
1,509	0	2	0	1,511	0	1,511
1,509	**0**	**13,732**	**(39,202)**	**(54,079)**	**(402)**	**(54,481)**
0	0	0	52,303	52,303	71	52,374
0	0	0	0	(186)	0	(186)
0	**0**	**0**	**52,303**	**52,117**	**71**	**52,188**
12,550	**4,701**	**55,750**	**52,303**	**900,790**	**87**	**900,877**

Notes to the financial statements

1. General information

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

Borsa Italiana, with Provision no. 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.

2. Impacts of global conflicts and inflation on the Group's performance

As described in more detail in the Report on Operations, 2023, like 2022, was also particularly marked by the macroeconomic phenomena that followed the outbreak of the Russian-Ukrainian conflict that began in February 2022 and the conflict in the Middle East that began in October 2023: the general rise in commodity prices, the high inflation rates in all the European economies (therefore including Italy) and the adjustment of interest rates to their highest levels in the last decade, even though the latest signals from the ECB suggest a possible revision. In this extremely difficult economic environment, the OVS Group's results in terms of sales and EBITDA were particularly satisfying. The high purchase cost of the spring summer 2023 collection, which was ordered during 2022, when (i) raw material prices, (ii) transport costs and (iii) the EUR/USD exchange rate were extremely unfavourable, was more than offset by better sales and careful mark-down management, resulting overall in a further increase in the gross margin and in EBITDA.
The additional scenarios of war in the Red Sea region and the consequent lengthening of the maritime routes for circumnavigation of Africa were also duly considered in the Group's financial plans underlying some financial statement estimates. In particular, the 2024 Budget already incorporates the increase in the cost of freight and the decrease in the availability of cargo, as well as the consequent delays in the arrival of goods in Italy. However, no particularly significant impact on the Group's overall performance is assumed. Please also see the business outlook section in the Report on Operations at 31 January 2024.

3. Criteria for preparation of the consolidate financial statements

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

3.1 Structure and content of the financial statements

The consolidated financial statements of the OVS Group at 31 January 2024 were prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board. "IFRS" is intended to mean all the revised International Accounting Standards (IAS), and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), including those previously issued by the Standing Interpretations Committee (SIC). At the reporting date for the consolidated financial statements, these had been approved by the European Union under the procedure set forth in (EC) Regulation No 1606/2002 of the European Parliament and the European Council of 19 July 2002.

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

These consolidated financial statements have been prepared in accordance with the general criteria for the reliable and truthful presentation of the Group's financial position, results of operations and cash flows, in accordance with the general principles of business continuity, accrual, consistency of presentation, relevance and aggregation, prohibition of offsetting and comparability of information.
Please see the following sections of these notes and comments on the Report on Operations concerning the detailed examination of the various financial and non-financial instruments available to the Group that ensure the normal course of its business and compliance with its current obligations, despite the macroeconomic context, which is still characterised

by uncertainty, particularly due to the instability of the raw materials, transport and energy markets, due to the many conflicts in Eastern Europe and the Middle Eastern region.

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

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

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

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

Please see the Report on Operations at 31 January 2024 for detailed information on the nature of the Group's activity.

These financial statements have been audited by KPMG S.p.A..

3.2 Consolidation scope

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

Company	Registered office	Share capital		% investment
Italian companies				
OVS S.p.A.	Venice - Mestre	290,923,470	EUR	Parent company
82 S.r.l.	Venice - Mestre	10,000	EUR	70%
OVS Innovazione e Sostenibilità S.r.l.	Venice - Mestre	100,000	EUR	100%
Energia Verde Uno S.r.l.	Venice - Mestre	10,000	EUR	51%
Foreign companies				
OVS Department Stores D.O.O.	Belgrade - Serbia	1,562,752,878	RSD	100%
OVS Maloprodaja D.O.O.	Zagreb - Croatia	2,654	EUR	100%
OVS Hong Kong Sourcing Limited	Hong Kong	585,000	HKD	100%
OVS India Sourcing Private Ltd	Delhi - India	15,000,000	INR	100%
COSI International Ltd	Hong Kong	10,000	HKD	100%
COSI International (Shanghai) Ltd	Shanghai - China	1,000,000	RMB	100%
OVS Fashion España S.L.	Madrid - Spain	3,100	EUR	100%
OVS France Sas	Paris - France	30,000	EUR	100%
OVS Germany GmbH	Leipzig - Germany	100,000	EUR	100%
Vespucci Fashion Inc.	New York - USA	500,000	USD	80%

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

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

There were no changes in the scope of consolidation during 2023.

3.3 Consolidation criteria

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

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

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

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

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

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

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

The following consolidation criteria are used:

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

3.4 Business combinations

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

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

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

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

No other acquisitions took place during the year. The most recent business combination relating to the GAP Italia business unit (acquired on 1 February 2022) was definitively accounted for in the financial statements for the year ended 31 January 2023, to which the reader is referred.

3.5 Financial statements in foreign currencies

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

		Final exchange rate at		Average exchange rate	
Currency	Code	31.01.2024	31.01.2023	FY 2023	FY 2022
US dollar	USD	1.08	1.08	1.08	1.02
Hong Kong dollar	HKD	8.47	8.49	8.47	8.21
Chinese renminbi	RMB	7.78	7.32	7.70	7.09
Croatian kuna	HRK	n.a.	7.53	n.a.	7.54
Serbian dinar	RSD	117.20	117.22	117.24	117.41
Indian rupee	INR	90.00	88.64	89.51	83.03

3.6 Goodwill

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

3.7 Brands

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

3.8 Intangible assets

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

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

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

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

3.9 Property, plant and equipment

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

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

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

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

3.10 Right-of-use assets

When signing a contract, the OVS Group assesses whether it is, or contains, a lease, i.e. whether the contract confers the right to direct the use of an identified asset for a period of time in exchange for a consideration.
The Group uses a single model of recognition and measurement for all leases, except for leases of low-value assets. The Group recognises liabilities relating to lease payments and the right of use asset, which represents the right to use the asset underlying the contract.
The Group recognises right of use assets at the lease commencement date (i.e. the date on which the underlying asset is available for use). Right of use assets are measured at cost, net of accumulated depreciation and impairment losses, and adjusted

for any remeasurement of the lease liabilities. The cost of the right of use includes the amount of the lease liabilities recognised, the initial direct costs incurred and the lease payments made as of the commencement or before inception, net of any incentives received.
Right-of-use assets are depreciated on a straight-line basis from the commencement date of use of the underlying asset over the shorter of the end of the useful life of the asset and the end of the lease term.
Right of use assets are subject to impairment. Please see the information provided in the following section.
See also the note below regarding "Accounting standards, amendments and interpretations effective as of financial year 2023".

3.11 Impairment of tangible and intangible assets

IAS 36 stipulates that tangible and intangible assets must be tested for impairment if indicators suggest that such a problem might exist.
Impairment testing takes place at least once a year in the case of goodwill, other intangible assets with an indefinite useful life and assets not available for use.
In accordance with the Group's policies, the recoverability of the amounts recognised is assessed by comparing the carrying amount with the higher of the fair value (current realisable value) less the costs of disposal and the value in use of the asset. Value in use is defined by discounting the expected cash flows generated by the asset.
To determine value in use, expected future cash flows are discounted using a rate that reflects current market valuations of the time value of money, compared with the investment period and the specific risks associated with the activity.
For the purposes of assessing impairment, assets are analysed starting from the lowest level for which there are separately identifiable independent cash flows (cash generating units).
If the recoverable amount of an asset is lower than the carrying amount, the carrying amount is reduced to the recoverable amount. This reduction constitutes impairment and is charged to the income statement.
If there is an indicator of reversal of the impairment loss, the recoverable amount of the asset is recalculated and the carrying amount is increased to this new amount. The increase in the carrying amount may not, however, exceed the net carrying amount that the asset would have had if impairment had not occurred.
Goodwill write-downs cannot be reversed.

In order to provide complete information, it should be noted that in 2019, the Group approved another update of this policy (the "IAS 36 Policy on Impairment and Impairment Testing"), making several revisions, particularly in order to bring it into line with the amendments made to the accounting standards and, specifically, with the entry into force of the new IFRS 16 international accounting standard from 2019, which entailed the inclusion of a new "category" of tangible assets with a very significant overall value, relating to the rights to use the assets underlying the leases, consequently increasing both the carrying amount of the OVS Group's CGUs and their EBITDA accounting flows (due to the "removal" of the cost of lease payments). However, no significant changes were made to the methodology used and summarised above.
As was the case in previous years, when compiling the financial statements at 31 January 2024, the Group made use of an external expert to prepare the impairment testing. The methods applied, the parameters used and the results of the impairment tests are extensively commented on in the following sections of these notes.

3.12 Other equity investments

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

3.13 Financial assets

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

FINANCIAL ASSETS MEASURED AT AMORTISED COST

Financial assets that meet the following requirements are categorised in this class: (i) the asset is owned within the framework of a business model whose objective is to own the asset in order to collect contractual cash flows; and (ii) the contractual terms of the asset provide for cash flows represented solely by payments of principal and interest on the principal amount to be repaid. In this specific case, these are mainly loans recognised as assets (if these exist), and trade and other receivables, as described in the section "Trade and other receivables" below. Receivables and loans recognised as assets are included in current assets, except for those with a contractual maturity of more than 12 months from the reporting date, which are classified as non-current assets. Receivables are classified in the statement of financial position as trade and other receivables. Loans recognised as assets are classified as financial assets (current and non-current). With the exception of trade receivables that do not contain a significant financial component, other receivables and loans recognised as assets are initially recognised in the financial statements at their fair value plus any ancillary costs directly attributable to the transactions that generated them. Upon subsequent measurement, assets in this category are measured at amortised cost using the effective interest rate. The effects of this measurement are recognised among the financial income components. Such assets are also subject to the impairment model described in the section "Trade and other receivables".
It should be noted that, pursuant to IFRS 16, the OVS Group, as an intermediate lessor in a sub-lease, classifies the sub-lease as a finance lease if it meets the conditions laid down by the standard. If the sub-lease is classed as a finance lease, the original lessee eliminates the right of use on the lease asset in the main lease agreement at the inception of the sub-lease and continues to account for the original lease liability in accordance with the lessee's accounting model, while simultaneously booking a financial asset for leases that represents the entire life of the sub-lease.
See also note 3.29 below regarding "Accounting standards, amendments and interpretations effective as of financial year 2023".

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

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

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

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

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

3.14 Inventories

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

3.15 Trade and other receivables

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

3.16 Cash and banks

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

3.17 Provisions for risks and charges

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

3.18 Employee benefits

PENSION PLANS

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

COMPENSATION PLANS IN THE FORM OF STOCK OPTIONS

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

3.19 Financial liabilities and trade and other payables

Payables and other financial and/or trade liabilities are initially recognised at fair value, less any transaction costs incurred in relation to obtaining the obligation. They are subsequently carried at amortised cost; in the case of loans, any difference between the amount received (less transaction costs) and the total repayment amount is recognised in the income statement over the period of the loan, using the effective interest rate method (amortised cost).
Trade payables are classified as current liabilities if payment will take place within one year of the reporting date. Otherwise, such

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

3.20 Financial liabilities for leases

At the commencement date of a lease, the Group recognises financial liabilities for leases, measuring them at the present value of the lease payments due and not yet paid at that date. The payments due include fixed payments (including substantially fixed payments) net of lease incentives received, variable lease payments that are index or rate dependent, and amounts expected to be paid for residual value guarantees. Lease payments also include the exercise price of a call option if it is reasonably certain that this option will be exercised by the Group, and lease termination penalty payments if the lease term takes into account the Group's exercise of the lease termination option.
Variable lease payments that are not dependent on an index or rate are recognised as costs in the period in which the event or condition that generated the payment occurs.
In calculating the present value of the payments due, the Group uses the incremental borrowing rate at inception if the implicit interest rate cannot be easily determined. After the commencement date, the amount of the lease liability is increased to reflect interest on the lease liability and decreased to reflect payments made. In addition, the carrying value of lease payables is recalculated in the event of any amendments to the lease or the revision of the contractual terms to change the payments; it is also recalculated in the event of changes to the valuation of the option to purchase the underlying asset or for changes in future payments that result from a change in the index or rate used to determine such payments.
Rent concessions obtained from landlords as a consequence of the Covid-19 pandemic were recorded as negative variable rents and recognised in the income statement when they met the following conditions:
- they related to reductions in only payments due by 30 June 2022;
- the total of contractual payments after the rent concession was essentially equal to or less than the payments provided for in the original agreement;
- no other major contractual changes had been agreed with the lessor.

See also note 3.29 below regarding "Accounting standards, amendments and interpretations effective as of financial year 2023".

3.21 Derivatives

At the date of entering into the contract, derivatives are initially recognised at fair value as FVTPL financial assets when the fair value is positive or as FVTPL financial liabilities when the fair value is negative.
The Group normally uses derivatives to hedge foreign exchange risk or interest rate risk.
Pursuant to IFRS 9, derivatives may only be booked using hedge accounting methods when:
- at the beginning of the hedge there is formal designation and documentation of the hedging relationship;
- it is assumed that the hedge is highly effective;
- the effectiveness can be reliably measured;
- the hedge is highly effective throughout the financial reporting periods for which it is designated.

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

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

3.22 Segment information

The information relating to business segments was provided pursuant to IFRS 8 - Operating segments, which stipulates that information be presented in a way that is consistent with the procedures used by management to make operational decisions. The operating segments and the information presented are therefore identified according to the internal reports used by management to allocate resources to the various segments and to analyse their performance.
IFRS 8 defines an operating segment as a component of an entity that: i) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); ii) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and iii) for which discrete financial information is available.
The operating segments identified by management, which incorporate all of the services and products provided to customers, are represented by the OVS division, dedicated to the marketing of clothing products for the value fashion market segment, and the Upim division, which provides clothing for women, men and children for the value segment of the Italian market, as well as products in the homeware and fragrance segments.
The Italian business operated in franchising with the GAP brand (acquired in 2022) and the STEFANEL business (acquired in March 2021) are presented together as "Other businesses", given their irrelevance in terms of invested capital and turnover (less than 3% of the Group figure).

3.23 Revenues and costs

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

3.24 Income from leases

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

3.25 Income tax

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

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

3.26 Foreign exchange gains and losses

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

3.27 Earnings per share

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

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

3.28 Dividends

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

3.29 Accounting standards, amendments and interpretations effective as of financial year 2023

In preparing these consolidated financial statements, the same accounting standards and drafting criteria were substantially applied as in the preparation of the financial statements for the year ended 31 January 2023, having regard to the updates to the reference framework that came into effect on 1 January 2023, described below, which in any case did not have a material impact on the Group.
The measures that entered into force on 1 January 2023 are set out below.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - On 12 February 2021, the IASB published "Definition of Accounting Estimates (Amendments to IAS 8)" in the context of which the definition of change in accounting estimates is replaced by a definition of accounting estimates. According to the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty" and that a change in accounting estimates resulting from new information or new developments is not the correction of an error.
They have had no impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (Making Materiality Judgements) - The amendments published on 12 February 2021 aim to improve disclosure on accounting policies so as to provide more useful information to investors and other primary users of the financial statements, as well as to help companies distinguish changes in accounting estimates from changes in accounting policy. This amendment has had no impact on the consolidated financial statements.

IAS 12 Income Taxes - On 7 May 2021, the IASB published "Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document aims to clarify the accounting of deferred taxes in particular operations such as leases and decommissioning obligations. The application of the clarifications to IAS 12 had no impact.

Amendments to IFRS 17 Insurance Contracts - On 25 June 2020, the IASB published amendments designed to reduce costs by simplifying certain requirements of the standard, making it simpler to describe financial performance and facilitating the transition by postponing the date of entry into force of the standard to 2023 and providing additional help to reduce the effort required when adopting the standard for the first time. The changes had no impact on the OVS Group's consolidated financial statements.

Initial application of IFRS 17 and IFRS 9 - comparative information - On 9 December 2021 the IASB published a further amendment to IFRS 17. The amendment is a transition option relating to comparative information on financial assets presented at the date of first-time adoption of IFRS 17. The amendment is designed to avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, and therefore to improve the usefulness of comparative information for readers of financial statements. The changes had no impact on the OVS Group's consolidated financial statements.

International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12) - In December 2021, the OECD (Organisation for Economic Co-operation and Development) published a document on Global Anti-Base Erosion Model Rules (Pillar 2) that governs a reform of international tax rules with the aim of introducing a minimum tax equal to 15% of the profits made by multinational enterprises. The reform provides for a solution based on two pillars. Pillar 1 aims for the preparation of a tax model that introduces new elements compared with the traditional structure based on the principles of "residence" and "territoriality". Pillar 2 aims to contain arbitrage in the allocation of income by applying an effective minimum rate of 15% (GloBE) to multinationals. In December 2022, the Council of the European Union adopted Directive (EU) No 2022/2523 on Global Minimum Tax precisely with the aim of ensuring, as of 1 January 2024, a minimum taxation level for groups with revenues in excess of €750 million.
In 2023, the Directive was transposed by the Member States in a coordinated manner, under the various national tax systems. At the same time, the IASB issued an amendment to IAS 12 entitled "International Tax Reform—Pillar Two Model Rules". The amendment to IAS 12 introduces:

- the temporary exception to the recognition of deferred taxes arising from jurisdictions that have already implemented the global tax rules. This helps to ensure the consistency of financial statements while facilitating the implementation of the rules; and
- the disclosure requirements for the entities involved to help users of the financial statements better understand the effects on income taxes of this legislation, in particular before the effective date of entry into force.

The amendment applies to annual periods starting on or after 1 January 2023 (but not to any intermediate periods ending on or before 31 December 2023).
The OVS Group has applied the temporary exception to the recognition of deferred taxes associated with the application of the provisions of Pillar 2 and is also carefully monitoring the progress of legislative processes in each of the jurisdictions in which it operates in order to be ready to implement the reform. The Group has also carried out a preliminary assessment on the basis of the technical provisions in the Transitional CbCR Safe Harbour (TSH), and other guidelines currently available. In this regard, it should be noted that this preliminary assessment must be confirmed in the light of any interpretations and clarifications that the OECD, the EU and/or national legislators may issue and/or publish in the future. Since the preliminary assessment is purely for the purposes of guidance and based on the best estimates currently available, we do not expect any material tax impact on the Group's consolidated financial statements as a result of this new legislation: however, given the complexity of the legislation and the many uncertainties that still exist, partly because very different jurisdictions are involved, a more precise assessment will be provided by the first half of 2024.

Lastly, it should be noted that there was no longer an option to apply the second amendment to IFRS 16 Leases – Covid-19 Related Rent Concessions after 30 June 2021, which regulated the accounting by lessees of any changes granted by lessors to instalments of operating leases from 1 January 2020 but not after June 2022 due to the effects of the Covid-19 pandemic.
In light of this expiration date, therefore, any discount agreements more or less attributable to the residual consequences of the pandemic were recorded from 2022 as lease modifications in accordance with IFRS 16.

3.30 New accounting standards and interpretations approved by the European Union and effective for financial years starting on or after 31 January 2024 and not yet adopted by the OVS Group

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

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) - By Regulation 2579/2023 of 20 November 2023, the European Commission adopted certain amendments to IFRS 16 - Leases that clarify the accounting aspects of sale and leaseback transactions.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) and Non-current Liabilities with Covenants (Amendments to IAS 1) - Regulation No 2822/2023 of 19 December 2023, meanwhile, introduced some amendments to IAS 1 Presentation of Financial Statements with the aim of improving disclosure if the right to defer the settlement of a liability for at least 12 months is subject to covenants.

The Group will apply these new standards and amendments when they become effective, but does not expect their application to have any material impact.

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

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

IFRS 14 Regulatory Deferral Accounts - The new standard, although issued by the IASB in January 2014, has seen the suspension of the approval process pending the new accounting standard on rate-regulated activities.

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

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) - These amendments extend the disclosure on supplier finance arrangements. There is currently no evidence of the approval date.

Lack of Exchangeability (Amendments to IAS 21) - There is currently no evidence of the approval date.

As already mentioned, no accounting standards and/or interpretations for which adoption is mandatory for periods beginning on or after 1 February 2024 have been adopted early.
Furthermore, the Group will adopt the new standards and amendments on the basis of the scheduled application date, and will assess their potential impacts on the consolidated financial statements when they are endorsed by the European Union.

4. Use of estimates

The preparation of the consolidated financial statements in accordance with the IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date. The final results may differ from these estimates. Estimates are used to recognise provisions for doubtful accounts, inventory obsolescence, lives, depreciation and amortisation, impairment of assets, employee benefits, restructuring provisions, deferred tax assets, other provisions for risk and valuations of derivatives. Estimates and assumptions are reviewed periodically and the effects of any changes are immediately reflected in the income statement.
In addition to the above, and in accordance with the instructions contained in the ESMA document of 25 October 2023 ("European common enforcement priorities for 2023 annual financial reports"), it should be noted that in 2023, although the Russian-Ukrainian conflict, and more recently the conflict in the Middle East, continue to influence the global economic scenario (in particular the tensions affecting the navigation area of the Suez Canal, with serious repercussions in supply processes from the Far East), the available forecasts for the scenarios in the foreseeable future are consistent with the assumptions and hypotheses used in preparing the impairment testing of the Group's consolidated financial statements (the estimation process for these financial statements in 2023 is described in detail in Notes 6.11 and 6.12 below). Accordingly, no indicators of possible impairment at 31 January 2024 (trigger events) were identified in addition to the impairment losses already recorded in previous years. There were no significant changes in the volatility of the estimates for other items regarded as material (inventories and trade receivables from customers). For further details, please see in any case notes 6.2 and 6.3 below and the extensive comments in the Report on Operations.

4.1 Impairment of tangible and intangible assets

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

4.2 Depreciation and amortisation

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

4.3 Inventory obsolescence and inventory differences

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

4.4 Provisions for doubtful accounts

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

4.5 Prepaid/deferred taxes

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

4.6 Pension funds and other employee benefits

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

4.7 Provisions for risks and charges

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

4.8 Valuation of derivatives

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

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

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

4.10 Impacts of climate change

With reference to the environmental risks linked to climate change, the Group reports on a voluntary basis in the 2023 Non-Financial Statement on business risks linked to climate change.

Among the potential and real risks analysed were the ever more frequent extreme weather phenomena, the introduction of legislation to combat climate change, the rising costs of many production factors and possible changes in consumer purchasing habits.

The Group has been involved for some time in the prevention and mitigation of environmental risks through various projects. In particular, the Group has committed itself to reducing CO2 emissions (in line with the "1.5°C" target) through initiatives to reduce the carbon footprint and environmental and people footprint, according to green design and energy efficiency approaches, while ensuring the well-being of customers.

Further actions undertaken to achieve these objectives are as follows:

- the use of electricity from renewable sources (mainly self-produced by photovoltaic systems installed directly on the solar panels of stores);
- the expansion of energy efficiency activities (building management system (BMS), improvement of the thermal insulation of premises and buildings, promotion of environmental standards for buildings, more efficient lighting, air conditioning and cooling systems);
- increasing store sustainability by designing and managing stores that are fully respectful of the environment and people, according to green design approaches, as described above.

The actions described above are reflected in the consolidated financial statements of the OVS Group in terms of new investments and recurring transactions, such as obtaining the guarantee of origin certificates, etc.

The Group reports on a voluntary basis in the Non-Financial Statement on business risks related to climate change, as required by the European Securities and Markets Authority (ESMA). The impact of climate change has also been assessed with regard to the estimates and valuations included in the financial statements. The medium-term impacts in the projections of the business plan that constitute the basis for carrying out impairment tests were taken into account. At the reporting date, there were no material effects on the asset amounts in the consolidated financial statements.

For further information, including a discussion of the rules, processes and control measures the Group has adopted to prevent and manage possible environmental risks, see the 2023 Non-Financial Statement.

5. Information on financial risks

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

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

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

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

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

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

The OVS Group enters into derivative contracts in order to reduce exchange rate risks relating to the US dollar, which is the main currency used to purchase goods from suppliers in the Far East.

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

5.1 Credit risk

Credit risk represents the OVS Group's exposure to the risk of potential losses arising from default by counterparties.
There were no significant concentrations of credit risk at the end of the year under review.
To reduce credit risk, the OVS Group generally obtains guarantees in the form of sureties in respect of loans granted for the supply of goods. At 31 January 2024, the total guarantee amount was €85.9 million, including €21.7 million in overdue receivables (€81.0 million at 31 January 2023, including €17.1 million in overdue receivables).
The Group also regularly undertakes revolving transfers of credit without recourse for a limited and select number of customers. At 31 January 2024, the value of the receivables assigned was €10.2 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 €105.2 million at 31 January 2024 (€115.2 million at 31 January 2023).
Receivables written down (partially or fully) amounted to €13.2 million at 31 January 2024 (€12.0 million at 31 January 2023).
Overdue receivables amounted to €39.1 million (€31.9 million at 31 January 2023).
The following tables provide a breakdown of trade receivables at 31 January 2024 and at 31 January 2023, grouped according to maturity and net of the provision for doubtful accounts:

(millions of euro)	At 31 January 2024	Not yet matured	Matured within 90 days	Matured between 90 and 180 days	Matured beyond 180 days
Trade receivables	118.4	66.1	36.2	2.9	13.2
Provision for doubtful accounts	(13.2)	(0.0)	(0.0)	(0.1)	(13.1)
Net value	105.2	66.1	36.2	2.9	0.1

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

The following table analyses financial assets, including for leases, according to the contractual maturities on which collection will take place, at 31 January 2024 and 31 January 2023:

(millions of euro)	Balance at 31 January 2024	1 year	1-5 years	> 5 years	Total
Financial assets for leases	2.3	0.8	1.5	0	2.3
Other loans receivable from third parties	6.6	2.8	3.8	0	6.6

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

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.

For a detailed description of the financial resources currently used by the OVS Group, please see the notes below on "Shareholders' equity" and "Bank debt", respectively.

In light of the substantial operations to strengthen the Group's financial soundness that were completed in 2021 and 2022, 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 financial year, see also note 6.14 below.

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

(millions of euro)	Balance at 31 January 2024	1 year	1-5 years	> 5 years	Total
Trade payables	400.6	400.6	0	0	400.6
Payables to banks (*)	97.3	17.3	80.0	0	97.3
Financial liabilities for leases	1,000.8	141.3	483.6	375.9	1,000.8
Bond loan	160.0	0	160.0	0	160.0
Financial expenses payable to banks (**)		11.0	18.8	0	29.8
Financial expenses for leases		53.5	140.5	57.0	251.0
Total	**1,658.7**	**623.7**	**882.9**	**432.9**	**1,939.5**

(*) The amount includes interest accrued but not yet paid at 31 January 2024.
(**) The amount was calculated by applying the forward curve recorded at 31 January 2024 to the loan repayment plan. For the Revolving Line, an average utilisation level of 50% was assumed.

The same breakdown for 31 January 2023 is as follows:

(millions of euro)	Balance at 31 January 2023	1 year	1-5 years	> 5 years	Total
Trade payables	393.2	393.2	0	0	393.2
Payables to banks (*)	111.9	16.9	95.0	0	111.9
Financial liabilities for leases	1,043.7	170.0	509.3	364.4	1,043.7
Bond loan	160.0	0	0	160.0	160.0
Financial expenses payable to banks (**)		11.9	31.0	0	42.9
Financial expenses for leases		39.5	99.7	40.4	179.6
Total	**1,708.8**	**631.5**	**735.0**	**564.8**	**1,931.3**

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

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

	2023		2022	
(millions of euro)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Forward derivatives	2.6	(2.4)	0.5	9.7
Total	**2.6**	**(2.4)**	**0.5**	**9.7**
Current portion:				
Forward derivatives	2.6	(2.4)	0.5	9.7
Total current portion	**2.6**	**(2.4)**	**0.5**	**9.7**
Non-current portion:				
Forward derivatives	0	0	0	0
Total non-current portion	**0**	**0**	**0**	**0**

Lastly, it should be noted that during the year the net changes in financial assets and liabilities presented in the consolidated statement of cash flows (corresponding to net cash absorption of €15.2 million) can be broken down as follows: partial repayment of €15.0 million of the amortising loan, an incremental increase of €0.5 million in financial payables due to interest, an incremental decrease of €1.4 million in loans receivable from third parties and other minor changes of +€0.7 million.

5.3 Market risk

INTEREST RATE RISK

The OVS Group uses external financial resources in the form of debt and employs liquidity available in bank deposits. Fluctuations in market interest rates may affect the cost and returns of various forms of financing and investment, thus affecting the OVS Group's level of financial expenses and income. In particular, the new loan agreement signed on 7 April 2022 and disbursed on 8 April 2022 (the "2022 Loan") is remunerated at the 3-month Euribor variable rate for the Amortising Line and 1-3-6-month Euribor for the Revolving Line, to which the contractual margin is added. There is no obligation to hedge interest rate risk for this 2022 Loan. With regard to the Bond Loan, it should be noted 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 parameters are not achieved. To manage interest rate risks, the OVS Group 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 the Group's debt, only partially exposed to changes in interest rates, specific hedges of the risk of interest rate fluctuations are currently not in place. However, transactions may be implemented based on market volatility.

SENSITIVITY ANALYSIS

The OVS Group's exposure to interest rate risk was measured using a sensitivity analysis that shows the effects on the income statement and on shareholders' equity of a hypothetical change in market rates of 40 bps higher or lower than the hypothetical forward rate curve at 31 January 2024. This analysis is based on the assumption of a general and instantaneous change in benchmark interest rates.

Excluding the impact of amortised cost on the loans, the results of such a hypothetical, instantaneous and unfavourable (favourable) change in the short-term interest rates applicable to the OVS Group's financial liabilities at variable interest rates (excluding the bond loan and IFRS 16 leasing) are shown in the following table:

Effect of change on financial expenses - income statement

(millions of euro)	- 40 bps	+ 40 bps
At 31 January 2024	(0.6)	0.6

The same figure at 31 January 2023 is shown below:

Effect of change on financial expenses - income statement

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

FOREIGN EXCHANGE RISK

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

It should be noted that in exceptional cases the Group may liquidate hedging derivative contracts for the expected purchase of goods. No such operation was necessary during 2023.

The derivatives described are recognised at 31 January 2024 at fair value, according to the methods of recognition and measurement established in IFRS 9. Under this accounting standard, the entity is still permitted, under certain conditions, to book derivatives using hedge accounting. In view of the operational complexity in managing the correspondence between the theoretical underlyings (the flows subject to the management hedging described) and the derivatives, the OVS Group has decided not to adopt hedge accounting. Consequently, the fair value of existing financial instruments and subsequent changes in such instruments are directly charged to the income statement on each reporting date. The fair value of derivatives is quantified using common valuation techniques and is mainly determined by the difference between the notional amount in USD converted into euro at the forward exchange rate at the time of entering into the contract and the notional amount in USD converted into euro at the exchange rate at the end of the reference period. This difference may be positive or negative depending on changes in the EUR/USD exchange rate.
During the year under review, the nature and structure of exposure to foreign exchange risk and the hedging policies followed by the OVS Group did not change substantially compared with the consolidated financial statements for the year ended 31 January 2023.

At 31 January 2024, this measurement was positive for €0.25 million, relating to the fair value of the contracts in place at year-end, as the forward exchange rate for the portfolio at 31 January 2024 was 1.0910, while the average EUR/USD exchange

rate at year-end was 1.0837. This figure is added to the release to the income statement with a positive effect of the negative fair value recognised at 31 January 2023 of €9.2 million, with a total positive effect in the income statement of €9.5 million, all recognised as foreign exchange differences in the financial area.
The following table summarises key information relating to currency forwards:

	Transaction date	Maturity date	Notional in USD/000	Strike price	Notional in €/000	Fair value in €/000
At 31 January 2024	from 14.04.2023 to 11.01.2024	from 05.02.2024 to 07.01.2025	362,500	from 1.0319 to 1.1250	332,271	250

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

SENSITIVITY ANALYSIS

To perform the exchange rate sensitivity analysis, items in the statement of financial position (commercial and financial assets and liabilities) denominated in currencies other than the function currencies of each company within the OVS Group were identified.

The effects of a 5% appreciation and depreciation in the US dollar against the euro are summarised below:

Effect of change on result and shareholders' equity

(millions of euro)	-5%	+5%
At 31 January 2024	8.3	(7.5)

The same analysis at 31 January 2023 is as follows:

Effect of change on result and shareholders' equity

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

However, with regard to the appreciation/depreciation of 5% in the Hong Kong dollar against the euro, it should be noted that, at 31 January 2024, the translation reserve in equity reserves would have been subject to a positive/negative change of €1.1 million and €1.0 million, respectively.

5.4 Capital management risk

The Group manages and if necessary modifies the equity structure with the adjustments that it considers to be most consistent with changes that may occur from time to time in general economic conditions and strategic objectives. In relation to equity risk, the Group's primary objective is to ensure that the company continues as a going concern in order to ensure a fair economic return to shareholders and others while maintaining a good risk rating in the debt capital market. This also includes the buyback plans, which will be discussed in more detail in note 6.22 Shareholders' equity.
In pursuit of this objective, the Group's capital management works, inter alia, to ensure that covenants linked to financial debts to banks and bondholders and that define capital structure requirements are honoured.
There are no noteworthy minority share purchase agreements.

5.5 Fair value estimates

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

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

- Level 2: fair value is measured using valuation techniques with reference to variables observable on active markets;
- Level 3: fair value is measured using valuation techniques with reference to variables unobservable on active markets.

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

Moreover, in 2023 there were no transfers of financial assets and liabilities classed in the various levels of the fair value hierarchy.

Liabilities relating to bank borrowings are measured using the "amortised cost" criterion.

Trade receivables and payables were measured at the price defined for the relevant transaction as this is deemed to be close to the present value.

In addition to the information on financial risk, the following is a reconciliation between classes of financial assets and liabilities as identified in the Group's statement of financial position, and the types of financial assets and liabilities identified pursuant to IFRS 7 at 31 January 2024:

	Financial assets at fair value through profit or loss	Financial liabilities liabilities at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Derivatives	Total
Cash and banks			105,790			105,790
Trade receivables			105,202			105,202
Current financial assets			2,802		2,643	5,445
Financial assets for current leases			817			817
Other current receivables			24,117			24,117
Equity investments	0					0
Non-current financial assets	3,773				0	3,773
Financial assets for non-current leases			1,476			1,476
Other non-current receivables	5,434		2,464			7,898
Current financial liabilities				19,512		19,512
Financial liabilities for current leases				141,321		141,321
Trade payables				400,632		400,632
Other current payables				173,674		173,674
Non-current financial liabilities				238,944		238,944
Financial liabilities for non-current leases				859,464		859,464
Other non-current payables				19,178		19,178

The same reconciliation for 31 January 2023 is provided below:

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

6. Notes to the consolidated statement of financial position

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

6.1 Cash and banks

	31.01.2024	31.01.2023	change
Cash and banks	105,790	106,019	(229)

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

	31.01.2024	31.01.2023	change
1) Bank and post office deposits	100,236	100,196	40
2) Checks	5	4	1
3) Cash on hand	5,549	5,819	(270)
Total	**105,790**	**106,019**	**(229)**

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

6.2 Trade receivables

	31.01.2024	31.01.2023	change
Trade receivables	105,202	115,194	(9,992)

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

	31.01.2024	31.01.2023	change
Trade receivables			
Receivables for retail sales	515	451	64
Receivables for wholesale sales	101,800	112,784	(10,984)
Receivables for services provided	8,402	6,273	2,129
Disputed receivables	7,771	7,722	49
Trade receivables from related parties	0	0	0
Subtotal	**118,488**	**127,230**	**(8,742)**
(Provision for doubtful accounts)	(13,286)	(12,036)	(1,250)
Total	**105,202**	**115,194**	**(9,992)**

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.

The provision for doubtful accounts amounted to €13,286,000 at 31 January 2024. During the year, €509,000 was utilised and an allocation of €1,759,000 was made.
Changes in the provision for doubtful accounts are shown below:

(thousands of euro)	
Balance at 31 January 2023	**12,036**
Allocations during the year	1,759
Uses during the year	(509)
Balance at 31 January 2024	**13,286**

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

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

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

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

6.3 Inventories

	31.01.2024	31.01.2023	change
Inventories	460,972	477,635	(16,663)

The breakdown of inventories is shown in the following table:

(thousands of euro)	31.01.2024	31.01.2023
Goods	517,731	535,761
Gross stock	**517,731**	**535,761**
Provision for depreciation	(40,458)	(41,246)
Provision for inventory differences	(16,301)	(16,880)
Total provision for stock write-downs	**(56,759)**	**(58,126)**
Total	**460,972**	**477,635**

This item includes stocks of merchandise at warehouses and stores at the reporting date.
The amount is largely in line with the amounts that would be obtained by valuing the inventories at current cost at the reporting date.
The reduction in inventories at 31 January 2024 is partly due to a delay in arrivals of goods, mainly due to tensions on maritime routes passing through the Suez Canal, but is mainly the result of an overall

improvement in operating working capital that led, among other things, to robust cash generation also in the 2023 financial year.

The provision for depreciation reflects management's best estimate based on the breakdown by type and season of inventories, considerations arising from past experience and the outlook for sales volumes, including in light of the macroeconomic situation. The provision for inventory differences includes the estimate of inventory differences at the end of each of the periods under review, in view of the fact that the OVS Group carries out a physical inventory in February or June of each year.
These provisions are based on the management best estimate and are therefore believed by management to be consistent with their respective purposes.
Changes in the provision for depreciation and the provision for inventory differences for the year ended 31 January 2024 are shown below:

(thousands of euro)	Provision for depreciation	Provision for inventory differences	Total
Balance at 31 January 2023	**41,246**	**16,880**	**58,126**
Allocation	24,117	16,089	40,206
Utilisation	(24,905)	(16,668)	(41,573)
Balance at 31 January 2024	**40,458**	**16,301**	**56,759**

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

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

6.4 Current and non-current financial assets

	31.01.2024	31.01.2023	change
Current financial assets	5,445	5,686	(241)
Non-current financial assets	3,773	0	3,773

The breakdown of the "Financial assets" item into current and non-current at 31 January 2024 and at 31 January 2023 is shown below:

(thousands of euro)	31.01.2024	31.01.2023
Derivatives (current portion)	2,643	537
Other loans receivable from third parties	2,802	5,149
Total current financial assets	**5,445**	**5,686**
Derivatives (non-current portion)	0	0
Other loans receivable from third parties	3,773	0
Total non-current financial assets	**3,773**	**0**
Total	**9,218**	**5,686**

Derivatives include the fair value of forward derivatives entered into with the managerial aim of hedging future purchases of goods in currencies other than the euro.
Other loans receivable from third parties include medium-term loans granted by the Parent Company, OVS S.p.A., to third-party Italian entities remunerated at market interest rates.

6.5 Financial assets for current and non-current leases

	31.01.2024	31.01.2023	change
Financial assets for current leases	817	1,931	(1,114)
Financial assets for non-current leases	1,476	3,650	(2,174)

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

6.6 Current tax assets

	31.01.2024	31.01.2023	change
Current tax assets	7,271	18,685	(11,414)

The balance mainly consists of receivables for withholding tax on fees (€2,149,000), tax credits of €4,959,000 and taxes withheld at source.
The receivables for IRES and IRAP tax downpayments have been fully offset by the tax payable in the current year. 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. (a consolidated entity). The national tax consolidation continued uninterrupted during the three-year period 2021-2023. The agreement also provides for the automatic renewal of the option for a further three years in accordance with Article 14, paragraph 1, of the Ministerial Decree of 1 March 2018.

6.7 Other current and non-current receivables

	31.01.2024	31.01.2023	change
Other current receivables	24,117	17,721	6,396
Other non-current receivables	7,898	6,639	1,259

Other receivables break down as follows:

	31.01.2024	31.01.2023	change
Other receivables	4,753	2,879	1,874
Receivables from insurance companies for claims reimbursement	338	202	136
Receivables from personnel	363	916	(553)
Accrued income and prepaid expenses - rents and service charges	4,212	4,383	(171)
Accrued income and prepaid expenses - insurance	420	162	258
Accrued income and prepaid expenses - interest on security deposits	53	24	29
Accrued income and prepaid expenses - other	13,978	9,155	4,823
Total current receivables	**24,117**	**17,721**	**6,396**
Security deposits	5,434	4,875	559
Minor investments	74	74	0
Other receivables	2,390	1,690	700
Total non-current receivables	**7,898**	**6,639**	**1,259**

The "Other receivables" item in current receivables relates to guarantee deposits made for new leases amounting to €237,000 and receivables for business unit disposals amounting to €1,796,000, while the remainder refers to social security receivables and advances to suppliers and shippers.
Receivables from insurance companies mainly comprise the reimbursement provided for damage to goods in transit (€338,000).
The item "Accrued income and prepaid expenses - other" primarily includes prepayments for advertising and marketing services of €2,185,000 and the share of deferred financial fees (€202,000) incurred to obtain the revolving lines of credit described in more detail in note 6.14 ("Financial liabilities") below.
The remaining amount mainly refers to prepaid expenses on utilities costs, costs for services and reimbursement of training costs.
"Other non-current receivables" include security deposits that mainly relate to securities paid under leases, utilities and deposits with customs to guarantee goods imports.
The "Minor investments" item mainly includes equity investments in consortia recognised at cost.
The "Other non-current receivables" item refers to assets deferred beyond 12 months from the reporting date from third parties amounting to €170,000 and the medium/long-term portion of deferred financial fees of €440,000.

6.8 Property, plant and equipment

	31.01.2024	31.01.2023	change
Property, plant and equipment	293,681	267,662	26,019

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

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

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

Pursuant to IAS 36, for businesses showing signs of impairment the Group assessed the recoverability of the relative assets using the discounted cash flow method.

The analysis carried out at the end of the year did not show any impairment.
For a detailed analysis, see Section 6.12 below on "Impairment testing".

6.9 Right-of-use assets

	31.01.2024	31.01.2023	change
Right of use assets	919,112	957,334	(38,222)

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, see Appendix 2 on changes during the year and the following section on "Impairment testing".

6.10 Intangible assets

	31.01.2024	31.01.2023	change
Intangible assets	589,847	595,168	(5,321)

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

Intangible assets at 31 January 2024 mainly included the amounts allocated to the OVS Group deriving from the previous acquisition of Gruppo Coin by Icon, which was then transferred to the current OVS S.p.A. in July 2014.
At 31 January 2024, these amounts included:

- €377.5 million for the OVS brand, with an indefinite life (included under "Concessions, licences and brands");
- €13.3 million for the Upim, with an indefinite life (included under "Concessions, licences and brands");
- €3.4 million for the STEFANEL brand, registered during 2021 due to the acquisition of the STEFANEL business unit in March 2021, with an indefinite life (included under "Concessions, licences and trademarks");
- €40.9 million for the OVS franchising network, amortised over 20 years (included under "Other intangible assets");
- €16.3 million for the Upim franchising network, amortised over 20 years (included under "Other intangible assets");
- €75.2 million for licences relating to OVS stores, amortised over 40 years (included under "Concessions, licences and brands");
- €20.6 million for licences relating to Upim stores, amortised over 40 years (included under "Concessions, licences and brands");
- The Les Copains brand, acquired during 2022, equal to €1.3 million.

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

The recoverability of the value of the brands was measured using the discounted cash flow method for the CGUs to which these brands are allocated. Please see the section below on "Impairment testing" for the outcome of the analyses.

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

6.11 Goodwill

	31.01.2024	31.01.2023	change
Goodwill	297,686	297,686	0

Goodwill mainly relates to the acquisition of Gruppo Coin in 2011 (the carrying amount was originally €451,778,000, allocated to the OVS CGU, transferred to OVS S.p.A. due to the transfer of the OVS-Upim business unit in July 2014, and partially written down by €155,000,000 following impairment testing in 2019). For the results of the impairment testing carried out at 31 January 2024, please see the following section.

6.12 Impairment testing

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

OVS CGU

Impairment testing entailed the comparison of the carrying amount of the cash generating unit (CGU) and its value in use (VIU). Note that the carrying amount of the OVS CGU includes goodwill, entirely allocated to the CGU, of €297.5 million, and the OVS brand for €377.5 million, both with an indefinite useful life.
The estimated value in use of the OVS operating segment for the purposes of impairment testing is based on the discounting of provisional data for the OVS CGU, determined on the basis of the following assumptions:

- the projected cash flows for the OVS operating segment were extrapolated from the 2024 Budget and the projections for the periods 2025-2026 included in the 2024-2026 three-year plan (the "Plan"), both drawn up by management and approved by the Board of Directors. Provisional cash flows for the OVS CGU were determined according to levels of turnover growth and EBITDA, based on both past operating and profit performance and on future projections, also taking the ongoing context of uncertainty into account;
- future cash flows, standardised to use for the terminal value, were constructed by consistently applying a growth rate "g" for EBITDA of 2.0% a year, applied to EBITDA in the final year of the Plan (in line with the most recent projections of the International Monetary Fund). Annual investments were estimated consistently on the basis of depreciation and amortisation in the last year of the Plan (€49.0 million): this amount is believed to be representative of the standardised investments needed to maintain existing fixed assets, while annual investments of €100.3 million were estimated to be required to maintain right-of-use assets;
- the discount rate (WACC) used to estimate the present value of cash flows was 9.22% and was determined based on the following assumptions: i) the risk-free rate used was 4.15%, corresponding to the return on ten-year Italian government bonds (average over the last 12 months); ii) the equity risk premium used was 5.9%, an average rate in line with both the results of the long-term analysis for industrialised countries and professional practices; iii) the beta coefficient was estimated based on a panel of comparable listed companies operating in the retail clothing sector and was 0.89; iv) borrowing costs (5.99%) were estimated in line with the contractual conditions provided for (including lease liabilities pursuant to IFRS 16); and v) the debt/equity ratio used was calculated based on the average figure presented by a panel of comparable companies.

Based on the above considerations, the value in use of the OVS CGU at 31 January 2024 was €1,829.1 million. The comparison between the VIU (€1,829.1 million) and the carrying amount (net invested capital) of the OVS CGU, shows that the value in use of the CGU is higher than its carrying amount: therefore, based on the flows approved by management, there is no impairment to be recognised.

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

- a contraction in the cash flows of the Plan and the terminal value of more than 10 percentage points;
- 25 bps increase in the discount rate;
- 25 bps decrease in the growth rate.

These sensitivity analyses performed separately for each of the above assumptions would not, however, result in write-downs to be recorded in 2023 in relation to the OVS CGU.

UPIM CGU

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

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

- the projected cash flows for the Upim operating segment were extrapolated from the 2024 Budget and the projections for the periods 2025-2026 included in the 2024-2026 three-year plan (the "Plan"), both drawn up by management and approved by the Board of Directors. Provisional cash flows for the Upim CGU were determined according to levels of turnover growth and EBITDA, based on both past operating and profit performance and on future projections, also taking the ongoing context of uncertainty into account;
- expected future cash flows, standardised to use for the terminal value, were constructed by consistently applying a growth rate "g" for EBITDA of 2.0% a year (in line with the most recent projections of the International Monetary Fund) applied to EBITDA in the final year of the Plan. Annual investments were estimated consistently on the basis of depreciation and amortisation in the last year of the Plan (€14.7 million): this amount is believed to be representative of the standardised investments needed to maintain existing fixed assets, while annual investments of €27.7 million were estimated to be required to maintain right-of-use assets;
- the discount rate (WACC) used to estimate the present value of cash flows was 9.22% and was determined based on the following assumptions: i) the risk-free rate used was 4.15%, corresponding to the return on ten-year Italian government bonds (average over the last 12 months); ii) the equity risk premium used was 5.9%, an average rate in line with both the results of the long-term analysis for industrialised countries and professional practices; iii) the beta coefficient was estimated based on a panel of comparable listed companies operating in the retail clothing sector and was 0.89; iv) borrowing costs (5.99%) were estimated in line with the contractual conditions provided for (including lease liabilities pursuant to IFRS 16); and v) the debt/equity ratio used was calculated based on the average figure presented by a panel of comparable companies.

Based on the above considerations, the VIU of the Upim CGU at 31 January 2024 was €496.9 million. The comparison between the VIU (€496.9 million) and the carrying amount (net invested capital) of the Upim CGU, shows that the value in use of the CGU is higher than its carrying amount: therefore, there is no impairment to be recognised.

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

- a contraction in flows in the last year of the plan and the terminal value of 5 and 8 percentage points respectively;
- 25 bps increase in the discount rate;
- 25 bps decrease in the growth rate.

These sensitivity analyses, performed separately for each of the above assumptions, would not, however, result in write-downs to be recorded in 2023 in relation to the Upim CGU.

As regards the Stefanel CGU, it should be noted that it includes the eponymous brand, amounting to €3.4 million, which also has an indefinite useful life, like the Group's other brands. The Stefanel division was acquired by the Group in 2021: therefore, the year just ended is only the third year of new management after a long period of decline. Positive flows were not yet being generated in 2023: therefore, although the capital invested in the CGU is relatively small (less than 2% of the total consolidated capital invested), it was nonetheless decided to conduct impairment testing based on the same external parameters applied for the OVS and Upim CGUs, taking into account the forecast flows extrapolated from the documents approved by management. The results showed no impairment compared with capital invested in the CGU of approximately €39.7 million.

Finally, it should be noted that the GAP Italia CGU does not have allocated intangible assets with an indefinite useful life. The operating cash flows for the year 2023 (the second year after its acquisition) were essentially in break-even and therefore there were no triggers for the same.

Impairment testing on licences and right-of-use assets relating to stores
Licences relating to some OVS and Upim stores and right-of-use assets of the various Group stores showing indicators of impairment were tested for impairment by calculating the value in use for each store thus identified.
The key assumptions used to determine the value in use of the CGUs concern the discounting rate and the growth rate. Specifically, the post-tax discount rate (WACC) was used and no growth rate was projected for the period following the 2024 Budget, except where reasonably predictable.
On the basis of the analysis carried out, in the financial year ended 31 January 2024, an administrative authorisation relating to an OVS store, amounting to approximately €0.3 million, was completely written off, and there were partial write-downs of five OVS administrative authorisations for a total amount of approximately €0.4 million.

6.13 Equity investments

	31.01.2024	31.01.2023	change
Equity investments	0	0	0

It should be noted that at 31 January 2021, the value of the equity investment in the consortium company, Centomilacandele S.C.p.A., of which OVS S.p.A. holds 31.63%, had already been fully written off. The write-off of €136,000 took place after the consortium company was placed in liquidation in 2020.
There were no other changes in 2023.

6.14 Current and non-current financial liabilities

	31.01.2024	31.01.2023	change
Current financial liabilities	19,512	26,487	(6,975)
Non-current financial liabilities	238,944	253,560	(14,616)

The breakdown of the "Current financial liabilities" and "Non-current financial liabilities" items at 31 January 2024 and 31 January 2023 is shown below:

(thousands of euro)	31.01.2024	31.01.2023
Current financial payables	2,217	1,740
Current portion of non-current debt	14,902	15,010
Other current financial payables	2,393	9,737
Current financial liabilities	**19,512**	**26,487**
Non-current financial payables	238,944	253,560
Other non-current financial payables	0	0
Non-current financial liabilities	**238,944**	**253,560**

The OVS Group's current and non-current financial payables at 31 January 2024 are shown below:

			At 31 January 2024		
(thousands of euro)	**Maturity date**	**Interest rate (*)**	**Total**	**of which non-current portion**	**of which current portion**
Due for financial expenses			2,217	0	2,217
Current financial payables			**2,217**	**0**	**2,217**
Sustainability-linked bond loan	10.11.2027	2.25%	160,000	160,000	0
Amortising Line (2022 Loan)	07.04.2027	Euribor +2.05%	95,000	80,000	15,000
SG loan	30.06.2024		26	0	26
Finance costs			(1,180)	(1,056)	(124)
Non-current financial payables			**253,846**	**238,944**	**14,902**

(*) The reported margin is the margin that existed at the reporting date of 31 January 2024. For the sake of completeness, it should be noted that at 31 January 2023 the margins applicable to the Amortising Line and to the Revolving Line were 2.25% and 1.75%, respectively.

The lines of credit available to the Group at 31 January 2024 mainly relate to a loan agreement signed on 7 April 2022 (the "2022 Loan Agreement") for a total principal amount of €230,000,000, disbursed on 8 April 2022 (the "2022 Loan"), which provides for the granting of:

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

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

Below is a summary description of the current conditions underlying the loans outstanding at 31 January 2024.

With regard to the 2022 Loan, the applicable interest rate for the Amortising Line at 31 January 2024 is equal to the sum of (i) the margin (the "Amortising Line Margin") of 2.05% per annum and (ii) the 3-month Euribor. For the RCF, meanwhile, the interest rate applicable at 31 January 2024 is equal to the sum of (i) the margin (the "RCF Margin" and, together with the Amortising Line Margin, the "Margin") of 1.55% 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, depending on what is indicated in the relevant request for use, for the Revolving Line.

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

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

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

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

At 31 January 2024, the ratio of average debt to EBITDA was 1.39x.

The final due date of the 2022 Loan, which also coincides with the repayment date of the Lines of Credit, is fixed as 7 April 2027, without prejudice to the early repayment provisions in the 2022 Loan Agreement.
The 2022 Loan Agreement does not provide for any security package to guarantee the fulfilment of the related obligations.

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

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

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

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

The main characteristics of the Bond Loan are set out below.
The Bond Loan is governed by UK law and any disputes relating thereto are under the exclusive jurisdiction of the UK courts.
The nominal value of the bond loan is €160,000,000 and it has a term of six years from the issue date, with a maturity date of 10 November 2027, subject to the early redemption provisions established in the bond loan regulations.
As part of the Bond Loan offer, 160,000 bonds with a nominal value of €1,000 each were subscribed at an issue price equal to 100% of the nominal value.
The gross annual yield of the bond loan is 2.25% per annum.
Furthermore, as described in the Prospectus for the Bond Loan, in the KID (Key Information Document) for the bonds of the Bond Loan (the "Bonds") and the Sustainability-Linked Bond Framework relating to the sustainability objectives of OVS, all available to the public on the Parent Company's website (www.ovscorporate.it), it should be noted that, in view of the "sustainability-linked" nature of the Bonds, as of November 2025 the interest rate on the Bonds may

be increased, until the maturity date of the Bonds, by a margin of up to 0.25% per annum for each interest period starting on or after the interest payment date immediately following any failure by OVS to achieve the sustainability performance objectives in relation to certain key performance indicators (KPI) provided for in the Bond Loan Regulations by 2024, or in the event of any failure on the part of OVS to periodically report on these key performance indicators at the maturities established in the Bond Loan Regulations.
In order to ensure that investors have public updates on the progress of the achievement of each KPI, the relevant targets and any other significant event during the year of interest for investors for the monitoring of the KPIs, OVS will publish an annual Sustainability-Linked Bond Progress Report ("SLB Progress Report") by and no later than 120 days after the end of each financial year (ending on 31 January every year).

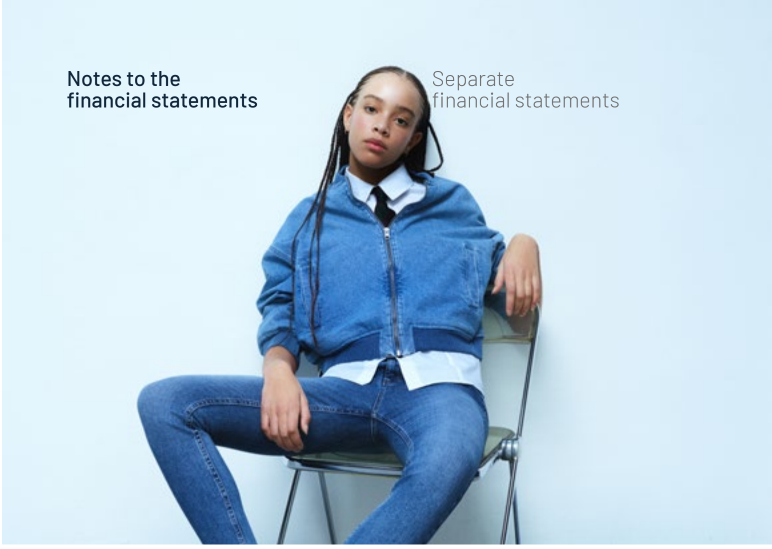
The ESG objectives underlying the Sustainability-Linked Bond Loan are aligned with the Group's sustainability path and reflect the main elements in the OVS strategic plan, including:

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

It should be recalled that as of 10 November 2021, the obligations underlying the Bonds are traded on the Regulated Market of the Official List of the Irish Stock Exchange - Euronext Dublin (Euronext Dublin) and on the Electronic Bond Market ("MOT") organised and managed by Borsa Italiana S.p.A..
On the basis of quotations as of 31 January 2024, the fair value of the bond at year-end was €150,336,000.

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

The average interest rate on the Group's financial debt in 2023 was 3.77%.



The breakdown of the consolidated net debt of the OVS Group at 31 January 2024 and 31 January 2023, presented according to the template in Consob Communication DEM/6064293 of 28 July 2006, supplemented by Consob's Warning Notice no. 5/21, also including the effects on debt of IFRS 16, is as follows:

(thousands of euro)	31.01.2024	31.01.2024 Excluding IFRS 16	31.01.2023	31.01.2023 Excluding IFRS 16
A. Cash and cash equivalents	105,790	105,790	106,019	106,019
B. Cash equivalents	0	0	0	0
C. Other current financial assets	6,262	5,445	7,617	5,686
D. Liquid assets (A)+(B)+(C)	**112,052**	**111,235**	**113,636**	**111,705**
E. Current financial debt	(4,610)	(4,610)	(11,477)	(11,477)
F. Current portion of non-current financial debt	(156,223)	(15,967)	(185,043)	(16,159)
G. Current debt (E)+(F)	**(160,833)**	**(20,577)**	**(196,520)**	**(27,636)**
H. Net current financial debt (G)+(D)	**(48,781)**	**90,658**	**(82,884)**	**84,069**
I. Non-current financial debt	(938,408)	(79,668)	(967,230)	(95,255)
J. Debt instruments	(160,000)	(160,000)	(160,000)	(160,000)
K. Trade and other non-current payables	0	0	0	0
L. Non-current debt (I)+(J)+(K)	**(1,098,408)**	**(239,668)**	**(1,127,230)**	**(255,255)**
M. Total debt (H)+(L)	**(1,147,189)**	**(149,010)**	**(1,210,114)**	**(171,186)**
Non-current financial receivables	**5,249**	**3,773**	**3,650**	**0**
Net financial position	**(1,141,940)**	**(145,237)**	**(1,206,464)**	**(171,186)**

The following table shows the breakdown of current and non-current financial payables at 31 January 2024 and at 31 January 2023:

(thousands of euro)	31.01.2024	31.01.2024 Excluding IFRS 16	31.01.2023	31.01.2023 Excluding IFRS 16
Current financial payables	2,217	2,217	1,740	1,740
Derivatives	2,393	2,393	9,737	9,737
Payables for finance leases	141,321	1,065	170,033	1,149
Current portion of non-current financial debt	14,902	14,902	15,010	15,010
Current financial payables	**160,833**	**20,577**	**196,520**	**27,636**
Non-current financial payables	238,944	238,944	253,560	253,560
Derivatives	0	0	0	0
Payables for finance leases	859,464	724	873,670	1,695
Non-current financial payables	**1,098,408**	**239,668**	**1,127,230**	**255,255**

6.15 Financial liabilities for current and non-current leases

	31.01.2024	31.01.2023	change
Financial liabilities for current leases	141,321	170,033	(28,712)
Financial liabilities for non-current leases	859,464	873,670	(14,206)

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

The changes in lease liabilities during 2023 are shown below:

(thousands of euro)	IFRS 16	Ex IAS 17	Lease liabilities
Balance at 31 January 2023	**1,040,860**	**2,843**	**1,043,703**
Increases	120,613	135	120,748
Decreases	(203,504)	(1,295)	(204,799)
Financial expenses	41,027	106	41,133
Balance at 31 January 2024	**998,996**	**1,789**	**1,000,785**

It should also be noted that current financial liabilities for leases include a portion of rent and interest (€4,787,000) that, at the reporting date, had not been paid as it is subject to negotiation with the respective real estate owners.
The breakdown by maturity of minimum payments and principal amounts on finance leases recognised in accordance with IFRS 16 is shown below:

	Minimum payments owed for finance leases		Principal amount	
	31.01.2024	**31.01.2023**	**31.01.2024**	**31.01.2023**
Within 1 year	190,061	188,738	136,534	149,233
From 1 to 5 years	624,050	609,033	483,604	509,301
Beyond 5 years	432,899	404,694	375,860	364,369
Total	**1,247,010**	**1,202,465**	**995,998**	**1,022,903**

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

	31.01.2024	31.01.2023
Minimum payments owed for finance leases	1,247,010	1,202,465
(Future financial expenses)	(251,012)	(179,562)
Present value of payables for finance leases	**995,998**	**1,022,903**

6.16 Trade payables

	31.01.2024	31.01.2023	change
Trade payables	400,632	393,198	7,434

This item includes payables relating to the OVS Group's normal course of operations, in respect of the supply of goods, assets and services.
The balance includes trade payables to foreign suppliers (mainly in Asia) amounting to €176,959,000; it also includes exposure in foreign currency (mainly USD) amounting to USD182,117,000.
The slight increase in trade payables mainly reflects a general improvement in operating working capital flows as well as the significant investments still in progress at the end of the year.

6.17 Current tax liabilities

	31.01.2024	31.01.2023	change
Current tax liabilities	7,289	4,436	2,853

This item mainly includes the IRAP tax payable, net of payments on account made, estimated by Parent Company OVS S.p.A. as €2,546,000, and the net tax payable due as part of the tax consolidation, estimated as €4,709,000.
The remaining portion relates to the current tax payables of the subsidiaries 82 S.r.l. and OVS Hong Kong Sourcing Ltd.

6.18 Other current and non-current payables

	31.01.2024	31.01.2023	change
Other current payables	173,674	170,923	2,751
Other non-current payables	19,178	10,810	8,368

The breakdown of the "Other payables" item into current and non-current at 31 January 2024 and at 31 January 2023 is shown below:

	31.01.2024	31.01.2023	change
Payables to personnel for holidays not taken and related contributions	8,289	8,051	238
Payables to employees for deferred salaries, overtime, bonuses and related contributions	27,713	33,516	(5,803)
Payables to Directors and Statutory Auditors for compensation	1,992	545	1,447
Other payables	55,521	46,202	9,319
Payables to pension and social security institutions	6,050	7,529	(1,479)
VAT payables	46,065	37,333	8,732
Other tax payables	2,272	4,491	(2,219)
Other payables - to customers	774	559	215
Accrued expenses and deferred income - rents	1,854	2,068	(214)
Accrued expenses and deferred income - utilities	4,213	5,876	(1,663)
Accrued expenses and deferred income - insurance	684	770	(86)
Accrued expenses and deferred income - other	18,247	23,983	(5,736)
Total current payables	**173,674**	**170,923**	**2,751**
Tax payables	0	0	0
Accrued expenses and deferred income - other	19,178	10,810	8,368
Total non-current payables	**19,178**	**10,810**	**8,368**

Payables to employees relate to benefits accrued and not paid out at 31 January 2024.
"Other payables" mainly relate to the recognition of €25,117,000 for the value of expected returns on sales made, pursuant to IFRS 15 (€27,722,000 at 31 January 2023).
The balance also includes advance payments by customers for pre-orders of goods and purchases of vouchers amounting to €9,711,000, and payables for deposits and securities received from customers to guarantee affiliation agreements of €9,254,000.
The increase in payables to pension and social security institutions reflects payables to the INPS.
At the reporting date, the Group had a VAT payable deriving from retail and wholesale sales and to a lesser extent from the sale of goods and services.
The "Other tax payables" item includes IRPEF (personal tax) on employees, payables to tax offices and payables for unpaid withholding tax.
The "Other accrued expenses/deferred income" item includes €11,770,000 of accrued expenses for local taxes, €146,000 of travel expenses, €487,000 of bank charges, more than €2,240,000 of deferred income for contributions paid by partners and lessors and €700,000 of unredeemed reward points relating to customer loyalty programmes (€4,870,000 at 31 January 2023), down by around €4.2 million compared with the previous year due to the end of the previous OVS loyalty programme, subsequently divided according to new loyalty methods.
Lastly, a payable to shareholders of €7,828,000 should be noted, relating to dividend coupon no. 6, approved on 24 January 2024 by the Shareholders' Meeting, the payment date for which was set as 21 February 2024.

"Non-current payables" also include €9,578,000 as the non-current portion of deferred income for contributions recognised by lessors after store restructurings and conversions. These contributions were discounted based on the term of the lease. The same item includes €4,860,000 relating to the deferral of the contribution deriving from investments in new capital goods (mainly Industry 4.0); it should be noted that the investments have been booked including the contribution amount, which was spread throughout the period of depreciation of the goods concerned. Lastly, a deferral of €4,740,000 should be noted, relating to the first tranche of contributions disbursed during the year by the Puglia Regional Authority to support the investments in industrial research and experimental development being implemented through subsidiary OVS Innovazione e Sostenibilità S.r.l..
For the sake of completeness, it should be recalled that the maximum contribution approved by the Puglia Regional Authority amounts to a total of €14,824,000, the first tranche of 50% of which was disbursed to the subsidiary in January 2024. The portion in excess of the subsidy paid on projects carried out as of 31 January 2024 is recognised under other current payables, as it relates to projects being carried out in the months following the reporting date. The final value of the subsidies will be determined on completion of the

projects provided for in the Programme Agreement, the investment plan for which is expected to be completed by the end of November 2025.

6.19 Employee benefits

	31.01.2024	31.01.2023	change
Employee benefits	28,039	27,844	195

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

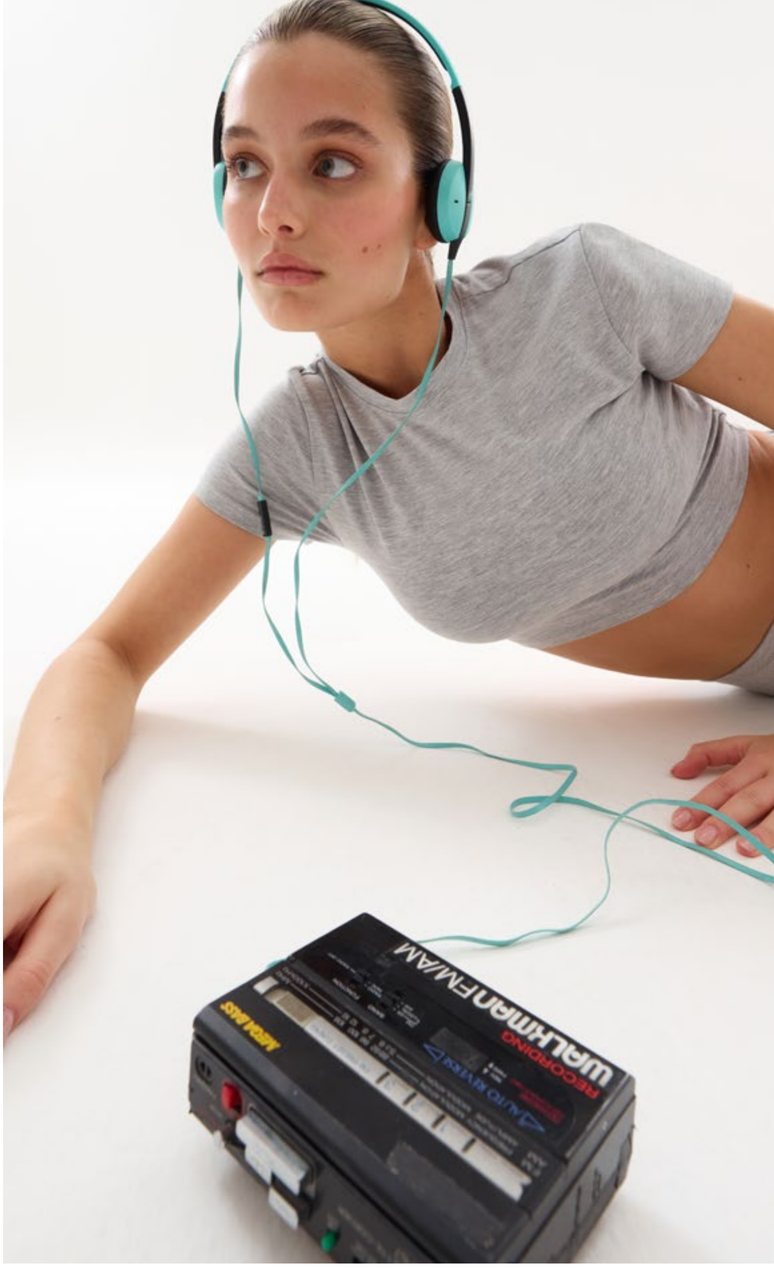
The change in the "Employee benefits" item is shown below:

(thousands of euro)	31.01.2024	31.01.2023
Balance at start of year	**27,844**	**32,873**
Increase during the year	956	210
Decrease during the year	0	(25)
Actuarial (gains) losses	1,510	(3,589)
Benefits paid	(2,271)	(2,750)
Balance at end of year	**28,039**	**27,844**

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

Demographic assumptions:

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



Economic and financial assumptions:

Annual discount rate	3.14%
Annual inflation rate	2.00%
Annual increase in employee severance benefits	3.00%

The iBoxx Eurozone Corporates AA 7-10 index at the calculation date was used as the benchmark for the discount rate. This expiry relates to the average remaining period of service at the company of the employees of Group Companies, weighted with the expected payments.
For the choice of the annual inflation rate, reference was made to the Update of the DEF (Economic and Finance Document) (NADEF 2023) published on 27 September 2023, which shows the value of the consumption deflator for the years 2023, 2024 and 2025, amounting to 5.6%, 2.4% and 2.0%, respectively. On the basis of the above and the current inflationary trend, it was deemed appropriate to use a constant inflation rate of 2.0% for the year 2024 and beyond.

SENSITIVITY ANALYSIS

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

	Annual discount rate		Annual inflation rate		Annual turnover rate	
(millions of euro)	**+0.50%**	**-0.50%**	**+0.25%**	**-0.25%**	**+2.00%**	**-2.00%**
OVS	27.1	28.9	28.3	27.7	28.1	27.9

FUTURE CASH FLOWS

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

years	Cash flow
0 - 1	2.4
1 - 2	2.1
2 - 3	2.5
3 - 4	2.5
4 - 5	2.8
5 - beyond	22.5

The average number of personnel during the year just ended was 103 managers, 6,655 white-collar workers and 232 blue-collar workers.
At 31 January 2024, the Group had 102 managers, 6,659 white-collar workers and 231 blue-collar workers in its employ.

6.20 Provisions for risks and charges

	31.01.2024	31.01.2023	change
Provisions for risks and charges	6,324	6,571	(247)

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

(thousands of euro)	31.01.2024	31.01.2023
Balance at start of year	**6,571**	**6,919**
Allowances for the year	1,045	1,109
Increase due to business combinations	0	1,263
Used/released during the year	(1,292)	(2,720)
Balance at end of year	**6,324**	**6,571**

The provision is made for the risk of disputes with suppliers in relation to product sales and marketing, public entities, former employees and third parties of various kinds.
The outcome of these risks cannot be defined with certainty, and the amount recorded therefore represents the best estimate of the presumed charge at year-end.
The provision for the year of €1.0 million is for risks relating to employment law and legal or contractual risks.
The decrease refers to drawings on previous provisions made for disputes with former employees and various legal cases.

6.21 Deferred tax liabilities

	31.01.2024	31.01.2023	change
Deferred tax liabilities	27,833	30,308	(2,475)

The changes in 2023 are shown below:

(thousands of euro)	Balance at 31.01.2023	Allocated/ released to income statement	Allocated/ released to statement of comprehensive income	Balance at 31.01.2024
Provision for stock write-downs	13,778	(185)		13,593
Appropriation for local taxes	3,259	(327)		2,932
Provisions for risks and charges	1,576	(59)		1,517
Doubtful accounts	2,959	251		3,210
Tangible and intangible assets	(55,009)	1,016		(53,993)
IFRS 15 Sales with a right of return	3,007	(300)		2,707
IFRS 16 Leases	(306)	174		(132)
Employee severance benefits calculated according to IAS 19	337	0	362	699
Other minor	91	1,543		1,634
Total net prepaid (deferred)	**(30,308)**	**2,113**	**362**	**(27,833)**

The same details are shown for the previous year:

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

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.

6.22 Shareholders' equity

Shareholders' equity amounted to €900.9 million.
Further details of all the changes in the items included in shareholders' equity are provided in the relative accounting schedule.

SHARE CAPITAL

At 31 January 2024, the share capital of OVS S.p.A. amounted to €290,923,470, comprising 290,923,470 ordinary shares with no par value.
OVS was incorporated on 14 May 2014 with share capital of €10,000.
The transferral of the OVS-Upim business unit by the then sole shareholder Gruppo Coin, which took effect as of 31 July 2014, entailed a share capital increase from €10,000 to €140,000,000, with a premium of €249,885,000.
On 24 February 2015, the global offer for subscription and sale of ordinary shares of OVS S.p.A., with the aim of listing this company on the MTA, was successfully completed.
The subscription operation entailed a further capital increase of €87,000,000, increasing the share capital from €140,000,000 to €227,000,000, divided into 227,000,000 ordinary shares with no par value.
Lastly, the aforementioned paid capital increase, in tranches, completed in July 2021, entailed an increase in the share capital of €63,923,470, from €227,000,000 to €290,923,470, divided into 290,923,470 ordinary shares with no par value.

TREASURY SHARES

At 31 January 2024, the Parent Company, OVS S.p.A., held a total of 29,038,201 treasury shares, equal to 9.9814% of the share capital, amounting in total to €57,384,000, including 809,226 treasury shares, equal to 0.356% of the share capital, amounting in total to €1,496,000, purchased in 2018, an additional 13,538,308 treasury shares purchased in 2022 for an average carrying price of €1.812, amounting in total to €24,522,000, and lastly, in 2023, 14,694,813 treasury shares were purchased, for an average carrying price of €2.136, amounting in total to €31,374,000, while 4,146 treasury shares were disposed of, entailing a reduction of the treasury shares reserve of a total amount of €8,000.
These transactions were carried out as part of the authorisations to purchase treasury shares approved by the Shareholders' Meeting of the Parent Company on 31 May 2018, 28 May 2021, 31 May 2022, 31 May 2023 and most recently on 24 January 2024.

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/number of shares post-listing determined the percentage of charges registered as a direct reduction in shareholders' equity, while the remainder was recognised under costs in the income statement.
The **legal reserve** came to €15.4 million, and was created when earnings for previous years were appropriated.
There are also **other reserves**, with a positive net balance of €70.8 million, which mainly include retained earnings of €55.8 million, the effects of the direct recognition in shareholders' equity of actuarial gains/(losses) relating to employee severance benefits, the translation reserve and the effects of booking management incentive plans in equity reserves in accordance with the provisions of IFRS 2 (see also note 7.26 "Staff costs") and the impacts of the adoption of IFRS 9 and IFRS 16 on the date of the respective transition.

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

(thousands of euro)	2023	2022
Value at start of year	**(1,066)**	**(3,793)**
Change in provision for employee severance benefits under IAS 19	(1,509)	3,588
Deferred tax effect	362	(861)
Total change	*(1,147)*	*2,727*
Value at end of year	**(2,213)**	**(1,066)**

Lastly, it should be noted that, due to the realignment of the tax value of the OVS and Upim brands to their statutory value, as required by Article 110, paragraph 8, of Decree Law no. 104/2020 (the "August Decree"), a restriction was imposed on the untaxed share premium reserve of €360,238,047.

MINORITY INTEREST CAPITAL AND RESERVES

Minority interests mainly relate to 82 S.r.l., which is 70% owned by OVS S.p.A. and 30% owned by Angelo Massimo Piombo. The amount shown includes €3,000 for share capital and €599,000 for net results accrued to 31 January 2024, already net of the 2022 dividend of €402,000 distributed to minority shareholders.
They also include the minority interests of two subsidiaries established in 2022: Vespucci Fashion Inc. (-€497,000) and Energia Verde Uno S.r.l. (-€18,000).

DIVIDENDS PAID AND PROPOSED

In 2023, Parent Company OVS S.p.A. distributed to its shareholders ordinary and extraordinary gross dividends of €0.09 for each of the ordinary shares in issue.
In particular, following the shareholders' resolution of 31 May 2023 on the allocation of the 2022 earnings, in the first half of 2023 the Parent Company, OVS S.p.A., distributed an ordinary gross dividend of €0.06 to its shareholders for each of the ordinary shares in issue.
The Ordinary Shareholders' Meeting of 24 January 2024 also approved the distribution of an extraordinary dividend from the "Retained earnings reserve" of €0.03 per share. The dividend was paid with an ex-dividend date of 19 February 2024, a record date of 20 February 2024 and a payment date of 21 February 2024.

An ordinary gross dividend of €0.07 is proposed for the appropriation of earnings for 2023.

For further details on changes during the year, see the consolidated statement of changes in shareholders' equity and the proposed allocation of earnings for financial year 2023.

7. Notes to the consolidated income statement

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

7.23 Revenues

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

	31.01.2024	31.01.2023
Revenues from retail sales	1,514,265	1,471,442
VAT on retail sales	(272,277)	(264,836)
Net sales	**1,241,988**	**1,206,606**
Revenues from sales to affiliates, administered and wholesale	292,511	305,477
Subtotal net sales	**1,534,499**	**1,512,083**
Revenues from services	667	636
Total	**1,535,166**	**1,512,719**

7.24 Other operating income and revenues

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

	31.01.2024	31.01.2023
Revenues from services provided	65,743	64,597
Rental income and leases	13,669	12,555
Compensation for damage	408	115
Capital gains from asset disposals	1,627	2,257
Other revenues	14,167	12,870
Total	**95,614**	**92,394**

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 €665,748,000.
The item breaks down as follows:

	31.01.2024	31.01.2023
Purchases of raw materials, consumables and goods	649,085	772,126
Change in inventories	16,663	(87,786)
Total	**665,748**	**684,340**

The consideration in euro for purchases abroad, mainly in dollars, including ancillary costs, is €517,746,000.

7.26 Staff costs

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

	31.01.2024	31.01.2023
Wages and salaries	225,784	223,913
Social security charges	67,576	65,032
Employee severance benefits	11,911	13,889
Other staff costs	1,941	2,137
Directors' fees	4,961	2,107
Total	**312,173**	**307,078**

The number of employees, expressed as the "full-time equivalent" headcount, was 6,160 at the end of the year, compared with 6,088 at 31 January 2023.

7.27 Share-based payments

Since June 2015, key employees of the Parent Company and its subsidiaries have been granted options to purchase OVS S.p.A. shares under the Company's stock option plans (hereinafter also the "Plans"). In order to create value for shareholders by improving long-term corporate performance and promoting the loyalty and retention of key personnel for the Group's development, the Company's Shareholders' Meeting approved, on 26 May 2015 and 31 May 2017 respectively, two capital increases for the issue of shares to be offered for

subscription to the beneficiaries of two separate stock option plans. On the basis of these capital increases, the authorised capital stands at €39,080,000.00. Information on the modalities for exercising options is provided below.
Subsequently, the Ordinary Shareholders' Meeting of 31 May 2019 approved, pursuant to Article 114-bis of the Consolidated Law on Finance, the adoption of a new incentive plan named the "Stock Option Plan 2019-2022" (or "2019-2022 Plan"), to be implemented through the granting of free stock options for newly issued ordinary shares of OVS S.p.A.. The Plan is reserved for directors who are also employees, executives with strategic responsibilities and/or other employees of OVS S.p.A. and its subsidiaries pursuant to Article 93 of Legislative Decree 58 of 24 February 1998, who have been identified by the Board of Directors, after consulting the Appointments and Remuneration Committee, from among those individuals who perform a key role in the achievement of the Company's strategic objectives (hereinafter, the "Beneficiaries"). The Shareholders' Meeting also approved a capital increase for the issue of shares to be offered for subscription to beneficiaries of the 2019-2022 Plan. Based on this capital increase, the authorised capital has a nominal value of €5,000,000, through the issue of a maximum of 5,000,000 newly issued ordinary shares of OVS.
Information on the modalities for exercising options is provided below.
The aforementioned shareholders' meetings delegated to the Board of Directors the widest powers to implement the capital increases in one or more tranches, granting employees options, as deemed appropriate by the Board, and thus, inter alia:

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

In execution of the powers received from the Shareholders' Meeting, the Board of Directors granted a total of 13,836,375 options. In total, the Board of Directors, in execution of the powers granted to it, launched the following Plans (figures updated as of 31 January 2024):

Plan	Grantable	Granted	Accrued	Exercised	Exercisable
2015-2020	0	5,101,375	2,724,963	0	2,724,963
2017-2022	145,000	3,935,000	1,222,000	0	1,222,000
2019-2022	200,000	4,800,000	4,800,000	(4,146)	4,795,854
Total	**345,000**	**13,836,375**	**8,746,963**	**(4,146)**	**8,742,817**

On 8 June 2015, pursuant to the mandate granted by the Extraordinary Shareholders' Meeting of 26 May 2015, the Board of Directors resolved to carry out a paid share capital increase by the deadline of 8 June 2025, by issuing, in one or more tranches, up to 5,107,500 new ordinary shares of OVS, constituting 1.76% of the current share capital of OVS S.p.A., subscribed and paid up, with no par value, with the same characteristics as the ordinary shares outstanding on the issue date, with ordinary rights, excluding option rights pursuant to Article 2441, paragraph 8, of the Italian Civil Code, to be reserved for subscription by the beneficiaries of the stock option plan called the "2015-2020 Plan".
On 21 September 2017, pursuant to the mandate granted by the Extraordinary Shareholders' Meeting of 31 May 2017, the Board of Directors resolved to carry out a paid share capital increase by the deadline of 30 June 2027, by issuing, in one or more tranches, a maximum of 3,935,000 new ordinary shares of OVS with no par value, with the same characteristics as the ordinary shares outstanding on the issue date, with ordinary rights, excluding option rights pursuant to Article 2441, paragraph 8, of the Italian Civil Code, to be reserved for subscription by the beneficiaries of the aforementioned stock option plan called the "2017-2022 Plan".
Lastly, on 19 June 2019, pursuant to the mandate granted by the Extraordinary Shareholders' Meeting of 31 May 2019, the Board of Directors resolved to carry out a paid share capital increase by the deadline of 30 June 2026, by issuing, in one or more tranches, up to 5,000,000 new ordinary shares of OVS with no par value, with the same characteristics as the ordinary shares outstanding on the issue date, with ordinary rights, excluding option rights pursuant to Article 2441, paragraph 8, of the Italian Civil Code, to be reserved for subscription by the beneficiaries of the aforementioned stock option plan called the "2019-2022 Plan".

All three plans provide for the free allocation to each of the beneficiaries of options that confer the right to subscribe for or purchase ordinary shares of OVS in the ratio of one ordinary share for each Option exercised at a price that, due to the capital increase in 2021, was redetermined respectively as €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), without prejudice to any other price adjustments resulting from transactions after 2021 on the capital or due to dividend distributions (as described in more detail below).
The ordinary shares of the Company allocated to beneficiaries from time to time after the exercise of the options carry ordinary rights, the same as those of the ordinary shares of the Company outstanding on the allocation date, and therefore carry any coupons in effect at that date.
All the Plans provided for a vesting period of at least three years for options granted to beneficiaries. Each beneficiary may exercise the options allocated on condition that specific annual performance targets (or cumulative targets in the case of the 2019-2022 Plan) are met, relating to OVS's consolidated EBITDA.
The Stock Option Plan also authorised beneficiaries to exercise the options early if certain events occur, including:

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

The Plan also required, as a condition for participation in the Plan itself, that the relationship of permanent employment or executive management with OVS or a subsidiary, depending on the type of beneficiary (the "Relationship"), be maintained.
For the 2015-2020 Plan and the 2017-2022 Plan, beneficiaries will be able to exercise the potentially exercisable options for which the performance

objectives have been achieved, to the following extent and within the following periods:
- up to 1/3 of the Options granted, rounded down to the lowest whole unit, after 36 months from the Grant Date (First Vesting Period);
- up to 1/3 of the Options granted, rounded down to the lowest whole unit, after 48 months from the Grant Date (Second Vesting Period);
- the balance of the potentially exercisable options after 60 months from the Grant Date (Third Vesting Period).

The 2015-2020 Plan has been completed and all of the 2,724,963 options actually accrued are potentially exercisable from 2021 and until 8 June 2025.
The 2017-2022 Plan has also been completed and all of the 1,222,000 options actually accrued are potentially exercisable from 2022 and until 30 June 2027.
Also for the 2019-2022 Plan, it should be noted that as of 1 July 2023, the beneficiaries may exercise the options accrued (4,800,000) as the cumulative performance targets were achieved over the three-year period 2019-2021 and 2022, and the condition of access to the Plan has been fulfilled. At 31 January 2024, only 4,146 options had been exercised, as a result of which the Parent Company sold an equal number of shares for a total amount received of €7,000 and a reversal of the IFRS 2 reserve of €2,000.

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 €13,996,000 (of which €12,484,000 was accounted for at 31 January 2023), were recognised with a balancing entry in shareholders' equity. It should also be noted that during the 2023 financial year, no Beneficiaries left the Group as "good leavers": accordingly, there were no reversals of the IFRS 2 reserve relating to options accrued but subject to cancellation as they are not exercised by the deadline provided for in the event of termination of the employment relationship.

The movements recorded in the various Stock Option Plans in 2023 are as follows:

Stock Option Plan	Exercise price	Currency	No. of options at 31/01/2023	Options granted	Options cancelled	Options exercised	Options lapsed	No. of options at 31/01/2024
2015-2020 Plan	4.08	Euro	2,724,963	0	0	0	0	2,724,963
2017-2022 Plan	5.26	Euro	1,222,000	0	0	0	0	1,222,000
2019-2022 Plan	1.72	Euro	4,800,000	0	0	(4,146)	0	4,795,854
Total			**8,746,963**	**0**	**0**	**(4,146)**	**0**	**8,742,817**

At 31 January 2024, 8,742,817 options were potentially exercisable (accrued or accruable).
During 2023, 4,146 options were exercised under the 2019-2022 Plan.
For the purposes of completeness, it should also be noted that the strike prices of the three Plans referred to above have to be adjusted to neutralise the effects of the buyback plans and the distribution of dividends in the years following their respective maturity dates and possibility of exercise (a total of €0.13 per ordinary share until the current date for all three Plans).

It should again be noted that, on 31 May 2022, the Ordinary Shareholders' Meeting approved a new medium/long-term equity-based incentive plan named the "Performance Share Plan 2022-2026" (the "Plan"), which aims to align the interests of the beneficiaries with the creation of value for OVS's shareholders and investors in the long term, and to promote the permanence of the beneficiaries by incentivising them to add value to the Company and simultaneously creating a loyalty-building tool. The Plan is intended for the top management of the Company and its subsidiaries and other employees and contractors (including consultants and/or providers of intellectual work) of OVS and/or subsidiaries with roles that are strategically important for the Company's business or that are otherwise able to make a significant contribution in light of the pursuit of the strategic objectives of OVS and its subsidiaries.
When a performance objective is achieved for each three-year vesting period for measurement of the results, starting on 1 February and ending on 31 January of the third subsequent year (2022-2024/2023-2025/2024-2026), the Plan entitles each beneficiary to receive OVS shares free of charge, subject to the circumstances set out in the Plan (existence of a relationship with the company and absence of disciplinary sanctions). The number of actual shares granted to each beneficiary in the event of achievement of the objective, under the terms and conditions of the Plan regulations, will be determined by applying different criteria, depending on whether the reference price of the OVS share is less than or equal to €3.00 or more than €3.00.
The Plan is divided into three three-year ("rolling") performance cycles (2022-2024, 2023-2025 and 2024-2026) and will expire on 31 January 2027. The maximum total number of shares to be granted to beneficiaries in order to execute the Plan is 4,500,000.
For further details of the Plan, see (i) the explanatory report on the 4th (fourth) item on the agenda of the Ordinary Shareholders' Meeting of OVS of 31 May 2022, and (ii) the information document prepared pursuant to Article 84-bis of the regulation approved by Consob Resolution no. 11971 of 14 May 1999, available on the Company's website at www.ovscorporate.it and on the "1Info" authorised data storage mechanism at www.1info.it.
The first three-year cycle was assigned by resolution of the Board of Directors on 14 June 2022.
The second three-year cycle was assigned by resolution of the Board of Directors on 21 March 2023.
Also on 31 May 2022, the Extraordinary Shareholders' Meeting resolved to grant the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, for a period of five years from the date of the resolution, the authority to increase the share capital, free of charge and in one or more tranches, pursuant to Article 2349 of the Italian Civil Code, to be allotted to the beneficiary employees of the Plan, through the issue of a maximum of 4,500,000 ordinary shares at an issue value equal to the accounting par value of the OVS shares at the execution date, to be fully allocated to capital. Article 5 of the current Articles of Association was amended accordingly.
Pursuant to IFRS 2, the 2022 Performance Share Plan is also defined as equity-settled. Accordingly, the fair value of the Plan was estimated at the grant date, using the Black-Scholes method. The overall fair value pertaining to the reporting period has therefore been recognised in the income statement. In particular, staff costs at 31 January 2024 attributable to the granting of OVS shares, amounting to €1,043,000, were recognised under the above plan with a balancing entry in shareholders' equity.

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

7.28 Depreciation, amortisation and write-downs of assets

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

	31.01.2024	31.01.2023
Amortisation of intangible assets	19,735	19,981
Depreciation of tangible assets	48,542	46,354
Depreciation of right-of-use assets	158,959	157,876
Write-downs of tangible and intangible assets	5,300	1,538
Total	**232,536**	**225,750**

Due to adoption of the IFRS 16 accounting standard, this item includes depreciation of right of use assets relating mainly to store leases and deposits and to a minor extent to leases on offices, apartments for company use and motor vehicles/other equipment.
For a detailed analysis of changes during the year, see Appendix 2.
It should be noted that the amount relating to write-downs of tangible and intangible assets in the appendices in question has been included in the amounts shown in the "Disposals" and "Write-downs" columns.
Write-downs refer to assets written down due to store closures that have already taken place or are planned, and/or any results of impairment testing on stores.

7.29 Other operating expenses

SERVICE COSTS

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

	31.01.2024	31.01.2023
Advertising	34,550	32,681
Utilities	43,689	52,849
Miscellaneous sales costs	68,415	67,548
Professional and advisory services	28,875	27,604
Travel and other staff expenses	14,545	11,969
Insurance	3,625	3,751
Maintenance, cleaning and security	38,006	37,423
Other services	1,694	1,879
Remuneration of the Board of Statutory Auditors/Supervisory Board	272	249
Total	**233,671**	**235,953**

COSTS FOR THE USE OF THIRD-PARTY ASSETS

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

	31.01.2024	31.01.2023
Rental costs and ancillary charges	33,383	33,862
Leasing of plant, equipment and vehicles	5,117	4,350
Total	**38,500**	**38,212**

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

WRITE-DOWNS AND PROVISIONS

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

	31.01.2024	31.01.2023
Doubtful accounts	1,759	1,200
Provisions for risk	1,045	(800)
Total	**2,804**	**400**

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

OTHER OPERATING CHARGES

Other operating charges break down as follows:

	31.01.2024	31.01.2023
Materials and equipment for offices and points of sale	5,429	6,718
Taxes	6,592	9,647
Capital losses	1,025	364
Charitable donations	637	621
Corporate expenses	733	620
Other general and administrative costs	799	723
Other operating expenses	3,219	3,837
Total	**18,434**	**22,530**

The "Other operating expenses" item mainly comprises €1,628,000 relating to rebates, fines and rounding liabilities and €71,000 for discounts on partner goods distributed to customers during special events; the same item also includes transactional agreements with lessors and suppliers for €585,000, and miscellaneous reimbursements for expenses.

7.30 Financial income (expenses)

FINANCIAL INCOME

	31.01.2024	31.01.2023
Financial income on bank current accounts	140	28
Financial income from miscellaneous sources	796	421
Income from financial lease assets	145	351
Total	**1,081**	**800**

FINANCIAL EXPENSES

	31.01.2024	31.01.2023
Financial expenses on bank current accounts	7	3
Financial expenses on loans	13,195	8,890
Expenses from finance lease liabilities	41,133	39,578
Interest cost on provision for employee severance benefits	929	210
Other financial expenses/fees	4,497	5,174
Total	**59,761**	**53,855**

Other financial expenses on loans mainly include fees associated with existing loans.
With regard to the financial income/expenses for leases due to adoption of IFRS 16, please see the extensive comments in the sections above.
The weighted average IBR applied in 2023 was 5.98%.

FOREIGN EXCHANGE GAINS AND LOSSES

	31.01.2024	31.01.2023
Foreign exchange gains	5,184	61,724
Foreign exchange losses	(10,572)	(18,979)
Gains (losses) on changes in fair value on forward derivatives	9,450	(24,414)
Total	**4,062**	**18,331**

GAINS (LOSSES) FROM EQUITY INVESTMENTS

	31.01.2024	31.01.2023
Gains (losses) from equity investments	0	(7)
Total	**0**	**(7)**

7.31 Taxes

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

	31.01.2024	31.01.2023
IRES Italian companies	15,630	2,331
IRAP Italian companies	6,820	4,009
Taxes of foreign companies	501	561
Deferred taxes (net change)	(3,029)	9,646
Total	**19,922**	**16,547**

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

(thousands of euro)	31.01.2024	%	31.01.2023	%
Net result for the year before tax	72,296		56,119	
Theoretical income tax (IRES)	(17,351)	(24.0)%	(13,469)	(24.0)%
IRAP	(6,820)	(9.4)%	(4,009)	(7.1)%
Tax effect of permanent differences and other differences	4,249	5.9%	931	1.7%
Taxes	**(19,922)**		**(16,547)**	
Effective tax rate		**(27.6)%**		**(29.5)%**

The effective tax expense for 2023 was 27.6% (an improvement on 29.5% in 2022) and differs from the theoretical tax expense due to the impact of IRAP expense on earnings before tax, partially mitigated by some permanent items reducing net taxable income.

7.32 Earnings per share

The share capital is divided into 290,923,470 shares with no par value.
The calculation of earnings per share shown in the following table is based on the ratio of earnings attributable to the Group to the weighted average number of shares of OVS S.p.A. outstanding in the year, net of treasury shares held (29,038,201 shares, equal to 9.9814% of the share capital), weighted for the period of ownership.

	31.01.2024	31.01.2023
Result for the year (in thousands of euro)	52,303	39,202
Number of ordinary shares at end of year	290,923,470	290,923,470
Average weighted number of shares outstanding for the calculation of basic earnings per share	270,413,326	283,258,689
Basic earnings per share (in euro)	**0.193**	**0.138**
Diluted earnings per share (in euro)	**0.190**	**0.139**

Diluted earnings per share were essentially in line with basic earnings per share, since at 31 January 2024 the dilutive effects of the various stock option plans (see note 7.27 above for details) were not material.

8. Relations with related parties

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

(thousands of euro)	Related parties: Centomilacandele S.c.p.a. in liquidation	Related parties: Directors and executives with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Trade payables					
At 31 January 2024	47	0	47	(400,632)	(0.0)%
At 31 January 2023	47	0	47	(393,198)	(0.0)%
Other current payables					
At 31 January 2024	0	(2,417)	(2,417)	(173,674)	1.4%
At 31 January 2023	0	(8,630)	(8,630)	(170,923)	5.0%

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

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

(thousands of euro)	Related parties: Centomilacandele S.c.p.a. in liquidation	Related parties: Directors and executives with strategic responsibilities	Total	Total balance sheet item	Percentage of balance sheet item
Year ended 31 January 2024					
Revenues	0	0	0	1,535,166	0.0%
Other operating income and revenues	0	0	0	95,614	0.0%
Purchases of raw materials, consumables and goods	0	0	0	(665,748)	0.0%
Staff costs	0	(7,556)	(7,556)	(312,173)	2.4%
Service costs	(128)	0	(128)	(233,671)	0.1%
Costs for the use of third-party assets	0	0	0	(38,500)	0.0%
Write-downs and provisions	0	0	0	(2,804)	0.0%
Other operating charges	0	0	0	(18,434)	0.0%
Financial income	0	0	0	1,081	0.0%
Financial expenses	0	0	0	(59,761)	0.0%
Gains (losses) from equity investments	0	0	0	0	0.0%

At 31 January 2023, the OVS Group's economic relations with related parties were as follows:

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

The cash flows shown in the following table represent the actual payments and receipts registered with related parties in 2023 (or until the time when the related party qualification ended), rather than changes during the year in the item in the financial statements to which they relate:

(thousands of euro)	Related parties: Centomilacandele S.c.p.a. in liquidation	Related parties: Directors and executives with strategic responsibilities	Total	Total cash flow from the cash flow statement	Percentage of balance sheet item
Year ended 31 January 2024					
Cash flow generated (absorbed) by operating activities	(128)	(13,432)	(13,560)	314,278	(4.3)%
Cash flow generated (absorbed) by investment activities	0	0	0	(94,010)	0.0%
Cash flow generated (absorbed) by financing activities	0	0	0	(220,497)	0.0%
Year ended 31 January 2023					
Cash flow generated (absorbed) by operating activities	0	(8,154)	(8,154)	262,770	(3.1)%
Cash flow generated (absorbed) by investment activities	0	0	0	(79,766)	0.0%
Cash flow generated (absorbed) by financing activities	0	0	0	(220,135)	0.0%

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

9. Information on operating segments

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

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

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

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

With regard to the Group's invested capital, however, it should be noted that this is managed synergistically between all the divisions at the central level: therefore, management does not consider a view of capital by brand to be representative.

(thousands of euro)	31 January 2024 OVS	UPIM	Other businesses	Total	31 January 2023 OVS	UPIM	Other businesses	Total
Revenues by segment	**1,140,088**	**350,303**	**45,167**	**1,535,558**	1,125,071	**345,522**	**42,126**	**1,512,719**
Adjusted EBITDA	**152,584**	**34,595**	**(4,975)**	**182,204**	149,197	**33,998**	**(3,024)**	**180,171**
% of revenues	**13.4%**	**9.9%**	**(11.0)%**	**11.9%**	13.3%	**9.8%**	**(7.2)%**	**11.9%**
Non-recurring expenses				(3,625)				(6,263)
Forex reclassification				(9,337)				(35,549)
Stock option plan				(1,512)				(1,855)
IFRS 16 effects				191,720				180,096
EBITDA				**359,450**				**316,600**
Depreciation, amortisation and write-downs of assets				(232,536)				(225,750)
Profit before net financial expenses and taxes				**126,914**				**90,850**
Financial income				1,081				800
Financial expenses				(59,761)				(53,855)
Foreign exchange gains and losses				4,062				18,331
Gains (losses) from equity investments				0				(7)
Net result for the year before tax				**72,296**				**56,119**
Taxes				(19,922)				(16,547)
Net result for the year				**52,374**				**39,572**

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 €93,532,000 (€90,300,000 at 31 January 2023) and were granted on behalf of the Group by banks or insurance companies, mainly to guarantee Italian leases.

10.3 Other commitments

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

10.4 Directors' and Statutory Auditors' fees

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

(thousands of euro)	Directors	Auditors
Year ended 31 January 2024	4,738	182
Year ended 31 January 2023	2,028	182

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

(thousands of euro)	Result for the year	Shareholders' equity
Financial statements of OVS S.p.A at 31.01.2024, prepared according to the international reporting standards (IFRSs)	**58,918**	**881,746**
Shareholders' equity and profit for the year of the fully consolidated subsidiaries, net of the carrying amount of the equity investments	17,035	11,836
Elimination of infra-group dividends	(31,209)	0
Elimination of unrealised infra-group results net of the relative tax effect	211	(647)
Exchange rate gains or losses from the translation of financial statements in foreign currencies	0	58
Elimination of inter-company write-downs	7,348	7,797
Non-controlling interests	71	87
Consolidated financial statements of OVS at 31.01.2024, prepared according to the international reporting standards (IFRSs)	**52,374**	**900,877**

10.6 Significant non-recurring events and operations

In accordance with Consob Communication no. DEM/6064293 of 28 July 2006, the Group's results for 2023 were influenced by non-recurring net expenses of €4,760,000.

	31.01.2024	**31.01.2023**
Revenues	393	0
Other operating income and revenues	(87)	(76)
Purchases of raw materials, consumables and goods	286	0
Staff costs	838	342
Depreciation, amortisation and write-downs of assets	2,638	0
Service costs	1,205	4,993
Costs for the use of third-party assets	852	0
Other operating charges	138	1,004
Taxes	(1,503)	(1,503)
Total	**4,760**	**4,760**

Non-recurring charges refer to:

- revenues of €393,000, relating to certain extraordinary bonuses granted to Middle East customers of €740,000, partially offset by revenues of €347,000 from some foreign businesses still considered to be in the start-up phase, and therefore treated as non-recurring to ensure consistency with costs;
- other operating income and revenues of €87,000, purchases of goods of €286,000 and costs for the use of third-party assets of €852,000 relating to start-ups;
- staff costs of €838,000 relating to transactions with employees amounting to €461,000 and one-off costs of €377,000 connected to the start-up phase of some foreign businesses;
- depreciation, amortisation and extraordinary write-downs assets of €2,638,000, related to some partially discontinued Italian and foreign businesses;
- service costs of €1,205,000, mainly relating to residual expenses of €700,000 related to the Covid-19 emergency, one-off costs related to some foreign start-ups of €442,000 and other net one-off costs of €63,000;
- other operating expenses of €138,000, mainly relating to one-off costs connected with the start-up phase of some foreign businesses;
- the tax effect on the above non-recurring items of €1,503,000.

In accordance with the above Consob Communication, it should also be noted that in 2023, no atypical and/or unusual transactions were entered into as defined by the Communication.

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

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

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

The following table, which was prepared pursuant to Article 149-duodecies of the Consob Regulation for Issuers, shows the fees for financial years 2023 and 2022 for auditing services and other services provided by the incumbent independent auditor (KPMG S.p.A. since 2023, while 2022 was the last financial year of PricewaterhouseCoopers S.p.A.), as well as services provided by companies within the same network:

(thousands of euro)	2023	2022 (*)
a) Independent auditor's fees for the provision of auditing services:		
- to Parent Company OVS S.p.A.	240	294
- to subsidiaries (services provided by companies in the KPMG network)	36	33
b) Independent auditor's fees for the provision of services other than auditing:		
- to Parent Company OVS S.p.A. for audit services for the issuance of certification	36 (1)	46 (1)
- to Parent Company OVS S.p.A. for audit services for the issuance of certification (services provided by companies in the KPMG network)	0	10 (2)
- to Parent Company OVS S.p.A. for other services	0	0
c) Fees for entities in the KPMG network for the provision of services:		
- to Parent Company OVS S.p.A.	0	0

(*) The fees relating to 2022, relate to the previous auditor, PricewaterhouseCoopers, which remained in office until the Shareholders' Meeting of 31 May 2023.
(1) These fees relate to "audit-related" services for the limited review of the consolidated Non-Financial Statement and, in 2022, also for tax compliance stamps of various kinds.
(2) These fees relate to activities related to the issue of a certificate on the progress report required annually on the Bond Loan.

11. Significant events after the reporting period

On 5 February 2024, the Italian Competition Authority (AGCM) did not impose any restrictions on the transaction involving the acquisition by OVS S.p.A. of the J. Brand International S.r.l. business unit. As already mentioned, the object of the acquisition is a newly formed company (JB Licenses S.r.l.) to which, at the end of March 2024 as a result of a demerger, J. Brand International S.r.l. transferred the business unit relating to the activity of production of casual clothing under licence, through foreign contractors, and sale to other companies, which then resell the products thus purchased.
On 6 February 2024, the Company signed a letter of intent with the shareholders of Goldenpoint S.p.A., with the aim of developing a possible industrial partnership. Goldenpoint has a sales network of around 380 stores in prestigious locations in major Italian historical centres and shopping centres and generates turnover of nearly €100 million.
The rationale for the deal is to expedite growth in a segment in which OVS already has significant competencies and considerable market share due to sales in its own stores.
The goal of the partnership is to improve Goldenpoint's performance by reinforcing its current product range and achieving synergies by sharing the OVS Group's supply chain as well as developing new stores.
On 2 April 2024, further to the above letter of intent, OVS S.p.A. signed a binding investment agreement with the aim of achieving control, and thus 100% of Goldenpoint S.p.A., in several phases.
The agreement provides for an initial investment of €3 million to subscribe to a convertible bond loan and the acquisition of 3% of Goldenpoint's share capital. By 31 July 2025, OVS S.p.A. will have the option to increase its holding to 51% by converting the loan and exercising a share purchase option against payment of a predetermined price, also payable in treasury shares. The remaining 49% of the share capital may be acquired by OVS through the exercise of put-and-call options in the time window between 1 August 2026 and 31 July 2029.
Thanks to the support of OVS and its incorporation within the Group, Goldenpoint's business plan envisages a significant increase in sales through the enhancement of its commercial offer, particularly in the underwear and accessory categories, and the expansion of the network with larger stores. Once the plan is implemented, partly as a result of improved sourcing and the virtuous effect of operating leverage, strong EBITDA growth and a good contribution to the consolidated results of OVS can be expected.

In any case, the acquisition will not result in significant cash absorption and will be financed entirely using the flows generated by OVS.
Closing is subject to the obtainment of normal regulatory approvals and other conditions typical of such transactions.
On 10 April 2024, an agreement was signed to purchase shares between OVS S.p.A. and J. Brand International S.r.l. under which the Company acquired full control of JB Licenses S.r.l. with effect from 1 April 2024.
Finally, the treasury shares buyback plan continued: since 1 February 2024 to date, the Parent Company has purchased 7,087,317 treasury shares, equal to 2.4361% of the share capital, for a total amount of €16,050,000 and, at the same time, sold on the market 32,764 treasury shares following the exercise of options by certain Beneficiaries of the 2019-2022 Stock Option Plan, which became exercisable on 1 July 2023.
There were no other significant events after 31 January 2024.

12. Appendices to the consolidated financial statements

The following documents contain additional information on the consolidated financial statements for the year ended 31 January 2024.

Appendices:

- n. 1 Property, plant and equipment at 31 January 2024;
- n. 2 Right-of-use assets at 31 January 2024;
- n. 3 Intangible assets at 31 January 2024;
- n. 4 Property, plant and equipment at 31 January 2023;
- n. 5 Right-of-use assets at 31 January 2023;
- n. 6 Intangible assets at 31 January 2023.

APPENDIX 1

PROPERTY, PLANT AND EQUIPMENT

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

		Movements during the year			
	Situation at 31.01.2023	Acquisitions/ Increases	Sales/ disposals	Amortisation/ write-downs	Situation at 31.01.2024
Leasehold improvements					
initial cost	228,370	11,478	(4,112)	0	235,736
write-downs	(88)	0	88	0	0
amortisation	(172,968)	0	2,785	(8,472)	(178,655)
net	**55,314**	**11,478**	**(1,239)**	**(8,472)**	**57,081**
Land and buildings					
initial cost	6,823	0	0	0	6,823
write-downs	0	0	0	0	0
amortisation	(1,951)	0	0	(32)	(1,983)
net	**4,872**	**0**	**0**	**(32)**	**4,840**
Plant and machinery					
initial cost	326,035	40,049	(4,931)	0	361,153
write-downs	(173)	0	173	0	0
amortisation	(247,620)	0	3,691	(13,774)	(257,703)
net	**78,242**	**40,049**	**(1,067)**	**(13,774)**	**103,450**
Industrial and commercial equipment					
initial cost	386,076	27,042	(18,874)	0	394,244
write-downs	(317)	0	317	0	0
amortisation	(283,129)	0	16,799	(22,996)	(289,326)
net	**102,630**	**27,042**	**(1,758)**	**(22,996)**	**104,918**
Other assets					
initial cost	69,835	5,356	(207)	0	74,984
write-downs	0	0	0	0	0
amortisation	(61,098)	0	188	(3,268)	(64,178)
net	**8,737**	**5,356**	**(19)**	**(3,268)**	**10,806**
Assets under construction and payments on account					
initial cost	17,867	8,817	(14,098)	0	12,586
write-downs	0	0	0	0	0
amortisation	0	0	0	0	0
net	**17,867**	**8,817**	**(14,098)** (1)	**0**	**12,586**
Total					
initial cost	1,035,006	92,742	(42,222)	0	1,085,526
write-downs	(578)	0	578	0	0
amortisation	(766,766)	0	23,463	(48,542)	(791,845)
net	**267,662**	**92,742**	**(18,181)** (2)	**(48,542)**	**293,681**

(1) Of this amount, €13,710,000 represents assets under construction at 31.01.2023, reclassified to the specific asset categories in 2023.
(2) Includes €3,763,000 relating to fixed assets disposed of and written down in the period due to the closure of stores.

APPENDIX 2

RIGHT OF USE ASSETS

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

	Situation at 31.01.2023	Movements during the year				Situation at 31.01.2024
		Acquisitions/ Increases	Remeasure-ment	Decreases	Amortisation/ write-downs	
Land and buildings						
initial cost	1,456,141	116,471	2,322	(92,341)	0	1,482,593
write-downs	0	0	0	0	0	0
amortisation	(503,372)	0	0	92,341	(157,458)	(568,489)
net	**952,769**	**116,471**	**2,322**	**0**	**(157,458)**	**914,104**
Plant and machinery						
initial cost	640	0	0	0	0	640
write-downs	0	0	0	0	0	0
amortisation	(237)	0	0	0	(71)	(308)
net	**403**	**0**	**0**	**0**	**(71)**	**332**
Industrial and commercial equipment						
initial cost	3,641	0	0	(14)	0	3,627
write-downs	0	0	0	0	0	0
amortisation	(1,078)	0	0	3	(364)	(1,439)
net	**2,563**	**0**	**0**	**(11)**	**(364)**	**2,188**
Other assets						
initial cost	6,190	1,972	(17)	(756)	0	7,389
write-downs	0	0	0	0	0	0
amortisation	(4,591)	0	0	756	(1,066)	(4,901)
net	**1,599**	**1,972**	**(17)**	**0**	**(1,066)**	**2,488**
Total						
initial cost	1,466,612	118,443	2,305	(93,111)	0	1,494,249
write-downs	0	0	0	0	0	0
amortisation	(509,278)	0	0	93,100	(158,959)	(575,137)
net	**957,334**	**118,443**	**2,305**	**(11)**	**(158,959)**	**919,112**

APPENDIX 3

INTANGIBLE ASSETS

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

	Situation at 31.01.2023	Movements during the year: Acquisitions/ Increases	Sales/ disposals		Amortisation/ write-downs		Situation at 31.01.2024
Rights to industrial patents and intellectual property rights							
initial cost	189,715	11,959	0		0		201,674
write-downs	0	0	0		0		0
amortisation	(162,781)	0	0		(9,945)		(172,726)
net	**26,934**	**11,959**	**0**		**(9,945)**		**28,948**
Concessions, licences and trademarks							
initial cost	518,061	1,444	(2,894)		0		516,611
write-downs	(5,477)	0	1,452		(750)		(4,775)
amortisation	(11,683)	0	157		(1,503)		(13,029)
net	**500,901**	**1,444**	**(1,285)**		**(2,253)**		**498,807**
Assets under construction and payments on account							
initial cost	375	2,796	(226)		0		2,945
write-downs	0	0	0		0		0
amortisation	0	0	0		0		0
net	**375**	**2,796**	**(226)**	(1)	**0**		**2,945**
Other intangible assets							
initial cost	166,847	479	(23)		0		167,303
write-downs	0	0	0		0		0
amortisation	(99,889)	0	20		(8,287)		(108,156)
net	**66,958**	**479**	**(3)**		**(8,287)**		**59,147**
Total							
initial cost	874,998	16,678	(3,143)		0		888,533
write-downs	(5,477)	0	1,452		(750)	(3)	(4,775)
amortisation	(274,353)	0	177		(19,735)		(293,911)
net	**595,168**	**16,678**	**(1,514)**	(2)	**(20,485)**		**589,847**
Goodwill							
initial cost	297,686	0	0		0		297,686
write-downs	0	0	0		0		0
amortisation	0	0	0		0		0
net	**297,686**	**0**	**0**		**0**		**297,686**

(1) Of this amount, €226,000 represents assets under construction at 31.01.2023, reclassified to the specific asset categories in 2023.
(2) Includes €787,000 relating to fixed assets disposed of and written down in the period due to the closure of stores.
(3) Includes €750,000 relating to assets written down after impairment testing of stores.

APPENDIX 4

PROPERTY, PLANT AND EQUIPMENT

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

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

(1) Of this amount, €3,612,000 represents assets under construction at 31.01.2022, reclassified to the specific asset categories in 2022.
(2) Includes €2,059,000 relating to fixed assets disposed of and written down in the period due to the closure of stores.
(3) Includes €578,000 relating to assets written down after impairment testing of stores, already net of write-backs of €43,000 in previous years.
(4) Acquisitions/increases during the year include €200,000 for property, plant and equipment from the GAP Italia business unit acquisition on 01.02.2022.

APPENDIX 5

RIGHT OF USE ASSETS

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

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

(1) Acquisitions/increases during the year include €20,216,000 as the balances for the acquisition of the GAP Italia business unit on 01.02.2022. For further details on the final PPA, see the “Business combinations” section of the notes to the financial statements.

APPENDIX 6

INTANGIBLE ASSETS

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

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

(1) Of this amount, €220,000 represents assets under construction at 31.01.2022, reclassified to the specific asset categories in 2022.
(2) Includes €2,040,000 relating to assets written down after impairment testing of stores, already net of write-backs of €3,095,000 in previous years.

Certification pursuant to rule 154-bis, paragraph 5 of the Legislative Decree No. 58/1998 (Testo Unico della Finanza)

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 no. 58 of 24 February 1998:
   - the adequacy with respect to the characteristics of the company and
   - the effective application of administrative and accounting procedures for the formation of the consolidated financial statements in the period from 1 February 2023 to 31 January 2024.

2. The evaluation of the adequacy of the administrative and accounting procedures used in the preparation of the consolidated financial statements at 31 January 2024 was based on a process defined by OVS S.p.A. consistent with the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (CoSO), which is a generally accepted international framework.

3. Moreover:
   3.1 the consolidated financial statements at 31 January 2024:
      a. have been prepared in compliance with the international accounting standards recognised by the European Union pursuant to (EC) Regulation No 1606/2002 of the European Parliament and of the Council of 19 July 2002, as amended;
      b. correspond to the accounting books and records;
      c. are suitable to provide a true and fair representation of the financial position and results of the Issuer and all the companies included within the scope of consolidation.

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

Mestre, Venice, 17 April 2024

Stefano Beraldo
Chief Executive Officer

Nicola Perin
Financial Reporting Officer

Independent auditor’s report on the consolidated financial statements

KPMG S.p.A.
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(The accompanying translated consolidated financial statements of the OVS Group constitute a non-official version which is not compliant with the provisions of Commission Delegated Regulation (EU) 2019/815. This independent auditors’ report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors’ report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
OVS S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the OVS Group (the “group”), which comprise the statement of financial position as at 31 January 2024, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include material information on the accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the group’s financial position as at 31 January 2024 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the “*Auditors’ responsibilities for the audit of the consolidated financial statements*” section of our report. We are independent of OVS S.p.A. (the “parent”) in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

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

OVS Group
Independent auditors' report
31 January 2024

Recoverability of the carrying amount of goodwill and intangible assets

Notes to the consolidated financial statements: paragraphs "6.10 Intangible assets", "6.11 Goodwill" and "6.12 Impairment testing"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 January 2024 include goodwill of €297.7 million and intangible assets of €589.8 million, €394.2 million of which with an indefinite useful life. Goodwill is allocated entirely to the OVS cash-generating unit ("CGU"), while intangible assets with an indefinite useful life are allocated to the OVS, UPIM and Stefanel CGUs (€377.5 million, €13.3 million and €3.4 million, respectively). The parent's directors tested the carrying amounts of the OVS, UPIM and Stefanel CGUs to which goodwill and the intangible assets are allocated for impairment in order to identify any impairment losses compared to the CGUs' recoverable amount. They calculated the recoverable amount by estimating its value in use using the discounted cash flow model. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective about: • the expected cash flows, calculated by taking into account the general economic performance and that of the group's sector, the actual cash flows for recent years and the projected growth rates; • the financial parameters used to calculate the discount rate. For the above reasons, we believe that the recoverability of the carrying amount of goodwill and intangible assets with an indefinite useful life is a key audit matter.	Our audit procedures included: • understanding the process adopted to prepare the impairment test of the carrying amount of the OVS, UPIM and Stefanel CGUs to which goodwill and intangible assets are allocated; • understanding the process adopted for preparing the 2024 budget and the 2025-2026 projections included in the 2024-2026 three-year plan approved by the parent's board of directors from which the expected cash flows used for impairment testing have been derived; • analysing the reasonableness of the key assumptions used by the parent's directors to prepare the 2024 budget and the 2025-2026 projections included in the 2024-2026 three-year plan; • analysing the criteria used to identify the CGUs and tracing the amount of the CGUs' assets and liabilities to the relevant carrying amounts in the consolidated financial statements; • checking any discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the measurement process adopted; • comparing the cash flows used for impairment testing to the cash flows forecast in the 2024 budget and the 2025-2026 projections included in 2024-2026 three-year plan; • involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information; • checking the sensitivity analysis presented in the notes in relation to the key assumptions used for impairment testing; • assessing the appropriateness of the disclosures provided in the notes about the impairment tests and their compliance with IAS 36.

Measurement of inventories

Note to the consolidated financial statements: paragraph "6.3 Inventories"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 January 2024 include inventories of €461.0 million, net of the allowance for inventory write-down of €56.8 million. Determining the allowance for inventory write-down is a complex accounting estimate, entailing a high level of judgement as it is affected by many factors, including: • the characteristics of the group's business sector; • the subjectivity of the measurement method, which is based on the group's ability to sell its inventories through different sale channels, and of the estimated inventory differences; • the high number and variety of inventory items; • seasonality issues. For the above reasons, we believe that the measurement of inventories is a key audit matter.	Our audit procedures included: • understanding the process for the measurement of inventories and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; • checking any discrepancies between the previous years' forecast and actual inventory write-downs, in order to check the accuracy of the parent's directors' estimation process; • analysing the reasonableness of the assumptions used to measure the allowance for inventory write-down through discussions with the relevant internal departments, checks of the supporting documentation and comparison with historical figures and our knowledge of the group and its operating environment; • analysing the reasonableness of the inventories' net realisable value by checking management reports on sales and expected disposal trends; • assessing the appropriateness of the disclosures provided in the notes about inventories.

Other matters - Comparative figures

The group's consolidated financial statements at 31 January 2023 were audited by other auditors, who expressed their unqualified opinion thereon on 10 May 2023.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in this report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 31 May 2022, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 January 2024 to 31 January 2032.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

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

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements at 31 January 2024 have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

OVS Group
Independent auditors' report
31 January 2024

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

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 January 2024 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 January 2024 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 January 2024 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of OVS S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the consolidated non-financial statement separately.

Verona, 9 May 2024

KPMG S.p.A.

(signed on the original)

Gianluca Zaniboni
Director of Audit

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Separate financial statements of OVS S.p.A.

at 31 January 2024

STATEMENT OF FINANCIAL POSITION
(euro units)

ASSETS	Note	31.01.2024	of which related parties	31.01.2023	of which related parties
Current assets					
Cash and banks	6.1	93,141,912		102,303,737	
Trade receivables	6.2	116,345,133	13,445,014	127,072,790	14,525,876
Inventories	6.3	455,321,651		471,353,119	
Financial assets	6.4	5,444,890		5,685,699	
Financial assets for leases	6.5	816,942		1,931,398	
Current tax assets	6.6	7,189,858		18,643,953	
Other receivables	6.7	23,015,051		16,883,252	
Total current assets		**701,275,437**		**743,873,948**	
Non-current assets					
Property, plant and equipment	6.8	287,214,618		263,991,631	
Right of use assets	6.9	907,665,028		950,564,162	
Intangible assets	6.10	579,705,829		590,704,723	
Goodwill	6.11	297,686,092		297,686,092	
Equity investments	6.13	9,226,741		8,872,546	
Financial assets	6.4	16,052,260	12,279,520	2,032,637	2,032,637
Financial assets for leases	6.5	1,475,596		3,650,178	
Other receivables	6.7	6,884,521		5,492,252	
Total non-current assets		**2,105,910,685**		**2,122,994,221**	
TOTAL ASSETS		**2,807,186,122**		**2,866,868,169**	

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.01.2024	of which related parties	31.01.2023	of which related parties
Current liabilities					
Financial liabilities	6.14	19,512,141		26,486,604	
Financial liabilities for leases	6.15	139,204,640		168,168,705	
Trade payables	6.16	420,663,860	26,572,845	421,673,966	32,314,522
Current tax liabilities	6.17	7,255,420		3,945,488	
Other payables	6.18	169,300,451	2,417,366	169,289,091	8,630,023
Total current liabilities		**755,936,512**		**789,563,854**	
Non-current liabilities					
Financial liabilities	6.14	238,944,240		253,560,306	
Financial liabilities for leases	6.15	849,456,955		868,303,983	
Employee benefits	6.19	27,991,559		27,826,350	
Provisions for risks and charges	6.20	10,432,554		8,055,432	
Deferred tax liabilities	6.21	28,240,494		30,693,574	
Other payables	6.18	14,437,565		10,809,926	
Total non-current liabilities		**1,169,503,367**		**1,199,249,571**	
TOTAL LIABILITIES		**1,925,439,879**		**1,988,813,425**	
SHAREHOLDERS' EQUITY					
Share capital	6.22	290,923,470		290,923,470	
Treasury shares	6.22	(57,383,651)		(26,018,062)	
Other reserves	6.22	589,288,593		588,193,382	
Net result for the year		58,917,831		24,955,954	
TOTAL SHAREHOLDERS' EQUITY		**881,746,243**		**878,054,744**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,807,186,122**		**2,866,868,169**	

INCOME STATEMENT
(euro units)

	Note	31.01.2024	of which related parties	31.01.2023	of which related parties
Revenues	7.23	1,526,336,819	14,029,877	1,507,152,804	15,228,152
Other operating income and revenues	7.24	93,836,066	78,996	90,240,990	214,934
Total revenues		**1,620,172,885**		**1,597,393,794**	
Purchases of raw materials, consumables and goods	7.25	699,863,193	35,859,131	726,685,796	41,717,111
Staff costs	7.26	299,727,122	7,351,978	295,886,117	10,777,850
Depreciation, amortisation and write-downs of assets	7.28	227,744,801		221,935,247	
Other operating expenses					
Service costs	7.29	229,793,469	1,023,339	232,538,800	402,984
Costs for the use of third-party assets	7.29	36,295,913		37,114,422	
Write-downs and provisions	7.29	2,745,000		400,000	
Other operating charges	7.29	17,011,915	(304,299)	21,378,679	(211,441)
Profit before net financial expenses and taxes		**106,991,472**		**61,454,733**	
Financial income	7.30	1,577,856	500,739	865,573	66,932
Financial expenses	7.30	(59,028,095)		(53,321,411)	
Foreign exchange gains and losses	7.30	4,992,720		16,341,091	
Gains (losses) from equity investments	7.30	23,027,159	23,027,159	15,022,504	15,029,464
Net result for the year before tax		**77,561,112**		**40,362,490**	
Taxes	7.31	(18,643,281)		(15,406,536)	
Net result for the year		**58,917,831**		**24,955,954**	

STATEMENT OF COMPREHENSIVE INCOME
(thousands of euro)

	Note	31.01.2024	31.01.2023
Net result for the year (A)		**58,918**	**24,956**
Other gains (losses) that will not be subsequently reclassified in the income statement:			
- Actuarial gains (losses) for employee benefits	6.19-6.22	(1,510)	3,588
- Tax on items recognised in the reserve for actuarial gains (losses)	6.21-6.22	362	(861)
Total other comprehensive gains (losses) that will not be subsequently reclassified in the income statement		**(1,148)**	**2,727**
Total other items of comprehensive income (B)		**(1,148)**	**2,727**
Total comprehensive income for the period (A) + (B)		**57,770**	**27,683**

STATEMENT OF CASH FLOWS
(thousands of euro)

	Note	31.01.2024	31.01.2023
Operating activities			
Net result for the year		58,918	24,956
Provision for taxes	7.32	18,643	15,407
Adjusted for:			
Net depreciation, amortisation and write-downs of fixed assets, including for leases	7.28	227,745	221,935
Net capital (gains) losses on fixed assets, including for leases		(60)	(817)
Write-downs of equity investments	7.30	7,335	4,091
Losses (gains) from equity investments	7.30	(30,362)	(19,120)
Net financial expenses (income) including for leases	7.30	57,449	52,462
Expenses (income) from foreign exchange differences and currency derivatives	7.30	4,458	(40,755)
Loss (gain) on derivatives due to change in fair value	7.30	(9,450)	24,414
Allocations to provisions	6.19-6.20	1,045	1,109
Utilisation of provisions	6.19-6.20	(3,563)	(5,469)
Cash flows from operating activities before changes in working capital		**332,158**	**278,213**
Cash flow generated by change in working capital	6.2-3-6-7-16-17-18-21	14,227	(15,800)
Taxes paid		(6,271)	(10,479)
Net interest received (paid) including for leases		(59,551)	(47,989)
Realised foreign exchange differences and cash flows from currency derivatives		(4,566)	34,640
Other changes		1,511	1,779
Cash flow generated (absorbed) by operating activities		**277,508**	**240,364**
Investment activities			
(Investments in) fixed assets	6.8-6.10-6.11	(84,799)	(76,142)
Disposals of fixed assets	6.8-6.10-6.11	1,470	69
(Increase) decrease in equity investments	6.13	(5,065)	(3,980)
Dividends received		30,362	19,120
Cash in (out) after business combinations during the year		0	731
Cash flow generated (absorbed) by investment activities		**(58,032)**	**(60,202)**
Financing activities			
Net change in financial assets and liabilities	6.4-6.14	(25,632)	(58,071)
(Repayment) of lease liabilities/collection of lease assets	6.5-6.15	(155,153)	(123,677)
Increase in share capital and reserves	6.22	0	0
Buy-back of treasury shares	6.22	(31,366)	(24,522)
Distribution of dividends		(16,487)	(11,330)
Cash flow generated (absorbed) by financing activities		**(228,638)**	**(217,600)**
Increase (decrease) in cash and cash equivalents		**(9,162)**	**(37,438)**
Cash and cash equivalents at start of period		**102,304**	**139,742**
Cash and cash equivalents at end of period		**93,142**	**102,304**

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

	Share capital	Share premium reserve	Legal reserve	Reserve for treasury shares
Balances at 1 February 2022	**290,923**	**528,678**	**11,679**	**(1,496)**
- Appropriation of earnings for financial year 2021	0	0	2,496	0
- Distribution of dividends	0	0	0	0
- Buy-back of treasury shares	0	0	0	(24,522)
- Management incentive plans	0	0	0	0
Transactions with shareholders	**0**	**0**	**2,496**	**(24,522)**
- Net result for the year	0	0	0	0
- Other items of comprehensive income	0	0	0	0
Total comprehensive income for the period	**0**	**0**	**0**	**0**
Balances at 31 January 2023	**290,923**	**528,678**	**14,175**	**(26,018)**
Balances at 1 February 2023	**290,923**	**528,678**	**14,175**	**(26,018)**
- Appropriation of earnings for financial year 2022	0	0	1,248	0
- Distribution of dividends	0	0	0	0
- Buy-back of treasury shares	0	0	0	(31,366)
- Management incentive plans	0	0	0	0
Transactions with shareholders	**0**	**0**	**1,248**	**(31,366)**
- Net result for the year	0	0	0	0
- Other items of comprehensive income	0	0	0	0
Total comprehensive income for the period	**0**	**0**	**0**	**0**
Balances at 31 January 2024	**290,923**	**528,678**	**15,423**	**(57,384)**

Reserve for actuarial gains (losses)	IFRS 2 reserve	Retained earnings	Net result for the year	Total shareholders' equity
(3,793)	**8,987**	**(442)**	**49,925**	**884,461**
0	0	47,429	(49,925)	0
0	0	(11,422)	0	(11,422)
0	0	0	0	(24,522)
0	2,054	(199)	0	1,855
0	**2,054**	**35,808**	**(49,925)**	**(34,089)**
0	0	0	24,956	24,956
2,727	0	0	0	2,727
2,727	**0**	**0**	**24,956**	**27,683**
(1,066)	**11,041**	**35,366**	**24,956**	**878,055**
(1,066)	**11,041**	**35,366**	**24,956**	**878,055**
0	0	23,708	(24,956)	0
0	0	(24,224)	0	(24,224)
0	0	0	0	(31,366)
0	1,509	2	0	1,511
0	**1,509**	**(514)**	**(24,956)**	**(54,079)**
0	0	0	58,918	58,918
(1,148)	0	0	0	(1,148)
(1,148)	**0**	**0**	**58,918**	**57,770**
(2,214)	**12,550**	**34,852**	**58,918**	**881,746**

Company information

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

Legal details of the Parent Company
Authorised share capital €321,042,500.00
Subscribed and paid-up share capital €290,923,470.00

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

Activities of the Parent Company
OVS S.p.A. is the leading player in the Italian women's, men's and children's clothing market, with a market share of over 9%. It has over 2,200 stores in Italy and abroad, operating under the OVS, UPIM, PIOMBO and STEFANEL brands. The Company has been listed on Borsa Italiana since March 2015.

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


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