GROUP

2017 HALF-YEAR REPORT

DIRECTORS' REPORT

BASICNET GROUP CONDENSED HALF-YEAR FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Capitale Sociale Euro 31.716.672,04 i.v.
R.E.A. 631153 della C.C.I.A.A. di Torino
Numero Registro Imprese Torino
Partita I.V.A. e Codice Fiscale 04413650013

CORPORATE BOARDS of BasicNet S.p.A.

Board of Directors

Marco Daniele Boglione	**Chairman**
Daniela Ovazza Franco Spalla	**Vice Chairmen**
Giovanni Crespi	**Chief Executive Officer**
Paola Bruschi Paolo Cafasso Elisa Corghi [(1)] Alessandro Gabetti Davicini Renate Marianne Hendlmeier [(1)] Adriano Marconetto [(1)] Carlo Pavesio Elisabetta Rolando	**Directors**

[(1)] Independent Directors

Remuneration Committee

Carlo Pavesio	**Chairman**
Adriano Marconetto Daniela Ovazza Renate Marianne Hendlmeier	

Control and Risks Committee

Renate Marianne Hendlmeier	**Chairman**
Elisa Corghi Adriano Marconetto	

Board of Statutory Auditors

Maria Francesca Talamonti	**Chairman**
Sergio Duca Alberto Pession	**Standing Auditors**
Giulia De Martino Maurizio Ferrero	**Alternate Auditors**

Independent Audit Firm

EY S.p.A.

DIRECTORS' REPORT

H1 2017: strong Licensee Network sales of Euro 373 million, up 3.5% on 2016. Royalties and sourcing commissions of Euro 24.4 million (+5.3%). Ongoing consumer market challenges and reassessment of Superga® brand distribution impacts Italian market (-4.7%).

Brand portfolio extended with acquisition of Briko®

Key Performance Indicators:

- *aggregate sales* of Group products by the global Licensee Network:
  - commercial licensees of Euro 267 million (Euro 257.4 million in H1 2016, +3.7%) and,
  - productive licensees of Euro 105.9 million (Euro 102.8 million in H1 2016, +3%);

  totalling Euro 372.9 million (Euro 360.2 million in 2016, +3.5%);
- strong international market third-party licensee sales of Euro 207.4 million (+6.2% on H1 2016);
- continued American market (+24.4%) and European market (+8.5%) development, while the Asian and Middle Eastern markets contract amid major political instability;
- royalties and sourcing commissions up 5.3% to Euro 24.4 million (Euro 23.1 million in the first half of 2016);
- sales of the investee BasicItalia S.p.A., its subsidiary BasicRetail S.r.l. and marginally sample sales of BasicNet S.p.A. amount to Euro 60.1 million, compared to Euro 63.1 million in 2016 (-4.7%). Retail plug@sell sales (Group mono-brand stores and outlets in Italy) up 1%;
- as a result, consolidated revenues - including royalties and sourcing commissions in addition to sales - amount to Euro 84.5 million (Euro 86.2 million in 2016);
- *sponsorship and communication* spend in support of the Brands continues, up Euro 0.4 million (from Euro 12 million in 2016 to Euro 12.4 million in 2017);
- *EBITDA* of Euro 8.5 million (Euro 10 million in H1 2016), reflecting the Italian market commercial performance;
- *EBIT* of Euro 5.4 million (Euro 7.1 million in H1 2016);
- *earnings before taxes* (EBT) of Euro 4.9 million (Euro 6.8 million in H1 2016);
- *net profit* of Euro 3.5 million (Euro 5.1 million in 2016);
- *net debt* of Euro 50.5 million, compared to Euro 49.5 million at December 31, 2016. During the period, treasury shares were acquired for Euro 0.8 million and dividends paid of Euro 3.3 million.

In relation to the "alternative performance indicators", as defined by the ESMA/2015/1415 guidelines, we provide below a definition of the indicators used in the present Interim Directors' Report, as well as their reconciliation with the condensed half-year financial statement items:

- ***Commercial licensee aggregate sales:*** sales by commercial licensees, recognised by the BasicNet Group to the "royalties" account of the income statement;
- ***Productive licensee aggregate sales:*** sales by sourcing centers, recognised by the BasicNet Group to the "sourcing commissions" account of the income statement;
- ***EBITDA:*** "operating result" before "amortisation and depreciation" and "write-downs and other provisions";
- ***Consolidated revenues*** the sum of royalties, sourcing commissions and sales of the subsidiaries BasicItalia S.p.A. and BasicRetail S.r.l. and of the parent company BasicNet S.p.A.
- ***EBIT:*** "operating result";
- ***Contribution margin on direct sales:*** "gross profit";
- ***Net debt:*** total of current and medium/long-term financial payables, less cash and cash equivalents and other current financial assets.

FIRST HALF OPERATIONAL OVERVIEW AND EVENTS

New loans

In February, the subsidiary BasicItalia S.p.A. agreed a loan with Banco BPM of four-year duration for Euro 2 million, repayable in quarterly instalments and in support of retail sector investment.

Briko® Brand

In June, BasicNet S.p.A exercised early its purchase option over the Briko brand, as per the exclusive global distribution license for all Briko® brand products signed on March 18, 2016 and concluding on June 30, 2019. Early exercise reduced the final payment to be calculated on conclusion of the license in 2019 based on revenue levels. The acquisition will be formalised in August, with an advance payment of Euro 1 million out of an estimated final price of Euro 1.7 million.

Lanzera® Brand

In June, the subsidiary Basic Properties America Inc. sold the Lanzera® brand. The sale of the Brand, which no longer features within the Group's strategic plans, generated a gain of Euro 203 thousand.

Commercial operations

The actions taken to develop the international presence of the Brands in H1 2017 included:

- for the Kappa® and Robe di Kappa® brands, commercial operations focusing on the renewal of expiring contracts, including Singapore, Indonesia, Malaysia, Austria, Hungary, Malta and Cuba, and for the Italian market safetywear and sleepwear;
- for the Superga® brand, a new license was agreed for the territory of Mauritius and in Italy for the distribution of watches. The agreements for Chile, Greece, Cuba and Italy were renewed for sandals, underwear and sleepwear. In addition, the licensee for Albania, Bosnia- Herzegovina, Macedonia, Montenegro, Serbia, Kosovo and Slovenia was replaced;
- for the K-Way® brand, new licenses were agreed for the territories of Albania, Bosnia- Herzegovina, Macedonia, Montenegro, Serbia, Kosovo, Slovenia, Greece, Sweden, Denmark and Finland. The distribution contracts for Japan, South Korea and Great Britain were in addition renewed;
- for the Briko® brand, new licenses were signed for the territories of Austria, Germany and South Korea.

New Kappa® labels

In spring 2017, the new "Kappa Kontroll" line was launched - featuring urban reinterpretations of iconic sportswear: TO80 inspired by the Juventus jersey, sponsored by Kappa® in 1980 – the first in Italy – and LA84 a street version of the US Athletics team kit, who wore Kappa® at the 1984 Los Angeles Olympics.

Group brand sales points

The development of the retail channel continued with new openings by licensees of mono-brand stores K-Way® and Superga®. We highlight the opening of the first K-Way® store in London (Covent Garden).

Following the new openings, Kappa® and Robe di Kappa® mono-brand stores and shop in shops opened by licensees globally number 948 (of which 110 in Italy), with Superga® mono-brand stores and shop in shops totalling 295 (of which 67 in Italy), along with 41 K-Way® sales points (of which 28 in Italy).

Sponsorship and communication

Kappa® & Robe di Kappa® Brands

For the Kappa® brand, major sponsorship activity continued both domestically and internationally. Specifically:

- new football sponsorships were signed with: Racing Club de Avellaneda by the Argentinian licensee, and Football Club de Lorient by the French licensee. In Australia, the licensee signed a four-year sponsorship with the Queensland football and a five-a-side association. Finally, a four-year agreement was signed, under the Kombat™ Ball label, for the supply of footballs to the 22 Serie B teams and for the B Italia team kit, formed by Under-21 Italian footballers playing for Serie B teams;
- for winter sports, the FISI (Italian Winter Sport Federation) sponsorship was in addition renewed. Thanks to the new agreement and following Sochi 2014, the Kappa® brand will participate at the Pyeongchang 2018 and Beijing 2022 Olympic Games. The recently concluded winter season delivered strong World Cup results, with Peter Fill winning the downhill for the second consecutive year, wearing a Kappa® FISI Kombat™ 2017 with Vacuum System technology ski suit and a Briko® helmet and eyewear, with gold in the women's sledding and a bronze at skiing World Cup in St. Moritz (Sofia Goggia);
- In South Korea, where baseball is among the most popular sports, the licensee signed a sponsorship contract for the next three years with the team Lotte Giants.

Two new co-branding initiatives were also undertaken, with the Argentinian Marcelo Burlon, who reinterpreted the 222 Band tracksuits and a number of denim pieces for a new Kappa® spring-summer 2018 capsule collection, and with the Russian designer, photographer and videomaker Gosha Rubchinskiy, presenting a number of historic Kappa® pieces in his new SS 2017 collection at the Pitti event last June.

Superga® Brand

For the Superga® brand, co-branding with the Russian designer Gosha Rubchinskiy continued, with the bloggers Lizzy van der Ligt and Fahrman Sofi, the *Patternity* studio of London, Germany's most famous fashion blogger Caro Daur and Ivan Lendl - the tennis star who presented the new Sport Lendl Superga® sneakers: an identical model to the ones he wore in countless victories during his career.

K-Way® Brand

Two new co-brandings with the Dsquared and Jacadi brands were launched.

Briko® Brand

The Bardiani CSF team wore Briko® eyewear and helmets at the 100th Giro d'Italia.

FINANCIAL PERFORMANCE OVERVIEW

The key financial highlights are reported below:

BasicNet Group Key Financial Highlights

(In Euro thousands)	H1 2017	H1 2016	Changes	%
Group Brand Aggregate Sales by the Network of commercial and productive licensees (*)	**372,858**	**360,195**	**12,663**	**3.5%**
Royalties and sourcing commissions	24,370	23,139	1,231	5.3%
Consolidated direct sales	60,113	63,107	(2,994)	(4.7%)
Contribution margin on net sales	23,579	25,977	(2,398)	(9.2%)
EBITDA (**)	8,484	10,059	(1,575)	(15.7%)
EBIT (**)	5,379	7,109	(1,730)	(24.3%)
Net Profit	3,474	5,081	(1,607)	(31.6%)
Basic earnings per share in circulation	0.0626	0.0903	(0.028)	(30.6%)

(*) *Data not audited*
(**) *For the definition of the performance indicators, reference should be made to paragraph 2 of the present Report*

Commercial and financial analysis

The breakdown of sales and production revenues generated through the global Group licensees was as follows:

(In Euro thousands)	H1 2017	H1 2016	Changes	
Group Brand Licensee Aggregate Sales (*)	**Total**	**Total**	**Total**	**%**
Commercial Licensees	266,970	257,416	9,554	*3.71%*
Productive Licensees (*sourcing centers*)	105,888	102,779	3,109	*3.03%*
Total	**372,858**	**360,195**	**12,663**	***3.52%***

(*) *Data not audited*

The regional breakdown of commercial licensee aggregate sales was as follows:

(In Euro thousands) **Group Commercial Licensee Aggregate Sales (*)**	**H1 2017** Total	%	**H1 2016** Total	%	**Changes** Total	%
Europe	174,782	*65.47*	161,057	*62.57*	13,725	*8.52*
The Americas	24,886	*9.32*	20,008	*7.77*	4,878	*24.38*
Asia and Oceania	42,687	*15.99*	48,544	*18.86*	(5,857)	*(12.06)*
Middle East and Africa	24,615	*9.22*	27,807	*10.80*	(3,192)	*(11.48)*
Total	**266,970**	***100.00%***	**257,416**	***100.00%***	**9,554**	***3.71***

(*) Data not audited

and of the productive licensees:

(In Euro thousands) **Group Productive Licensee Aggregate Sales (*)**	**H1 2017** Total	%	**H1 2016** Total	%	**Changes** Total	%
Europe	14,006	*13.23*	11,202	*10.90*	2,804	*25.03*
The Americas	10,068	*9.51*	11,610	*11.30*	(1,542)	*(13.28)*
Asia and Oceania	81,814	*77.26*	79,950	*77.79*	1,864	*2.33*
Middle East and Africa	-	-	17	*0.02*	(17)	*(100.00)*
Total	**105,888**	***100.00%***	**102,779**	***100.00%***	**3,109**	***3.03***

(*) Data not audited

The revenue breakdown of the principal Brands was as follows:

(Euro thousands)	**H1 2017**		**H1 2016**		**Changes**	
Kappa & Robe di Kappa	177,359	*66.43*	164,313	*63.83*	13,046	*7.94*
Superga	63,341	*23.73*	70,067	*27.22*	(6,726)	*(9.60)*
K-Way	24,139	*9.04*	21,981	*8.54*	2,158	*9.82*

Commercial licensee aggregate sales were up 3.7%, despite continued political and economic instability in certain Asian and Middle Eastern countries.
In greater detail:

- Kappa® and Robe di Kappa® brand revenues grew overall approx. 8%, benefitting also from the brand image boost from the launch of the new medium/high segment line "Kappa Kontroll". Germany (+46%) and Russia (+30%) reported the best European performances. Even markets where commercial partners have recently been replaced saw buoyant performances (the Balkans), with overall European market growth of 12.8%. Strong American market growth (+39.2%) principally follows the full operability of the new Chilean and Paraguayan licenses, major Brazilian and Argentinian sales growth - respectively following the launch of the Racing football team sponsorship and full operability of the Santos sponsorship - and the positive reaction on the North American market to the new "Authentic" label. The Middle Eastern and African markets were affected most by the political instability.

- The Superga® brand saw general growth across all American countries covered by the license. Specifically: Chile +176%, Brazil +86%, Argentina +28% and USA +18%. In Europe, the significant growth on the English (+22%), Northern Europe (+21%), Greek (+20%) and German (+6%) markets partially offset the slowdown in Turkey - which saw sales drop 12% - and the contraction on the Italian market (-22%) related to the restructuring of the customer base and continued domestic demand weakness, resulting in reduced overall sales for the investee BasicItalia. European sales overall decreased 5.2%, only partly recovering the first quarter contraction. The Asian market however slowed on the previous year, mainly due to the Chinese, South Korean and Hong Kong market performances. For the Chinese market, where the local licensee was replaced, a recovery in sales is expected in the second half of 2017. However, the extension of the distribution network supported the performance on the Indonesian, Australian and Taiwanese markets.
- The K-Way® brand reported overall commercial growth of 9.8%. The European market performed particularly strongly (+10.9%), driven by France (+33%), Italy (+9%) and Belgium (+28%). Commercial results in The Americas declined due to the phase out of the North American license, while agreements with a new licensee to operate from 2018 are however being finalised. Asia and Oceania reported growth on the back of the Taiwanese and South Korean markets with the opening of new shop in shops in Seoul and Pangyo department stores.

As a result of increased licensee revenues, ***consolidated royalties*** and ***sourcing commissions***, and therefore not including the royalties of the directly-held Italian licensees, amounted to Euro 24.4 million (+5.3% on the previous year).

Overall ***sales*** were Euro 60.1 million (Euro 63.1 million in H1 2016). As previously stated, the sales contraction principally follows - in addition to consumer numbers which continue to struggle (particularly in the clothing sector) - the distribution network streamlining of the previous year, particularly for the Superga brand and with the sacrifice of certain revenues; the current consumer market has not yet facilitated the recovery of previous revenue levels. Confesercenti figures indicate that at the end of 2016, in the twelve preceding months, the recession particularly hit the clothing retail sector, with 20% of sales points closing compared to the previous year and with a drastic sales reduction of over 40%.

The ***contribution margin*** on sales of Euro 23.6 million contracted approx. 9.2% on H1 2016. The revenue margin was 39.2% (41.2% in 2016). This aggregate includes the "first contribution margin" which decreased approx. 3%, reflecting lower sales volumes, while the revenue margin was up nearly one percentage point on the same period of the previous year (from 43.6% to 44.4%). Indirect sales costs however rose, which in the previous year benefitted from supplier indemnities against contractual non-fulfilment, impacting the entire margin.

Other income of Euro 1.4 million includes rental income and condominium income, in addition to a gain of Euro 203 thousand from the sale of the Lanzera® brand.

Sponsorship and media spend of Euro 12.4 million increased 3.4% on Euro 12 million in H1 2016, due to new communication and media campaigns, confirming the increased focus on brand support.

Personnel costs increased from Euro 9.9 million in H1 2016 to Euro 10.5 million in H1 2017 due to new hires (49 employees more than June 2016), partially undertaken in the second half of the previous year, mainly in the retail area.

Overhead costs, i.e. ***Selling*** and ***general and administrative costs*** and ***royalty expenses*** amounted to Euro 17.9 million, in line with H1 2016.

On the basis of the components outlined above, ***EBITDA*** in the half-year was Euro 8.5 million (Euro 10 million in H1 2016).

EBIT, after ***amortisation and depreciation*** of Euro 3.1 million, totalled approx. Euro 5.4 million, compared to Euro 7.1 million in H1 2016.

Consolidated net financial charges/income, including exchange gains and losses, reported a charge of Euro 433 thousand, compared to Euro 277 thousand in the same period of the previous year. The difference relates to currency movements, reporting net charges of Euro 41 thousand compared to gains of Euro 534 thousand in the previous year, and which in the half year benefitted from the currency hedges agreed in the second half of 2015. Financial charges in service of the debt, amounting to Euro 393 thousand, reduced Euro 420 thousand on 2016 following the reduction of the debt, together with more competitive funding costs.

The ***pre-tax profit*** was Euro 4.9 million, compared to Euro 6.8 million in H1 2016.

The H1 2017 tax charge increased on H1 2016 due to the amount of the benefit deriving from first application of the "patent box" regulation, which included the 2015 portion in the first half of 2016. The rule, as applicable to Group companies, establishes that a part of the potential tax benefit is subject to Tax Agency authorisation through a ruling for which an application has been presented. The benefits from this tax break under consideration are still not apparent, ahead of the conclusion of the Tax Agency process involving the Group companies.

The ***net profit*** of Euro 3.5 million compares to Euro 5.1 million in H1 2016.

Balance sheet overview

The changes in the balance sheet are reported below:

BasicNet Group Condensed Balance Sheet

(Euro thousands)	**June 30, 2017**	**December 31, 2016**	**June 30, 2016**
Property	22,773	23,226	21,548
Brands	35,003	34,103	34,123
Non-current assets	25,396	25,469	25,153
Current assets	121,274	130,392	122,166
Total assets	**204,446**	**213,190**	**202,990**
Group shareholders' equity	92,337	94,880	89,310
Non-current liabilities	24,223	26,430	21,912
Current liabilities	87,886	91,880	91,768
Total liabilities and shareholders' equity	**204,446**	**213,190**	**202,990**

Capital expenditure in H1 2017 amounted to Euro 3.8 million, following IT programme investment (Euro 0.8 million), EDP and furniture and fitting spending (Euro 0.9 million), leasehold improvements, own brand management (Euro 0.3 million) and the acquisition of the Briko® brand (Euro 1.7 million). This latter will be settled through an advance of Euro 1 million in August, with Euro 0.7 million due at June 30, 2019 as the estimated final balance on the basis of the revenues generated in the preceding twelve months.

BasicNet Group Summary Net Financial Position

(Euro thousands)	**June 30, 2017**	**December 31, 2016**	**June 30, 2016**	**Changes 30/6/2017 31/12/2016**	**Changes 30/6/2017 30/6/2016**
Net financial position – Short-term	(31,299)	(27,945)	(28,109)	(3,354)	(3,190)
Financial payables – Medium-term	(17,992)	(19,914)	(16,342)	1,922	(1,650)
Finance leases	(1,226)	(1,600)	(1,531)	374	305
Consolidated Net Financial Position	**(50,517)**	**(49,459)**	**(45,982)**	**(1,058)**	**(4,535)**
Net Debt/Equity ratio (Net financial position/Shareholders' equity)	0.55	0.52	0.51	0.02	0.03

Consolidated net debt, including medium-term loans and finance leases (Euro 1.2 million) and mortgages (Euro 8.8 million), increased from Euro 49.5 million at December 31, 2016 to approx. Euro 50.5 million at June 30, 2017. Dividends were distributed of Euro 3.3 million in the period, with investment of Euro 2.1 million and treasury shares acquired for Euro 0.8 million. In addition, the VAT payable was settled for approx. Euro 10 million.

The Explanatory Notes report a breakdown of the Group net financial position as per Consob requirements.

THE BASICNET SHARE PRICE

The share capital of BasicNet S.p.A. consists of 60,993,602 ordinary shares of a nominal value of Euro 0.52 each.

	30/06/2017	**31/12/2016**	**30/06/2016**
SHARE PRICE INFORMATION			
Net equity per share	1.514	1.556	1.464
Price at period end	3.5800	3.3500	2.8000
Maximum price in the period	4.0000	4.8200	4.8200
Minimum price in the period	3.1500	2.6000	2.6000
Total number of shares	60,993,602	60,993,602	60,993,602
Weighted average number of shares outstanding in the period	55,474,230	56,029,468	56,285,803

The list of parties holding, directly or indirectly, more than 5% of the share capital (the significance threshold established by Article 120, paragraph 2 of Legs. Decree No. 58 of 1998 for BasicNet which is classified as a "Small-Medium sized enterprise" as per Article 1, letter w-quater 1) of Legs. Decree No. 58 of 1998), represented by shares with voting rights, according to the shareholders' register, supplemented by the communications received in accordance with Article 120 of Legislative Decree No. 58 of 1998 and other information held by the company, at the reporting date is as follows:

Shareholders	Holding
Marco Daniele Boglione (*)	33.639%
BasicNet S.p.A.	9.280%
Francesco Boglione (**)	6.275%
Kairos Partners SGR S.p.A.	5.036%

(*) held indirectly through BasicWorld S.r.l. for 33.128% and for the residual 0.511% directly.

(**) held indirectly through Francesco Boglione S.r.l. for 1.719%, with the residual 4.556% held directly.

TREASURY SHARES

The Shareholders' AGM of April 27, 2017 authorised the purchase, on one or more occasions, of a maximum number of ordinary shares at a nominal Euro 0.52 each, which, taking account of those already held by the company, does not exceed the legal limits, for a total amount of not more than Euro 3,500,000.

At June 30, 2017, the Company held 5,657,297 treasury shares (9.28% of the share capital), for a total investment of Euro 12.7 million.

At the present date, 5,657,297 treasury shares are held, comprising 9.28% of the share capital, for a total investment of Euro 12.7 million and a value, at current stock market prices, of approx. Euro 22 million.

THE GROUP AT A GLANCE

The BasicNet Group operates in the causal and sportswear leisurewear, footwear and accessories sector through the brands Kappa®, Robe di Kappa®, K-Way®, Superga®, Briko®, Jesus®Jeans and Sabelt®.

Group activities involve driving brand enhancement and product distribution through a global network of licensees. This business network is defined as the "*Network*". And from which the name BasicNet derives. The Network of licensees encompasses all key markets worldwide.

The Basic Group brands form part of the informal and casual clothing sector, which has experienced significant growth since the 1960's and continues to develop with the "liberalisation" of clothing trends.

HUMAN RESOURCES

At June 30, 2017, the Group headcount was 567, as follows:

	Human resources at June 30, 2017				Human resources at December 31, 2016			
Category	Number		Average age		Number		Average age	
	Men / Women	Total	Men / Women	Average	Men / Women	Total	Men / Women	Average
Executives	18 / 10	28	47 / 50	48	18 / 10	28	46 / 49	47
White-collar	148 / 362	510	35 / 36	35	147 / 348	495	34 / 35	35
Blue-collar	16 / 13	29	43 / 42	42	13 / 10	23	46 / 43	45
Total	182 / 385	567	36 / 36	36	178 / 378	546	35 / 35	36

Source: BasicGuys.com

PRINCIPAL RISKS AND UNCERTAINTIES

The BasicNet Group is subject to a variety of strategic, market and financial risks, as well as general business operational risks.

Strategic risks

These risks arise from factors that may comprise the value of the trademarks that the Group implements through its Business System. The Group requires the capacity to identify new business opportunities and markets and appropriate licensees for each market. The Group monitors the activities of its licensees and detects any problems on-line in the management of the brands in the various regions. However, as the commercial license contracts usually establish the advance payment of guaranteed minimum royalties, economic conditions on certain markets may impact the financial capacity of certain licensees, temporarily reducing royalties, particularly where such licensees had previously exceeded the guaranteed minimums.

Risks associated with economic conditions

The Group retains that its Business System has the flexibility needed to swiftly respond to changes in customers' tastes and to limited and localised consumer slowdown. However, the Group may be exposed to economic crisis and social and general unrest, which may impact on consumer trends and the general economic outlook.

Currency risk

The Group is exposed to currency risk on merchandise purchases or royalty income from commercial licensees and sourcing center commissions not within the Eurozone. These transactions are mainly in US Dollars and marginally in UK Sterling and Japanese Yen.
The risks on fluctuations of the US Dollar on purchases are measured, preliminary, in the preparation of the budgets and finished products price lists, so as to adequately cover the impact of these fluctuations on sales margins.
Subsequently, royalty income and sourcing commissions from sales are utilised to cover purchases in foreign currencies, within the normal activities of the Group centralised treasury management.
For the foreign currency purchases not covered by foreign currency receipts, or in the case of significant time differences between receipts and payments, forward purchase and sales contracts (flexi-term) are underwritten.
The Group does not undertake derivative financial instruments for speculative purposes.

Credit risk

Group trade receivables derive from royalty income, Sourcing Center commissions and sales of final products.

Royalty trade receivables are largely secured by bank guarantees, corporate sureties, letters of credit, guarantee deposits, or advance payment, provided by licensees.
Souring commission receivables are covered by the payables of the subsidiary company BasicItalia S.p.A. to the sourcing centers.
Receivables from Italian footwear and apparel retailers within the subsidiary BasicItalia S.p.A. are monitored continually by the credit department of the company alongside specialised legal recovery firms and regional credit bodies throughout the country, commencing from the customer order. Receivables from franchising brand stores are settled weekly in line with sales and do not present substantial insolvency risk.

Liquidity risk
The sector in which the Group operates is exposed to seasonal factors, which impact upon the timing of goods procurement compared to sales, in particular where the products are acquired on markets with favourable production costs and where the lead times are however much longer. These seasonal factors also impact upon the Group's financial cycle of the commercial operations on the domestic market.
Short-term debt to finance working capital needs comprises "import financing" and "self-liquidating bank advances" secured by the order backlog. The Group manages the liquidity risk through close control on operating working capital with specific attention on inventories, receivables, trade payables and treasury management, with real-time operational reporting indicators or, for some information, at least on a monthly basis, reporting to Senior Management.

Interest rate risk
The interest fluctuation risks of some medium-term loans were hedged with conversion of the variable rate into fixed rates (swaps).

Risks relating to legal and tax disputes
The Group may be involved in legal and tax disputes, concerning specific issues and in various jurisdictions. Considering the uncertainties relating to these issues, it is difficult to predict with precision any future payments required. In addition, the Group has instigated legal action for the protection of its Trademarks, and of its products, against counterfeit products. The cases and disputes against the Group often derive from complex legal issues, which are often subject to varying degrees of uncertainty, including the facts and circumstances relating to each case, jurisprudence and different applicable laws.
In the normal course of business, management consults with its legal consultants and experts in fiscal matters. The Group accrues a liability against disputes when it considers it is probable that there will be a financial payment made and when the amount of the losses arising can be reasonably estimated.
At the beginning of March 2017, the Finance Police began an ordinary tax audit on BasicNet, which will concern the direct and indirect tax declarations from the year 2012.
The principal disputes involving the Group are described in Explanatory Note 44 of the Consolidated Financial Statements and are summarised below.

– *A.S. Roma contract termination*

The dispute was taken by BasicItalia S.p.A. against A.S. Roma S.p.A. and Soccer S.a.s. Brand Management S.r.l., which on November 23, 2012 communicated the unilateral advance resolution of the team sponsorship, agreed with duration until June 30, 2017, for presumed non-compliance and, in particular, defects in the materials supplied. BasicItalia S.p.A., considering the reasons for the resolution unfounded, instigated an ordinary court procedure requesting compensation for significant damage incurred.

A.S. Roma S.p.A. and Soccer S.a.s. appealed against the request of BasicItalia S.p.A. and counterclaimed requesting compensation for presumed damage. On May 26, the Court-appointed Technical Expert's findings (CTU) were considered. On this occasion, BasicItalia S.p.A., citing the conclusions of the CTU, underlined that no evidence exists of defective materials provided by Basic subsequent to the reconditioning carried out in accordance with the contract, arguing therefore the unlawful resolution by A.S. Roma and Soccer and requesting the undertaking of the accounting consultancy for the quantification of damages. A.S. Roma and Soccer, challenging BasicItalia S.p.A.'s interpretation of the technical consultant's report, requested testimonial evidence from the team's players, in addition to technical accounting consultancy for

the assessment of alleged damages. The judge, releasing the reserve established by the hearing, rejected the applications of the parties, referring the case to a subsequent hearing for assessment upon the need for additional investigations. The hearing for the statement of conclusions was fixed for September 15, 2017.
In addition, BasicItalia S.p.A. began proceedings against Soccer S.a.s., a debtor of BasicItalia S.p.A., for the provision of goods related to the sponsorship and against which an injunction against Soccer S.a.s. was issued on January 22, 2013. Against the opposition of Soccer S.a.s., an ordinary case, currently in the investigatory phase, was opened; currently, the opinions of the Court Appointed Expert and the Court Technical Assistant are being drawn up, while the hearing for the examination of findings has been fixed for December 15, 2017.

In addition, following the above termination of the contract, A.S. Roma sought to enforce payment of the surety granted by BNL S.p.A. in favour of BasicItalia S.p.A. for a maximum amount of Euro 5.5 million which guaranteed commitments undertaken by BasicItalia S.p.A. under the sponsorship agreement. Following the non-payment by BNL S.p.A., A.S. Roma petitioned the Rome Court to enforce a payment order against BNL for the full guaranteed amount. As a result of this procedure, in which BasicItalia S.p.A. (together with the parent company BasicNet S.p.A.) was joined as a party by BNL, the Rome Court, with judgement of December 7, 2013, rejected all applications by A.S. Roma, considering the enforcement illegitimate. This sentence was not challenged by A.S. Roma and the sentence is final.

On December 20, 2013, A.S. Roma again requested payment of the above-mentioned surety and, following the refusal of BNL to meet this new request, presented an appeal before the Rome Court on February 20, 2014. With judgement of December 15, 2014, the Rome Court rejected all requests made by A.S. Roma. A.S. Roma appealed against this decision before the Rome Appeals Court with subpoena dated February 10, 2015. The preliminary hearing, fixed for June 8, 2015, was postponed to June 10, 2015. On June 8, 2015, both BasicItalia S.p.A. and BNL put forward the rejection of the appeal and the confirmation of the first level judgment. The hearing held on June 10, 2015 sent the case for the establishment of conclusions on July 4, 2018.

INTERCOMPANY TRANSACTIONS AND TRANSACTIONS WITH RELATED COMPANIES

The transactions with related parties, including inter-company transactions, are not atypical or unusual and form part of the ordinary business activities of the companies of the Group. They are regulated at market conditions and take account of the characteristics of the goods and services provided.
The information on transactions with related parties, including that required by Consob communication of July 28, 2006, is reported at Note 45 of the Condensed 2017 Half-Year Financial Statements.

SUBSEQUENT EVENTS AND OUTLOOK

BasicNet S.p.A. has signed today the agreement for the acquisition of the Sebago® brand from the American company Wolverine World Wide, Inc., listed at the New York Stock Exchange.
The American Sebago® brand, established in 1946, is a true style icon, particularly known for the penny loafers, moccasins and DOCKSIDES® boat shoes. The brand is currently distributed in 90 countries worldwide. BasicNet Group will integrate the new brand into its business model, as already achieved in the past with other brands like Kappa®, Robe di Kappa®, Jesus®Jeans, Superga®, K-Way®, Sabelt® and Briko®.
Intellectual Property rights for the Sebago® Trademarks and related assets have been acquired by the BasicNet Group, for a total amount of 14.25 million US Dollar (approximately 12 million Euro at the current exchange rate), excluding other charges ancillary to the acquisition. The Trademark has been acquired for an amount equal to 13,537 million US Dollar by TOS S.r.l., a newco fully owned by the BasicNet Group and incorporated specifically for the operation. Other assets related to the brand (such as molds, equipment, etc) have been acquired by BasicNet S.p.A. for the amount of 712 thousand US Dollar.
Wolverine World Wide, Inc. and BasicNet Group have agreed on a transition plan through the end of 2017 aimed at guaranteeing a seamless transition for all Sebago® brand customers globally.
The operation has been funded through a 13 million Euro loan granted by MPS Capital Services Banca per le Imprese S.p.A. The loan has a duration of 6 years, with 2 years of pre-amortization. It is guaranteed by a pledge on the shares of TOS S.r.l. and restrictions on the change of control of the BasicNet Group. The loan has a remuneration rate equal to Euribor plus 170 bps.

In general, Group operating results are expected to be strong in the second half of 2017 based on the order book and expected royalties and sourcing commissions, although the divergence in earnings emerging in the first part of the year - with weaker sales on the Italian market - may not be entirely recovered in the second half of the year. Additional focus will therefore be placed on international development, the optimisation of costs at the Italian investees and prudent cash flow management.

Turin, July 31, 2017

for the Board of Directors

The Chairman

Marco Daniele Boglione

CONDENSED HALF-YEAR FINANCIAL STATEMENTS AND EXPLANATORY NOTES

In accordance with Consob Resolution No. 15519 of July 27, 2006, the transactions with related parties are described at Note 45.

CONSOLIDATED INCOME STATEMENT

(In Euro thousands)

	Note	**H1 2017**		**H1 2016**		**Changes**	
			%		**%**		**%**
Consolidated direct sales	*(7)*	60,113	*100.00*	63,107	*100.00*	(2,994)	*(4.74)*
Cost of sales	*(8)*	(36,534)	*(60.78)*	(37,130)	*(58.84)*	596	*1.61*
GROSS MARGIN		**23,579**	***39.22***	**25,977**	***41.16***	**(2,398)**	***(9.23)***
Royalties and sourcing commissions	*(9)*	24,370	*40.54*	23,139	*36.67*	1,231	*5.32*
Other income	*(10)*	1,442	*2.40*	888	*1.41*	554	*62.37*
Sponsorship and media costs	*(11)*	(12,445)	*(20.70)*	(12,032)	*(19.07)*	(413)	*(3.43)*
Personnel costs	*(12)*	(10,536)	*(17.53)*	(9,922)	*(15.72)*	(614)	*(6.18)*
Selling, general and administrative costs, royalties expenses	*(13)*	(17,926)	*(29.82)*	(17,991)	*(28.51)*	65	*0.36*
Amortisation & depreciation	*(14)*	(3,105)	*(5.17)*	(2,950)	*(4.67)*	(155)	*(5.25)*
EBIT		**5,379**	***8.95***	**7,109**	***11.27***	**(1,730)**	***(24.33)***
Net financial income (charges)	*(15)*	(433)	*(0.72)*	(277)	*(0.44)*	(156)	*(56.32)*
Share of profit/(loss) of investments valued at equity	*(16)*	(14)	*(0.02)*	(17)	*(0.03)*	3	*17.65*
PROFIT BEFORE TAXES		**4,932**	***8.20***	**6,815**	***10.80***	**(1,883)**	***(27.64)***
Income taxes	*(17)*	(1,458)	*(2.43)*	(1,734)	*(2.75)*	276	*15.90*
NET PROFIT		**3,474**	***5.78***	**5,081**	***8.05***	**(1,607)**	***(31.63)***
of which:							
– Shareholders of BasicNet S.p.A.		**3,474**	***5.78***	**5,081**	***8.05***	**(1,607)**	***(31.63)***
- Minority interests		**-**	-	**-**	-	**-**	-
Earnings per share	*(18)*						
Basic		0.0626		0.0903		(0.028)	*(30.64)*
Diluted		0.0626		0.0903		(0.028)	*(30.64)*

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CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(In Euro thousands)

	Note	H1 2017	H1 2016
Profit for the period (A)		***3,474***	***5,081***
Effective portion of the Gains/(losses) on cash flow hedges		(1,676)	(1,090)
Re-measurement of post-employment benefits (IAS 19) (*)		(5)	(124)
Gains/(losses) from translation of accounts of foreign subsidiaries		(582)	(139)
Tax effect on other profits/(losses)		402	293
Total other gains/(losses), net of tax effect (B)	***(30)***	***(1,861)***	***(1,060)***
Total Comprehensive Profit (A)+(B)		**1,613**	**4,021**
Total Comprehensive Profit attributable to:			
– Shareholders of BasicNet S.p.A.		1,613	4,021
- Minority interests		-	-

***(*)** items which may not be reclassified to the profit and loss account*

CONSOLIDATED BALANCE SHEET

(In Euro thousands)

ASSETS	*Note*	June 30, 2017	December 31, 2016	June 30, 2016
Intangible assets	*(19)*	42,445	41,728	41,580
Goodwill	*(20)*	9,783	10,052	10,072
Property, plant and equipment	*(21)*	29,972	30,497	28,502
Equity invest. & other financial assets	*(22)*	694	264	347
Interests in joint ventures	*(23)*	278	257	323
Deferred tax assets		-	-	-
Total non-current assets		**83,172**	**82,798**	**80,824**
Net inventories	*(24)*	50,784	47,208	50,543
Trade receivables	*(25)*	49,292	58,066	47,693
Other current assets	*(26)*	9,211	10,223	10,833
Prepayments	*(27)*	7,509	7,579	8,280
Cash and cash equivalents	*(28)*	4,478	5,707	4,370
Derivative financial instruments	*(29)*	-	1,609	446
Total current assets		**121,274**	**130,392**	**122,166**
TOTAL ASSETS		**204,446**	**213,190**	**202,990**

LIABILITIES	*Note*	June 30, 2017	December 31, 2016	June 30, 2016
Share capital		31,717	31,717	31,717
Reserve for treasury shares in portfolio		(12,722)	(11,890)	(10,423)
Other reserves		69,868	64,748	62,935
Net Profit		3,474	10,305	5,081
Minority interests		-	-	-
Total Shareholders' Equity	*(30)*	**92,337**	**94,880**	**89,310**
Provisions for risks and charges	*(31)*	27	42	28
Loans	*(32)*	19,218	21,514	17,873
Employee and Director benefits	*(33)*	3,197	2,863	2,740
Deferred tax liabilities	*(34)*	680	1,084	367
Other non-current liabilities	*(35)*	1,101	927	904
Total non-current liabilities		**24,223**	**26,430**	**21,912**
Bank payables	*(36)*	35,777	33,652	32,479
Trade payables	*(37)*	36,964	31,699	30,698
Tax payables	*(38)*	4,552	15,749	16,958
Other current liabilities	*(39)*	8,502	7,559	8,414
Accrued expenses	*(40)*	971	2,169	1,551
Derivative financial instruments	*(41)*	1,120	1,052	1,667
Total current liabilities		**87,886**	**91,880**	**91,768**
TOTAL LIABILITIES		**112,109**	**118,310**	**113,680**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**204,446**	**213,190**	**202,990**

CONSOLIDATED CASH FLOW STATEMENT

(In Euro thousands)

	June 30, 2017	December 31, 2016	June 30, 2016
A) OPENING SHORT-TERM BANK DEBT (*)	**(21,338)**	**(16,761)**	**(16,761)**
B) CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit	3,474	10,305	5,081
Amortisation & depreciation	3,105	6,261	2,950
Result of companies valued under the equity method	14	(52)	17
Changes in working capital:			
. (Increase) decrease in trade receivables	8,775	(11,365)	(991)
. (Increase) decrease in inventories	(3,576)	1,817	(1,518)
. (Increase) decrease in other receivables	1,082	832	(479)
. Increase (decrease) in trade payables	5,266	6,548	5,548
. Increase (decrease) in other payables	(11,697)	(2,041)	(1,349)
Net change in post-employment benefit	335	(164)	(65)
Others, net	(187)	286	(14)
	6,591	**12,427**	**9,180**
C) CASH FLOW FROM INVESTING ACTIVITIES			
Investments in fixed assets:			
- tangible assets	(988)	(4,794)	(1,203)
- intangible assets	(2,807)	(3,292)	(1,421)
- financial assets	(465)	-	-
Realisable value for fixed asset disposals:			
- tangible assets	35	74	44
- intangible assets	732	-	2
- financial assets	-	178	-
	(3,493)	**(7,834)**	**(2,578)**
D) CASH FLOW FROM FINANCING ACTIVITIES			
Lease contracts (repayments)	(373)	54	(14)
Undertaking of medium/long-term loans	2,000	7,500	-
Loan repayments	(3,427)	(8,035)	(5,357)
Conversion of short-term credit lines	-	-	-
Acquisition of treasury shares	(832)	(3,067)	(1,600)
Dividend payments	(3,324)	(5,622)	(5,622)
	(5,956)	**(9,170)**	**(12,593)**
E) CASH FLOW IN THE PERIOD	**(2,858)**	**(4,577)**	**(5,991)**
F) CLOSING SHORT-TERM BANK DEBT	**(24,196)**	**(21,338)**	**(22,752)**

(*) Balance at January 1

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(In Euro thousands)

	Share Capital	Treasury shares	Reserves & Retained earnings	Translation reserve	IAS 19 remeas. reserve	Cash flow hedge reserve	Net Profit	Total Group Net Equity
Balance at January 1, 2016	**31,717**	**(8,823)**	**51,459**	**1,693**	**(202)**	**(93)**	**16,760**	**92,511**
Allocation of 2015 result as per Shareholders' AGM resolution of April 28, 2016:								
- Retained earnings		-	11,138	-	-	-	(11,138)	-
- Dividends distributed		-	-	-	-	-	(5,622)	**(5,622)**
Acquisition of treasury shares		(1,600)	-	-	-	-	-	**(1,600)**
H1 2016 Result		-	-	-	-	-	5,081	**5,081**
Other comprehensive income statement items:								
- Gains/(losses) recorded directly to translation reserve		-	-	(139)	-	-	-	**(139)**
- Gains/(losses) recorded directly to equity for IAS 19 remeasurement		-	-	-	(90)	-	-	**(90)**
- Gains recorded directly to cash flow hedge reserve		-	-	-	-	(831)	-	**(831)**
Total comprehensive income		-	-	*(139)*	*(90)*	*(831)*	*5,081*	***4,021***
Balance at June 30, 2016	**31,717**	**(10,423)**	**62,597**	**1,554**	**(292)**	**(924)**	**5,081**	**89,310**

	Share capital	Treasury shares	Reserves & Retained earnings	Translation reserve	IAS 19 remeas. reserve	Cash flow hedge reserve	Net Profit	Total Group Net Equity
Balance at January 1, 2017	**31,717**	**(11,890)**	**62,593**	**1,919**	**(195)**	**431**	**10,305**	**94,880**
Allocation of 2016 result as per Shareholders' AGM resolution of April 27, 2017:								
- Retained earnings		-	6,981	-	-	-	(6,981)	-
- Dividends distributed		-	-	-	-	-	(3,324)	**(3,324)**
Acquisition of treasury shares		(832)	-	-	-	-	-	**(832)**
H1 2017 Result		-	-	-	-	-	3,474	**3,474**
Other comprehensive income statement items:								
- Gains/(losses) recorded directly to translation reserve		-	-	(582)	-	-	-	**(582)**
- Gains/(losses) recorded directly to equity for IAS 19 remeasurement		-	-	-	(5)	-	-	**(5)**
- Gains recorded directly to cash flow hedge reserve		-	-	-	-	(1,274)	-	**(1,274)**
Total comprehensive income		-	-	*(582)*	*(5)*	*(1,274)*	*3,474*	***1,613***
Balance at June 30, 2017	**31,717**	**(12,722)**	**69,574**	**1,337**	**(200)**	**(843)**	**3,474**	**92,337**

CONSOLIDATED NET FINANCIAL POSITION

(In Euro thousands)

	June 30, 2017	December 31, 2016	June 30, 2016
Cash and cash equivalents	4,478	5,707	4,370
Bank overdrafts and bills	(13,827)	(8,014)	(13,594)
Import advances	(14,847)	(19,031)	(13,528)
Sub-total net liquidity available	*(24,196)*	*(21,338)*	*(22,752)*
Short-term portion of medium/long-term loans	(7,103)	(6,607)	(5,357)
Short-term net financial position	**(31,299)**	**(27,945)**	**(28,109)**
Intesa Sanpaolo loan	(3,750)	(5,625)	(7,500)
BasicVillage property loan	(5,100)	(5,700)	(6,300)
BasicItalia property loan	(2,136)	(2,339)	(2,542)
BNL loan	(5,625)	(6,250)	-
Banco BPM loan	(1,381)	-	-
Leasing payables	(1,226)	(1,600)	(1,531)
Sub-total loans and leasing	*(19,218)*	*(21,514)*	*(17,873)*
Consolidated Net Financial Position	**(50,517)**	**(49,459)**	**(45,982)**

The statement required by Consob Communication No. 6064293 of July 28, 2006 is reported below.

		June 30, 2017	December 31, 2016	June 30, 2016
A.	Cash	78	116	59
B.	Other cash equivalents	4,400	5,591	4,311
C.	Securities held for trading	-	-	-
D.	**Cash & cash equivalents (A)+(B)+(C)**	**4,478**	**5,707**	**4,370**
E.	**Current financial receivables**	**-**	**-**	**-**
F.	Current bank payables	(28,674)	(27,046)	(27,122)
G.	Current portion of non-current debt	(7,103)	(6,607)	(5,357)
H.	Other current financial payables	-	-	-
I.	**Current financial debt (F)+(G)+(H)**	**(35,777)**	**(33,653)**	**(32,479)**
J.	**Net current financial debt (I)-(E)-(D)**	**(31,299)**	**(27,946)**	**(28,109)**
K.	Non-current bank payables	(19,218)	(21,514)	(17,873)
L.	Bonds issued	-	-	-
M.	Derivatives fair value	(1,120)	(556)	(1,221)
N.	**Non-current financial debt (K)+(L)+(M)**	**(20,338)**	**(20,958)**	**(19,094)**
O.	**Net financial debt (J)+(N)**	**(51,637)**	**(48,904)**	**(47,203)**

The net financial debt differs from the consolidated net financial position for the fair value of the interest and currency hedging operations - cash flow hedges (Notes 29 and 41).

EXPLANATORY NOTES

1. GENERAL INFORMATION

BasicNet S.p.A. – with registered office in Turin, listed on the Italian Stock Exchange since November 17, 1999 and its subsidiaries, operate in the sports and casual clothing, footwear and accessories sector through the brands Kappa, Robe di Kappa, Jesus Jeans, K-Way, Superga, Sabelt and Briko. Group activities involve the development of the value of the brands and the distribution of their products through a global network of independent licensees.

The duration of BasicNet S.p.A. is fixed by the company by-laws until December 31, 2050.

The consolidated financial statements in this document were approved by the Board of Directors of BasicNet S.p.A. on July 31, 2017. The present document is subject to limited audit.

2. FORM AND CONTENT

The main accounting principles adopted in the preparation of the consolidated financial statements and Group financial reporting are described below.

This document has been prepared in accordance with IFRS issued by the International Accounting Standards Board (IASB) and approved by the European Union. IFRS refers to all the revised International Accounting Standards (IAS) and all of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") - previously known as the Standing Interpretations Committee ("SIC") and in particular *IAS 34- Interim Financial Reporting*, in addition to the enacting provisions of Article 9 of Legs. Decree No. 38/2005. Under the options presented by IAS 34, the Group chose to publish a summary disclosure in the Half-Year Consolidated Financial Statements.

The Group consolidated interim financial statements include the financial statements at June 30, 2017 of BasicNet S.p.A. and all the Italian and foreign companies in which the Parent Company holds control - directly or indirectly. For the financial statements of the overseas subsidiaries which utilise local accounting standards, the appropriate adjustments were made for the preparation of the consolidated financial statements in accordance with international accounting standards.

The financial statements are prepared under the historical cost convention (modified where applicable for the valuation of certain financial instruments), as well as on the going concern assumption.

The accounting principles utilised for the preparation of the Condensed Consolidated Half-Year Financial Statements at June 30, 2017 are the same as those used for the Consolidated Financial Statements at December 31, 2016. The Condensed Consolidated Half-Year Financial Statements must be read together with the Consolidated Financial Statements at December 31, 2016, prepared in accordance with IFRS, to which reference should be made.

The preparation of the Interim Financial Statements requires that Company Management make estimates and assumptions on the values of the revenues, costs, assets and liabilities in the financial statements and on the disclosures relating to the assets and contingent liabilities at the interim balance sheet date. The actual results may differ from such estimates.

In addition, some valuation processes, in particular the most complex such as the determination of any loss in value of non-current assets, are generally made on a complete basis on the preparation of the annual accounts, when all the necessary information is available. However, where indications of potential losses are evident, an impairment test is also carried out on the preparation of the interim financial statements and any loss is reflected in the individual accounts.

Income taxes are recognised on the basis of the best estimate of the expected tax rates for the entire year.

Accounting standards, amendments and interpretations applied from January 1, 2017

There are no new standards, amendments and interpretations endorsed by the European Union to be applied to the Half-Year Report for the first time from January 1, 2017.

New Standards and Interpretations adopted by the EU, but not yet effective

IFRS 15 - *Revenues from contracts with customers* (effective from January 1, 2018): on October 29, 2016, EU Regulation No. 2016/1905 was issued, enacting at European level *IFRS 15 - Revenue from contracts with customers* and the relative amendments. IFRS 15 replaces IAS 18 - *Revenues*, IAS 11 - *Construction contracts* and the relative interpretations on the recognition of revenues, comprising IFRIC 13 - *Customer loyalty programmes*, IFRIC 15 - *Agreements for the construction of real estate*, IFRIC 18 - *Transfers of assets from customers* and SIC 31 *Revenues - barter transactions involving advertising services.* The application of the new standard involves, alternatively, a method for the recalculation of all comparative periods presented in the financial statements ("complete retrospective method") and a "simplified" method involving the recognition of the cumulative effect of the first application of the standard in adjustment of the opening shareholders' equity of the period in which the new standard is adopted, leaving unchanged the data for all comparative periods presented. The new standard, which requires the recognition of revenues on the transfer of control of the goods or services to customers at an amount which reflects the consideration which is expected to be received in exchange for these products or services, introduces a five step method to analyse the transactions and define the method for recognising revenues concerning both the timing of recognition ("point in time"/"over time") and the relative amount. The Group does not expect the adoption of this standard to have material impacts on the recognition and valuation of its revenues.

IFRS 9 - *Financial Instruments* (effective from January 1, 2018, with early application permitted): on November 29, 2016, Regulation EC No. 2016/2067 was issued, which incorporated at EU level IFRS 9 - *Financial Instruments* concerning the classification, measurement and cancellation of financial asset/liabilities, the reduction in value of financial instruments, in addition to the accounting of hedges. IFRS 9 (i) amends the classification and valuation model of financial assets; (ii) introduces the expected credit losses concept among the variables to be considered in the valuation and write-down of financial assets; (iii) amends the hedge accounting provisions. The Group does not expect the adoption of this standard to have material impacts on the valuation of its assets, liabilities, costs and revenues.

New Accounting Standards and interpretations issued by the IASB and not yet enacted by the EU

The following new Standards/Interpretations were issued by IASB, although still not approved by the EU:

- IFRS 16 - *Leasing*, applicable from January 1, 2019 with a complete retrospective or simplified approach, as described above with regards to IFRS 15. IFRS 16 replaces IAS 17 - *Leasing* and the relative interpretations IFRIC 4 - *Determining whether an arrangement contains a lease*, *SIC 15 - Operating leases - Incentives, SIC 27 - Evaluating the substance of transactions in the legal form of a lease.* IFRS 16, from the viewpoint of the lessee, provides for all leasing contracts, whether concerning operating of finance leases, the recognition to the balance sheet of a liability, represented by the present value of future leases, against the recording to assets of a usage right of the assets leased. Leasing contracts of 12 months or less and low asset value leases may be excluded from application of IFRS 16. The main impacts from application of the new standard on the financial statements are the following: a) balance sheet, higher non-current assets due to the recognition of the usage right of the leased asset, with counter-entry of financial payables; b) income statement, inclusion of the amortisation of the usage right of the asset leased and of the financial charges for interest, compared to the present operating lease charges.

- Amendments to IFRS 10 – *Consolidated financial statements* and IAS 28 - *Investments in associates and joint ventures*, sales and conferment of assets between an investor and an associate/joint venture, applicable deferred to be determined.

- IAS 12 - *Income taxes*: in January 2016, the IASB issued an amendment to IAS 12 - *Income taxes*, effective from January 1, 2017 although not yet applicable as yet to be endorsed by the European Union. The amendment clarifies the requirements for recognition of deferred tax assets on unrealised losses concerning liabilities measured at fair value.

- IAS 7 - *Cash Flow Statement*: in January 2016, the IASB issued an amendment to IAS 7 - *Cash Flow Statement*, effective from January 1, 2017 although not yet applicable as yet to be endorsed by the European Union. The amendment requires additional disclosure permitting financial statement readers to assess changes to liabilities from financing activities.

- Amendments to IFRS 2 – *Classification and measurement of share-based payments*, applicable from January 1, 2018. The amendments eliminate classification and measurement options for particular share-based payments.

- Clarifications to IFRS 15 - *Revenue from contracts with customers*, applicable from January 1, 2018. The amendments clarify the various implementation problems considered by the Transition Resource Group, including how to identify a performance obligation in a contract; how to establish whether a company is a principal or an agent and how to establish whether revenue deriving from the concession of a license should be recognised at a particular point or on maturity.

- Improvements to IFRS (2014-2016 cycle): a series of IFRS amendments. These are largely clarifications. Therefore, adoption will not significantly impact the Group.

- IFRIC 22 - *Foreign currency transactions and advance consideration*, applicable from January 1, 2018. The interpretation considers the exchange rate to be utilised for transactions involving advances paid or received in foreign currencies.

- Amendments to IAS 40 - *Investment property*, applicable from January 1, 2018. The amendment clarifies the obligations concerning property transfers.

- *IFRS 17 - Insurance contracts*, applicable from January 1, 2021. This replaces the previous IFRS 4 standard - *Insurance contracts* and resolves the comparability problems, requiring all insurance contracts to be consistently accounted for, with benefits both for investors and the insurance companies. Insurance obligations should be accounted for utilising present values - instead of historic cost. Information should be updated regularly, providing more useful information for financial statement readers.

- *IFRIC 23 - Uncertainties over income tax treatments*, applicable from January 1, 2019. IAS 12 - *Income taxes* does not specify how to reflect the effects of uncertainty. It may not be clear how tax laws apply to particular transactions or circumstances, or whether a tax authority will accept the company's accounting treatment. IFRIC 23 provides additional indications to IAS 12, specifying how to reflect the effects of uncertainty in the accounting of income taxes.

The Group will adopt these new standards, amendments and interpretations, according to the scheduled application dates; currently, no significant impacts are expected from these amendments, with the exception of those concerning IFRS 16 - *Leasing*, described above.

3. FORMAT OF THE FINANCIAL STATEMENTS

The BasicNet Group presents its income statement by nature of cost items; the assets and liabilities are classified as current or non-current. The cash flow statement was prepared applying the indirect method. The format of the consolidated financial statements applied the provisions of Consob Resolution No. 15519 of July 27, 2006 and Notice No. 6064293 of July 28, 2006 on financial disclosure requirements. With reference to the afore-mentioned Consob Resolution No. 15519, in consideration of the insignificance of the overall amounts, transactions with related parties are described in Note 45 of the Consolidated Half-Year Financial Statements.

4. CONSOLIDATION PRINCIPLES

The Consolidated Half-Year Financial Statements were prepared including the Financial Statements at June 30, 2017 of the Group companies included in the consolidation scope, appropriately adjusted in accordance with the accounting principles adopted by the Parent Company.

The condensed consolidated half-year financial statements of the BasicNet Group are presented in Euro thousands, where not otherwise stated; the Euro is the functional currency of the Parent Company and the majority of the consolidated companies.

Financial statements in currencies other than the Euro are translated into the Euro applying the average exchange rate for the year for the income statement. The balance sheet accounts are translated at the year-end exchange rate. The differences arising from the translation into Euro of the financial statements prepared in currencies other than the Euro are recorded in a specific reserve in the Comprehensive Income Statement.

The exchange rates applied are as follows (for 1 Euro):

Currency	June 30, 2017		December 31, 2016		June 30, 2016	
	Average	At period end	Average	At period end	Average	At period end
US Dollar	1.0927	1.1412	1.1026	1.0541	1.1138	1.1102
HK Dollar	8.4973	8.9068	8.5582	8.1751	8.6522	8.6135
Japanese Yen	122.2990	127.7500	120.1608	123.4000	123.6642	114.0500
UK Sterling	0.8611	0.8793	0.8205	0.8562	0.7844	0.8265

The criteria adopted for the consolidation were as follows:

a) the assets and liabilities, as well as the income and charges of the financial statements consolidated under the line-by-line method are included in the financial statements of the Group, without consideration of the holding in the subsidiary. The carrying value of the investments are eliminated against the relative net equity of the subsidiaries. As all companies included in the consolidation scope are wholly-owned, minority interest equity was not allocated or minority interest share of profit/(loss);

b) the positive differences resulting from the elimination of the investments against the book net equity at the acquisition date is allocated to the higher values attributed to the assets and liabilities acquired, and the residual part to goodwill. On the first-time adoption of IFRS, the Group has chosen not to apply *IFRS 3 - Business combinations* in retrospective manner for the acquisitions made prior to January 1, 2004;

c) the payables/receivables, costs/revenues between consolidated companies and the gains/losses resulting from inter-company operations are eliminated, as are the effects of mergers and the sale of business units between companies in the consolidation scope.

As illustrated in Attachment 1, at June 30, 2017 the Group is comprised solely of subsidiaries owned directly or indirectly by the Parent Company BasicNet S.p.A., or jointly controlled; there are no associated companies or investments in structured entities or joint arrangements in the Group.

Control exists where the Parent Company BasicNet S.p.A. simultaneously:

- exercises decision-making power over the investee, i.e. has the capacity to manage its main activities, therefore those activities which have a significant impact on the investee's results;
- has the right to variable profits or losses from its investment in the entity;
- has the capacity to utilise its decision-making power to establish the amount of profits devolving from its investment in the entity.

The existence of control is verified where events or circumstances indicate an alteration to one or more of the three factors determining control.
Investments in associates and joint ventures are consolidated at equity, as established respectively by IAS 28 - *Investments in associates and joint ventures* and by IFRS 11 – *Joint arrangements*.
An associate is a company in which the Group holds at least 20% of voting rights or exercises significant influence - however not control or joint control - on the financial and operational policies. A joint venture is a joint control agreement, in which the parties who jointly hold control maintain rights on the net assets of the entity. Joint control concerns the sharing, under an agreement, of the control of economic activities, which exists only where the decisions regarding such activities requires unanimity by all parties sharing control.
Associates and joint ventures are consolidated from the date in which significant influence or joint control begins and until the discontinuation of such. Under the equity method, the investment in an associated company or a joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the associated company's share of the profit or loss after the date of acquisition. The share of profits (losses) of the investment is recognised to the consolidated income statements. Dividends received from the investee reduce the book value of the investment.

If the share of losses of an entity in an associate or a joint venture is equal to or greater than its interest in the associate or joint venture the entity discontinues the recognition of its share of further losses. After the investor's interest is reduced to zero, additional losses are provisioned and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or the joint venture subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Consolidation Scope

The consolidation scope includes the Parent company BasicNet S.p.A. and the Italian and foreign subsidiaries in which BasicNet S.p.A. exercises direct, or indirect, control. Attachment 1 contains a list of consolidated companies under the line-by-line method, as well as the complete list of Group companies, registered office, corporate purpose, share capital and direct and indirect holdings.

Information by business segment and geographic area

Three operating segments were identified within the BasicNet Group: i) licenses and brands, (ii) proprietary licensees and (iii) property. The relevant information is reported in Note 6.

The information by geographic area has significance for the Group in relation to royalty income and consolidated sales, and therefore was included for the two respective items. The breakdown of licensee aggregate sales by geographic area, from which the royalties derive, is reported in the Directors' Report.

5. OTHER INFORMATION

The subsequent events to the end of the period and the outlook for the current year are reported in the Directors' Report.

EXPLANATORY NOTES TO THE INCOME STATEMENT

(in Euro thousands unless otherwise stated)

6. DISCLOSURE BY OPERATING SEGMENT

The BasicNet Group identifies three operating segments:

- "Licenses and Brands", which involves the management of overseas licensees and "sourcing centres" by the following Group companies: BasicNet S.p.A., Basic Properties B.V., Basic Properties America, Inc., BasicNet Asia Ltd., Basic Trademark S.A., Superga Trademark S.A., Jesus Jeans S.r.l. and Fashion S.r.l.;

- "Proprietary licensees", which involves the direct management of the sales channels, both in terms of sales to retail and consumers, through BasicItalia S.p.A. (proprietary licensee) and its subsidiary BasicRetail S.r.l;

- "Property", which involves the management of the building at Turin – Largo Maurizio Vitale 1, known as "BasicVillage" and the adjacent building acquired at the end of 2016.

H1 2017	Licenses and brands	Proprietary licensees	Property	Inter-segment eliminations	Consolidated
Consolidated direct sales - third parties	513	59,600	-	-	60,113
Consolidated direct sales - inter-segment	*814*	*143*	-	*(957)*	-
(Cost of sales – third parties)	(1,125)	(35,409)	-	-	(36,534)
(Cost of sales – inter-segment)	*(8)*	*(792)*	-	*800*	-
GROSS MARGIN	**194**	**23,542**	**-**	**(157)**	**23,579**
Royalties and sourcing commissions – third parties	24,370	-	-	-	24,370
Royalties and sourcing commissions – inter-segment	*5,205*	-	-	*(5,205)*	-
Other income - third parties	499	537	406	-	1,442
Other income – inter-segment	*160*	*5,973*	*1,345*	*(7,478)*	-
(Sponsorship and media costs – third parties)	(3,071)	(9,374)	-	-	(12,445)
(Sponsorship and media costs – inter-segment)	*(6,000)*	*(6)*	-	*6,006*	-
(Personnel costs – third parties)	(4,593)	(5,921)	(22)	-	(10,536)
(Personnel costs – inter-segment)	-	-	-	-	-
(Selling, general and administrative costs, royalties expenses – third parties)	(6,312)	(10,854)	(760)	-	(17,926)
(Selling, general and administrative costs, royalties expenses – inter-segment)	*(1,069)*	*(5,739)*	*(25)*	*6,833*	-
Amortisation & depreciation	(1,087)	(1,563)	(455)	-	(3,105)
EBIT	**8,296**	**(3,405)**	**489**	**(1)**	**5,379**
Financial income – third parties	681	848	-	-	1,529
Financial income – inter-segment	-	-	-	-	-
(Financial charges – third parties)	(1,252)	(500)	(210)	-	(1,962)
(Financial charges – inter-segment)	-	-	*(6)*	*6*	-
Share of profit/(loss) of investments valued at equity - third parties	(14)	-	-	-	(14)
Share of profit/ (loss) of investments valued at equity - inter-segment	-	-	-	-	-
PROFIT/(LOSS) BEFORE TAXES	**7,711**	**(3,057)**	**273**	**5**	**4,932**
Income taxes	(1,995)	650	(113)	-	(1,458)
NET PROFIT/(LOSS)	**5,716**	**(2,407)**	**160**	**5**	**3,474**
Significant non-cash items:					
Amortisation & depreciation	(1,087)	(1,563)	(455)	-	(3,105)
Write-downs	-	-	-	-	-
Total non-cash items	**(1,087)**	**(1,563)**	**(455)**	**-**	**(3,105)**
Investments in non-current assets	**(2,532)**	**(1,186)**	**(77)**	**-**	**(3,795)**
Segment assets and liabilities:					
Assets	**175,517**	**106,801**	**17,792**	**(95,664)**	**204,446**
Liabilities	**66,848**	**97,361**	**12,629**	**(64,729)**	**112,109**

H1 2016	Licenses and brands	Proprietary licensees	Property	Inter-segment eliminations	Consolidated
Consolidated direct sales - third parties	382	62,725	-	-	63,107
Consolidated direct sales - inter-segment	*768*	*151*	-	*(919)*	-
(Cost of sales – third parties)	(998)	(36,132)	-	-	(37,130)
(Cost of sales – inter-segment)	*(29)*	*(733)*	-	*762*	-
GROSS MARGIN	**123**	**26,011**	**-**	**(157)**	**25,977**
Royalties and sourcing commissions – third parties	23,139	-	-	-	23,139
Royalties and sourcing commissions – inter-segment	*5,589*	-	-	*(5,589)*	-
Other income - third parties	361	217	310	-	888
Other income – inter-segment	*152*	*6,124*	*1,346*	*(7,622)*	-
(Sponsorship and media costs – third parties)	(2,294)	(9,738)	-	-	(12,032)
(Sponsorship and media costs – inter-segment)	*(6,152)*	*(4)*	-	*6,156*	-
(Personnel costs – third parties)	(4,534)	(5,376)	(12)	-	(9,922)
(Personnel costs – inter-segment)	-	-	-	-	-
(Selling, general and administrative costs, royalties expenses – third parties)	(6,425)	(10,793)	(773)	-	(17,991)
(Selling, general and administrative costs, royalties expenses – inter-segment)	*(1,058)*	*(6,128)*	*(25)*	*7,211*	-
Amortisation & depreciation	(1,079)	(1,446)	(425)	-	(2,950)
EBIT	**7,822**	**(1,133)**	**421**	**(1)**	**7,109**
Financial income – third parties	293	820	-	-	1,113
Financial income – inter-segment	*120*	-	-	*(120)*	-
(Financial charges – third parties)	(577)	(571)	(242)	-	(1,390)
(Financial charges – inter-segment)	-	*(120)*	-	*120*	-
Share of profit/(loss) of investments valued at equity - third parties	(17)	-	-	-	(17)
Share of profit/ (loss) of investments valued at equity - inter-segment	-	-	-	-	-
PROFIT/(LOSS) BEFORE TAXES	**7,641**	**(1,004)**	**179**	**(1)**	**6,815**
Income taxes	(1,993)	360	(101)	-	(1,734)
NET PROFIT/(LOSS)	**5,648**	**(644)**	**78**	**(1)**	**5,081**
Significant non-cash items:					
Amortisation & depreciation	(1,079)	(1,446)	(425)	-	(2,950)
Write-downs	-	-	-	-	-
Total non-cash items	**(1,079)**	**(1,446)**	**(425)**	**-**	**(2,950)**
Investments in non-current assets	**(3,008)**	**(2,222)**	**(95)**	**-**	**(5,325)**
Segment assets and liabilities:					
Assets	**181,780**	**110,896**	**16,653**	**(106,340)**	**202,990**
Liabilities	**76,683**	**99,141**	**12,033**	**(74,178)**	**113,680**

The H1 2017 segment results compared with the previous year are reported below:

"LICENSES AND BRANDS" SEGMENT	**H1 2017**	**H1 2016**	**Changes**
Consolidated direct sales - third parties	513	382	131
Consolidated direct sales - inter-segment	*814*	*768*	*46*
(Cost of sales – third parties)	(1,125)	(998)	(127)
(Cost of sales – inter-segment)	*(8)*	*(29)*	*21*
GROSS MARGIN	**194**	**123**	**71**
Royalties and sourcing commissions – third parties	24,370	23,139	1,231
Royalties and sourcing commissions – inter-segment	*5,205*	*5,589*	*(384)*
Other income - third parties	499	361	138
Other income – inter-segment	*160*	*152*	*8*
(Sponsorship and media costs – third parties)	(3,071)	(2,294)	(777)
(Sponsorship and media costs – inter-segment)	*(6,000)*	*(6,152)*	*152*
(Personnel costs – third parties)	(4,593)	(4,534)	(59)
(Personnel costs – inter-segment)	-	-	-
(Selling, general and administrative costs, royalties expenses – third parties)	(6,312)	(6,425)	113
(Selling, general and administrative costs, royalties expenses – inter-segment)	*(1,069)*	*(1,058)*	*(11)*
Amortisation & depreciation	(1,087)	(1,079)	(8)
EBIT	**8,296**	**7,822**	**474**
Financial income – third parties	681	293	388
Financial income – inter-segment	-	*120*	*(120)*
(Financial charges – third parties)	(1,252)	(577)	(675)
(Financial charges – inter-segment)	-	-	-
Share of profit/(loss) of investments valued at equity - third parties	(14)	(17)	3
Share of profit/ (loss) of investments valued at equity - inter-segment	-	-	-
PROFIT BEFORE TAXES	**7,711**	**7,641**	**70**
Income taxes	(1,995)	(1,993)	(2)
NET PROFIT	**5,716**	**5,648**	**68**
Significant non-cash items:			
Amortisation & depreciation	(1,087)	(1,079)	(8)
Write-downs	-	-	-
Total non-cash items	**(1,087)**	**(1,079)**	**(9)**
Investments in non-current assets	**(2,532)**	**(3,008)**	**476**
Segment assets and liabilities:			
Assets	**175,517**	**181,780**	**(6,263)**
Liabilities	**66,848**	**76,683**	**(9,835)**

"PROPRIETARY LICENSES" SEGMENT	**H1 2017**	**H1 2016**	**Changes**
Consolidated direct sales - third parties	59,600	62,725	(3,125)
Consolidated direct sales - inter-segment	*143*	*151*	*(8)*
(Cost of sales – third parties)	(35,409)	(36,132)	723
(Cost of sales – inter-segment)	*(792)*	*(733)*	*(59)*
GROSS MARGIN	**23,542**	**26,011**	**(2,469)**
Royalties and sourcing commissions – third parties	-	-	-
Royalties and sourcing commissions – inter-segment	-	-	-
Other income - third parties	537	217	320
Other income – inter-segment	*5,973*	*6,124*	*(151)*
(Sponsorship and media costs – third parties)	(9,374)	(9,738)	364
(Sponsorship and media costs – inter-segment)	*(6)*	*(4)*	*(2)*
(Personnel costs – third parties)	(5,921)	(5,376)	(545)
(Personnel costs – inter-segment)	-	-	-
(Selling, general and administrative costs, royalties expenses – third parties)	(10,854)	(10,793)	(61)
(Selling, general and administrative costs, royalties expenses – inter-segment)	*(5,739)*	*(6,128)*	*389*
Amortisation & depreciation	(1,563)	(1,446)	(117)
EBIT	**(3,405)**	**(1,133)**	**(2,272)**
Financial income – third parties	848	820	28
Financial income – inter-segment	-	-	-
(Financial charges – third parties)	(500)	(571)	71
(Financial charges – inter-segment)	-	*(120)*	*120*
Share of profit/(loss) of investments valued at equity - third parties	-	-	-
Share of profit/ (loss) of investments valued at equity - inter-segment	-	-	-
LOSS BEFORE TAXES	**(3,057)**	**(1,004)**	**(2,053)**
Income taxes	650	360	290
NET LOSS	**(2,407)**	**(644)**	**(1,763)**
Significant non-cash items:			
Amortisation & depreciation	(1,563)	(1,446)	(117)
Write-downs	-	-	
Total non-cash items	**(1,563)**	**(1,446)**	**(117)**
Investments in non-current assets	**(1,186)**	**(2,222)**	**1,036**
Segment assets and liabilities:			
Assets	**106,801**	**110,896**	**(4,095)**
Liabilities	**97,361**	**99,141**	**(1,780)**

"PROPERTY" SEGMENT	**H1 2017**	**H1 2016**	**Changes**
Consolidated direct sales - third parties	-	-	-
Consolidated direct sales - inter-segment	-	-	-
(Cost of sales – third parties)	-	-	-
(Cost of sales – inter-segment)	-	-	-
GROSS MARGIN	**-**	**-**	**-**
Royalties and sourcing commissions – third parties	-	-	-
Royalties and sourcing commissions – inter-segment	-	-	-
Other income - third parties	406	310	96
Other income – inter-segment	*1,345*	*1,346*	*(1)*
(Sponsorship and media costs – third parties)	-	-	-
(Sponsorship and media costs – inter-segment)	-	-	-
(Personnel costs – third parties)	(22)	(12)	(10)
(Personnel costs – inter-segment)	-	-	-
(Selling, general and administrative costs, royalties expenses – third parties)	(760)	(773)	13
(Selling, general and administrative costs, royalties expenses – inter-segment)	*(25)*	*(25)*	-
Amortisation & depreciation	(455)	(425)	(30)
EBIT	**489**	**421**	**68**
Financial income – third parties	-	-	-
Financial income – inter-segment	-	-	-
(Financial charges – third parties)	(210)	(242)	32
(Financial charges – inter-segment)	*(6)*	-	*(6)*
Share of profit/(loss) of investments valued at equity - third parties	-	-	-
Share of profit/ (loss) of investments valued at equity - inter-segment	-	-	-
PROFIT BEFORE TAXES	**273**	**179**	**94**
Income taxes	(113)	(101)	(12)
NET PROFIT	**160**	**78**	**82**
Significant non-cash items:			
Amortisation & depreciation	(455)	(425)	(30)
Write-downs	-	-	-
Total non-cash items	**(455)**	**(425)**	**(30)**
Investments in non-current assets	**(77)**	**(95)**	**18**
Segment assets and liabilities:			
Assets	**17,792**	**16,653**	**1,139**
Liabilities	**12,629**	**12,033**	**596**

- The “Licenses and brands” segment includes royalties and sourcing commissions, increasing to Euro 29.6 million in H1 2017 from Euro 28.7 million in H1 2016. The segment net profit totalled Euro 5.7 million, compared to Euro 5.6 million in H1 2016.

- the “Proprietary licensees” segment. Sales of the subsidiaries BasicItalia S.p.A. and BasicRetail S.r.l. amount to Euro 59.7 million, compared to Euro 62.9 million in the same period of 2016. As previously stated, the sales contraction principally follows - in addition to consumer numbers which continue to struggle (particularly in the clothing sector) - the distribution network streamlining of the previous year, particularly for the Superga brand and with the sacrifice of certain revenues; the current consumer market has not yet facilitated the recovery of previous revenue levels. The ***contribution margin*** on sales of Euro 23.6 million contracted approx. 9.5% on H1 2016. The revenue margin was 39.4% (41.4% in 2016). This aggregate includes the “first contribution margin” which decreased approx. 3%, reflecting lower sales volumes, while the revenue margin was up nearly one percentage point on the same period of the previous year (from 43.6% to 44.4%). Indirect sales costs however rose, which in the previous year benefitted from supplier indemnities against contractual non-fulfilment, impacting the entire margin.

- the “Property” segment, relating to the building at Largo Maurizio Vitale 1, Turin and the adjacent building acquired at the end of 2016, reports a profit of Euro 160 thousand compared to Euro 78 thousand in 2016.

7. CONSOLIDATED DIRECT SALES

The breakdown of direct consolidated sales by geographic area is reported below:

	H1 2017	**H1 2016**
Italy	56,572	59,291
EU countries other than Italy	1,972	2,357
Rest of the World	1,569	1,459
Total consolidated direct sales	**60,113**	**63,107**

Direct sales revenues relate to merchandise sold by BasicItalia S.p.A. and BasicRetail S.r.l., both through National and Regional Servicing Centres and directly to the public (Euro 59.7 million) and by BasicNet S.p.A. for sample merchandise sales (Euro 0.4 million). Sales on the home market accounted for 94%, while approx. 3.7% of sales were in other EU countries, with the remaining approx. 2.3% outside the EU. Sales outside of Italy are related to commercial activities in countries not yet subject to specific licensing contracts, by the licensee companies of the Group.

8. *COST OF SALES*

	H1 2017	H1 2016
Goods purchased – Overseas	29,974	28,642
Goods purchased – Italy	2,566	2,687
Samples purchased	880	752
Accessories purchased	42	24
Freight charges and accessory purchasing cost	3,721	3,622
Packaging	191	205
Changes in inventory of raw materials, ancillary, consumables and goods	(3,576)	(1,518)
Cost of outsourced logistics	2,326	2,211
Other	410	505
Total cost of sales	**36,534**	**37,130**

"Goods purchased" refer to the finished goods products acquired by BasicItalia S.p.A. Sample purchases were made by BasicNet S.p.A. for resale to the licensees.
The cost of sales, substantially in line with the first half of the previous year, resulted in an EBITDA of Euro 23.6 million compared to Euro 26 million in the first half of the previous year.

9. ROYALTIES AND SOURCING COMMISSIONS

"Royalties and sourcing commission" refer to royalty fees for the brand licenses in the countries where the licenses have been assigned, or recognised to authorised sourcing centres for the production and sale of group brand products by commercial licencees.

The changes in the year are commented upon in the Directors' Report.

The breakdown by region is reported below:

	H1 2017	H1 2016
Europe (EU and non-EU)	11,028	9,819
The Americas	2,794	2,631
Asia and Oceania	8,944	8,956
Middle East, Africa	1,604	1,733
Total	**24,370**	**23,139**

10. OTHER INCOME

	H1 2017	H1 2016
Rental income	316	196
Recovery of condominium expenses	76	95
Income from promo sales	5	135
Other income	1,045	462
Total other income	**1,442**	**888**

Rental income increased on the previous year due to fees matured on the contract for the new building at Corso Regio Parco 43, acquired at the end of 2016. The "recovery of condominium expenses" concerns the recharge to lessees of utility costs.

"Income from promo sales" refer to income from the right to use trademarks for commercialisation of products in promotion activities, which are of a non-recurring nature.

"Other income" includes the gain of Euro 203 thousand from the sale of the Lanzera brand, positive differences on prior year expense declarations and the recharge of expenses to third parties for BasicItalia distribution.

11. SPONSORSHIP AND MEDIA COSTS

	H1 2017	H1 2016
Sponsorship and marketing	11,176	10,153
Advertising	963	1,607
Promotional expenses	306	272
Total sponsorship and media costs	**12,445**	**12,032**

The account "sponsorship" refers to communication investments incurred directly to which the Group contributes, described in detail in the Directors' Report.

"Advertising" refers to billboard advertising and press communication campaigns. The difference relates to normal timing differences regarding communication campaigns.

Promotional expenses concern gifts of products and advertising material, not relating to specific sponsorship contracts.

12. PERSONNEL COSTS

	H1 2017	H1 2016
Wages and salaries	7,698	7,274
Social security charges	2,338	2,208
Post-employment benefits	500	440
Total	**10,536**	**9,922**

The number of employees at the reporting date, by category, is reported in the table below:

	Human resources at June 30, 2017				Human resources at December 31, 2016			
Category	Number		Average age		Number		Average age	
	Men / Women	Total	Men / Women	Average	Men / Women	Total	Men / Women	Average
Executives	18 / 10	28	47 / 50	48	18 / 10	28	46 / 49	47
White-collar	148 / 362	510	35 / 36	35	147 / 348	495	34 / 35	35
Blue-collar	16 / 13	29	43 / 42	42	13 / 10	23	46 / 43	45
Total	182 / 385	567	36 / 36	36	178 / 378	546	35 / 35	36

The average number of employees during the half-year was 567, broken down as 28 executives, 510 white-collar employees and 29 blue-collar employees.

The increase in personnel costs is due to new hires in the period and in the second half of the previous year, for an overall increase in 49 new employees, almost entirely in the retail area.

13. SELLING, GENERAL AND ADMINISTRATIVE COSTS AND ROYALTIES EXPENSES

	H1 2017	H1 2016
Selling and royalty service expenses	4,267	4,192
Rental, accessory and utility expenses	5,118	4,781
Commercial expenses	2,386	2,170
Directors and Statutory Auditors emoluments	1,818	1,686
Doubtful debt provision	1,020	1,375
Other general expenses	3,317	3,787
Total selling, general and administrative costs, and royalties expenses	**17,926**	**17,991**

“Selling and royalty service expenses” principally include commissions to agents of the subsidiary BasicItalia S.p.A. and royalties on sports team merchandising contracts and co-branding operations.

“Commercial expenses” include costs relating to selling activities, comprising trade fairs and exhibitions, communication costs for advertising campaigns, stylists, graphics and commercial and travel expenses.

“Rental, accessory and utility expenses” relate to sales points directly managed by the Group or business units leased to franchisees. The increase follows the opening of new sales points in outlet centers in the second half of the previous year.

“Directors and Statutory Auditors emoluments”, for offices held at the date of the present Report, approved by the Shareholders’ AGM and the Board of Directors’ meetings of April 28, 2016, are in line with the company remuneration policy, pursuant to Article 78 of Consob Regulation No. 11971/97 and subsequent amendments and integrations, and are reported in the Remuneration Report pursuant to Article 123-*ter* of the CFA, which is available on the company’s website www.basicnet.com, Shareholder’ Meeting 2016 section, to which reference should be made.

The account “other general expenses” includes legal and professional fees, bank charges, other taxes, consumption materials, hire charges, and corporate and other minor expenses. The reduction is mainly due to lower legal and professional consultant costs in the year.

14. AMORTISATION & DEPRECIATION

	H1 2017	H1 2016
Amortisation	1,627	1,524
Depreciation	1,478	1,426
Total amortisation & depreciation	**3,105**	**2,950**

Amortisation on intangible assets includes Euro 270 thousand of key-money write-down relating to some sales points closed in the period or for which the decision to close has been made, within a normal rotation of less profitable sales point in favour of the opening of new locations or more appropriate operational strategies.

15. NET FINANCIAL INCOME (CHARGES)

	H1 2017	H1 2016
Interest income	227	3
Bank interest charges	(197)	(264)
Commercial interest expenses	(2)	(14)
Interest on medium/long term loans	(343)	(408)
Property lease interest	(24)	(36)
Other	(53)	(92)
Total financial income and charges	***(392)***	***(812)***
Exchange gains	1,210	1,110
Exchange losses	(1,251)	(576)
Net exchange gains/(losses)	***(41)***	***535***
Total financial income/(charges)	**(433)**	**(277)**

Financial charges reduced following the general reduction in interest rates servicing the debt. Interest income concerns a VAT repayment due from 2012, settled by the Tax Agency during the period. Net exchange losses amount to Euro 41 thousand.

16. SHARE OF PROFIT/(LOSS) OF INVESTMENTS VALUED AT EQUITY

The account, introduced following the application of *IFRS 11 – Joint arrangements*, reflects the effect on the consolidated result for the period of the valuation at equity of the joint venture Fashion S.r.l.. The comparative H1 2016 figure included also the 50% stake in AnziBesson Trademark S.r.l., sold last December.

17. INCOME TAXES

Income taxes comprise current taxes of Euro 1.8 million and for Euro 351 thousand tax income related to the application of the "Patent Box", while deferred tax charges were not significant.

It should be noted that the benefit attributable to the application of the recent "Patent Box" regulation was limited to the part not subject to review by the Tax Agency and for which an application was presented within the terms established by the relative notices; it should also be noted that the Tax Agency undertook the "review activities in which it was established that BasicNet S.p.A., Basic Trademark S.A. and Superga Trademark S.A. are within the scope of the subsidy, with the formal substance verified of the obligatory elements for access to the optional system and the applications therefore declared admissible".

The first meeting with the Tax Agency for review of the applications was held on July 24, 2017 and was of an interlocutory nature. A decision is expected by the end of the year.

18. EARNINGS PER SHARE

The basic earnings per share, for H1 2017, is calculated dividing the net result attributable to the shareholders of the Group by the weighted average number of ordinary shares outstanding during the period:

(in Euro)	**H1 2017**	**H1 2016**
Net profit attributable to owners of the Parent	3,473,716	5,081,495
Weighted average number of ordinary shares	55,474,230	56,285,803
Basic earnings per ordinary share	0.0626	0.0903

At June 30, 2017, there were no “potentially diluting” shares outstanding, therefore the diluted earnings per share coincides with the earnings per share.
The change in the weighted average number of ordinary shares outstanding between the periods relates to the number of treasury shares acquired in the period.

EXPLANATORY NOTES TO THE BALANCE SHEET

(IN EURO THOUSANDS UNLESS OTHERWISE STATED)

ASSETS

19. INTANGIBLE ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016
Concessions, brands and similar rights	35,309	34,439	34,457
Software development	4,400	4,570	4,766
Other intangible assets	2,693	2,678	2,323
Industrial patents	43	41	34
Total intangible assets	**42,445**	**41,728**	**41,580**

The changes in the original costs of the intangible assets were as follows:

	Concessions, brands & similar rights	Software development	Other intangible assets	Industrial patents	Total
Historic cost at 1.1.2017	**47,303**	**40,166**	**9,556**	**95**	**97,120**
Additions	*1,751*	*767*	*284*	*6*	*2,808*
Disposals and other changes	*(2,321)*	*(2)*	-	-	*(2,323)*
Write-downs	-	-	-	-	-
Historic cost at 30.06.2017	**46,733**	**40,931**	**9,840**	**101**	**97,605**

The changes in the relative accumulated depreciation provisions were as follows:

	Concessions, brands & similar rights	Software development	Other intangible assets	Industrial patents	Total
Acc. Amort. at 1.1.2017	**(12,864)**	**(35,596)**	**(6,879)**	**(55)**	**(55,394)**
Amortisation	*(151)*	*(935)*	*(268)*	*(3)*	*(1,357)*
Disposals and other changes	*1,591*	-	-	-	*1,591*
Write-downs	-	-	-	-	-
Acc. Amort. at 30.06.2017	**(11,424)**	**(36,531)**	**(7,147)**	**(58)**	**(55,160)**

The net book value of intangible assets is reported below:

	Concessions, brands & similar rights	Software development	Other intangible assets	Industrial patents	Total
Opening net book value at January 1, 2017	**34,439**	**4,570**	**2,677**	**40**	**41,726**
Additions	*1,751*	*767*	*284*	*6*	*2,808*
Disposals and other changes	*(730)*	*(2)*	-	-	*(732)*
Amortisation	*(151)*	*(935)*	*(268)*	*(3)*	*(1,357)*
Write-downs	-	-	-	-	-
Closing net book value at December 31, 2017	**35,309**	**4,400**	**2,693**	**43**	**42,445**

The increase in “concessions, brands and similar rights” is principally due to the acquisition of the Briko brand for Euro 1.7 million and the capitalisation of costs incurred for the registration of trademarks in new European countries, for renewals and extensions and for the purchase of software licenses. The reduction relates to the sale of the Lanzera brand in June and amortisation in the period of the Jesus Jeans brand, amortised over 20 years, as not yet reaching a market positioning equal to that of the principal brands.

For the Briko brand, the license contract included a purchase option in favour of BasicNet exercisable by June 30, 2019 at a price based on brand revenue levels for the 12 months preceding the acquisition; the option was exercised early, with the payment of an advance and a reduction on the final portion to be established on the basis of the June 30, 2019 figures. The final price is estimated at Euro 1.7 million, against an advance to be paid of Euro 1 million in August.

At June 30, 2017, the Kappa and Robe di Kappa brands report a book value of Euro 4.1 million (Euro 1.9 million net of fiscal amortisation), with the Superga brand reporting a book value of Euro 21 million (Euro 14.9 million net of fiscal amortisation); the K-Way brand was valued at Euro 8.1 million (Euro 1.3 million net of fiscal amortisation) and the Briko brand at Euro 1.7 million. The Kappa, Robe di Kappa, Superga and K-Way brands are considered intangible assets with indefinite useful life and as such are subject to an impairment test at least annually, whose results are compared with the valuations made by an independent advisor, which have repeatedly reported values comfortably in excess of book value. At June 30, 2017, there were no impairment indicators and therefore the relative tests were not carried out.

The book value of the Sabelt brand, for which the Group is global licensee for the “fashion” categories, held through the joint venture, is included in the value of the investment.

The account “software development” increased approx. Euro 0.8 million for investments and decreased Euro 0.9 million for amortisation in the period.

The account “other intangible assets” principally includes improvements related to the franchising project and recorded investments of Euro 0.3 million and amortisation in the period of Euro 0.3 million.

20. GOODWILL

	June 30, 2017	December 31, 2016	June 30, 2016
Goodwill	9,783	10,052	10,072
Total goodwill	**9,783**	**10,052**	**10,072**

The account "goodwill" includes the goodwill arising on the business combination with the Spanish licensee (totalling Euro 6.7 million) and the French licensee (Euro 1.2 million), in addition to goodwill paid for the acquisition of retail outlets, known as key money (Euro 1.8 million).

The Group verifies the recovery of the goodwill at least on an annual basis or more frequently when there is an indication of a loss in value. For the purposes of the impairment test the goodwill is allocated to the lowest cash-generating unit.

In relation to the goodwill arising on the acquisition of the two European licensees, the rather strong results reported by the Kappa brand to which they relate, exceeding the expected cash flows, confirm the absence of impairment indicators.

For the key money, no impairment indicators were identified, except for some sales points closed or for which the decision to close has been made, within a normal rotation of less profitable sales point in favour of the opening of new locations or more appropriate operational strategies. For these sales points, a write-down of Euro 270 thousand was made (Note 14).

21. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2017	December 31, 2016	June 30, 2016
Property	22,774	23,226	21,548
Furniture and other assets	4,991	5,043	4,718
Plant and machinery	431	463	438
EDP	1,611	1,568	1,600
Industrial and commercial equipment	165	197	198
Total property, plant and equipment	**29,972**	**30,497**	**28,502**

The changes in the historical cost of property, plant and equipment were as follows:

	Property	Furniture and other assets	Plant and machinery	EDP	Industrial and commercial equipment	Total
Historic cost at 1.1.2017	**36,925**	**15,630**	**1,605**	**13,404**	**984**	**68,548**
Additions	*42*	*504*	*43*	*394*	*5*	*988*
Disposals and other changes	-	*(2)*	-	*(22)*	*(12)*	*(36)*
Historic cost at 30.06.2017	**36,967**	**16,132**	**1,648**	**13,776**	**977**	**69,500**

The changes in the relative accumulated depreciation provisions were as follows:

	Property	Furniture and other assets	Plant and machinery	EDP	Industrial and commercial equipment	Total
Acc. Deprec. at 1.1.2017	**(13,698)**	**(10,587)**	**(1,141)**	**(11,837)**	**(788)**	**(38,051)**
Depreciation	*(495)*	*(554)*	*(76)*	*(328)*	*(24)*	*(1,477)*
Disposals and other changes	-	-	-	-	-	-
Acc. Deprec. at 30.06.2017	**(14,193)**	**(11,141)**	**(1,217)**	**(12,165)**	**(812)**	**(39,528)**

The net book value of property, plant and equipment was as follow:

	Property	Furniture and other assets	Plant and machinery	EDP	Industrial and commercial equipment	Total
Opening net book value at January 1, 2017	**23,227**	**5,043**	**464**	**1,567**	**196**	**30,497**
Additions	*42*	*504*	*43*	*394*	*5*	*988*
Depreciation	*(495)*	*(554)*	*(76)*	*(328)*	*(24)*	*(1,477)*
Disposals and other changes	-	*(2)*	-	*(22)*	*(12)*	*(36)*
Closing net book value at December 31, 2017	**22,774**	**4,991**	**431**	**1,611**	**165**	**29,972**

"Property" includes the value of the buildings at Strada della Cebrosa 106, Turin, headquarters of BasicItalia S.p.A. and at Largo Maurizio Vitale 1, Turin, headquarters of the Parent Company, and the recent investment in Turin, Corso Regio Parco 43, for a property adjoining the owned BasicVillage S.p.A. The increase in property follows improvements made during the period.

Total gross investments in the period amounted to Euro 0.9 million, principally relating to the acquisition of furniture and EDP for the opening of new stores.

22. EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016
Other receivables, guarantees	694	264	347
Total financial receivables	***694***	***264***	***347***
Total investments & other financial assets	**694**	**264**	**347**

"Other receivables" principally refer to deposits on real estate property.

23. INTERESTS IN JOINT VENTURES

	June 30, 2017	December 31, 2016	June 30, 2016
Investments in:			
- Joint ventures	278	257	323
Total investments in joint ventures	**278**	**257**	**323**

Investments in joint ventures concern the value of the investment in Fashion S.r.l., held 50%. The company owns the Sabelt brand. The value of the investment increased on the previous year against equity support for operations from shareholders. From January 1, 2014, this category of investment has been valued at equity, as per IFRS 11.
At June 30, 2016, the account included also the investment in AnziBesson Trademark S.r.l., sold to the Besson family in December 2016.

24. NET INVENTORIES

	June 30, 2017	December 31, 2016	June 30, 2016
Finished products and goods	54,433	50,854	53,975
Inventory obsolescence provision	(3,649)	(3,646)	(3,432)
Total net inventories	**50,784**	**47,208**	**50,543**

Finished inventories include goods in transit at the balance sheet date which at June 30, 2017 amount to approx. Euro 5.5 million compared to Euro 2.1 million at December 31, 2016, goods held at Group brand stores for Euro 8.9 million, compared to Euro 10.4 million at December 31, 2016 and goods to be shipped against orders, to be delivered at the beginning of the following year, for Euro 8.9 million compared to Euro 11.2 million at December 31, 2016.

Inventories are valued under the weighted average cost method and net of the obsolescence provision considered reasonable for a prudent valuation of inventories, which recorded the following changes during the year:

	June 30, 2017	June 30, 2016
Inventory obsolescence provision at 1.1	**3,646**	**3,014**
Provisions in the period	428	765
Utilisations	(425)	(347)
Inventory obsolescence provision at 30.06	**3,649**	**3,432**

25. TRADE RECEIVABLES

	June 30, 2017	December 31, 2016	June 30, 2016
Gross value	57,195	65,756	53,860
Doubtful debt provision	(7,903)	(7,690)	(6,167)
Total trade receivables	**49,292**	**58,066**	**47,693**

All amounts are due within 12 months. The receivables are recorded at their realisable value through a doubtful debt provision based on estimated losses on disputes and/or overdue receivables as well as a general provision.

The movements during the year were as follows:

	June 30, 2017	June 30, 2016
Doubtful debt provision at 1.1	**7,690**	**5,689**
Provisions in the period	1,020	1,375
Utilisations	(807)	(897)
Doubtful debt provision at 30.06	**7,903**	**6,167**

The provision in the period is calculated based on specific needs which may arise, integrated by provisions made on a statistical basis. Utilisations in the period concern provisions made in previous periods on specific positions for which losses were verified in the period; the utilisation is therefore not related to the performance in the period.

26. OTHER CURRENT ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016
Tax receivables	7,394	8,981	9,581
Other receivables	1,817	1,242	1,252
Total other current assets	**9,211**	**10,223**	**10,833**

“Tax receivables” principally relate to IRES and IRAP paid on account for Euro 1.4 million, VAT receivables for Euro 0.5 million and withholding taxes on royalties for Euro 5.4 million.

“Other receivables” include the premium paid to the insurance company against Directors Termination Indemnities to be paid to the Chairman of the Board of Directors on departure for Euro 1 million and other minor items for the residual.

27. PREPAYMENTS

	June 30, 2017	December 31, 2016	June 30, 2016
Expenses pertaining to future Collections	4,463	4,690	3,734
Sponsorship and media	1,575	1,991	3,097
Other	1,471	898	1,449
Total prepayments	**7,509**	**7,579**	**8,280**

The “expenses pertaining to future collections” concern part of the design and manufacturing costs of collections to be sold subsequently, for which the corresponding revenues have not yet accrued.

The “sponsorship costs” relate to the annual amount contractually defined by the parties, which is partially invoiced in advance during the sports season, compared to the timing of the services.

The “other prepayments” include various costs for samples, services, utilities, insurance and other minor amounts incurred by the companies of the Group, which are recorded on an accruals basis.

28. CASH AND CASH EQUIVALENTS

	June 30, 2017	December 31, 2016	June 30, 2016
Bank and postal deposits	4,400	5,591	4,311
Cash in hand and similar	78	116	59
Total cash and cash equivalents	**4,478**	**5,707**	**4,370**

“Bank deposits” refer to temporary current account balances principally due to receipts from clients. In particular, they are held at: BasicNet S.p.A. (Euro 1 million), BasicItalia S.p.A. (Euro 1.7 million), BasicRetail S.r.l. (Euro 208 thousand) and, for the difference, the other Group companies (Euro 1.5 million).

29. DERIVATIVE FINANCIAL INSTRUMENTS

	June 30, 2017	December 31, 2016	June 30, 2016
Derivative financial instruments	-	1,609	446
Total	**-**	**1,609**	**446**

Reference should be made to Note 41.

SHAREHOLDERS' EQUITY & LIABILITIES

30. SHAREHOLDERS' EQUITY

	June 30, 2017	December 31, 2016	June 30, 2016
Share capital	31,717	31,717	31,717
Treasury shares	(12,722)	(11,890)	(10,423)
Other reserves	69,868	64,748	62,935
Net Profit	3,474	10,305	5,081
Minority interests	-	-	-
Total Shareholders' Equity	**92,337**	**94,880**	**89,310**

The "share capital" of the Parent Company, amounting to Euro 31,716,673.04, is divided into 60,993,602 ordinary shares of Euro 0.52 each, fully paid-in.

During the first half of 2017, 233,057 treasury shares were acquired in accordance with Shareholders' Meetings motions, as illustrated in the Directors' Report, which together with the 5,424,240 shares held at the end of the previous year, totalled 5,657,297 at June 30, 2017 (9.28% of the Share Capital).

The other gains and losses recorded directly to equity in accordance with *IAS 1 – Presentation of financial statements* are reported below.

	June 30, 2017	June 30, 2016	Changes
Effective part of the Gains/(losses) on cash flow instruments generated in the period (currency hedges)	(1,884)	(1,129)	(755)
Effective part of the Gains/(losses) on cash flow instruments generated in the period (interest rate hedges)	208	39	169
Effective part of the Gains/losses on cash flow hedge instruments	***(1,676)***	***(1,090)***	***(586)***
Re-measurement of defined benefit plans (IAS 19)	(5)	(124)	119
Gains/(losses) from translation of accounts of foreign subsidiaries	(582)	(139)	(443)
Tax effect relating to the Other items of the comprehensive income statement	402	293	109
Total other gains/(losses), net of tax effect	**(1,861)**	**(1,060)**	**(801)**

The tax effect relating to Other gains/(losses) is as follows:

	June 30, 2017			June 30, 2016		
	Gross value	Tax Charge/ Benefit	Net value	Gross value	Tax Charge/ Benefit	Net value
Effective part of Gains/losses on cash flow hedge instruments	(1,676)	401	(1,275)	(1,090)	259	(831)
Gains/losses for re-measurement of defined benefit plans (IAS 19)	(6)	1	(5)	(124)	34	(90)
Gains/(losses) from translation of accounts of foreign subsidiaries	(582)	-	(582)	(139)	-	(139)
Total other gains/(losses), net of tax effect	**(2,264)**	**402**	**(1,861)**	**(1,353)**	**293**	**(1,060)**

31. PROVISIONS FOR RISKS AND CHARGES

	June 30, 2017	December 31, 2016	June 30, 2016
Provisions for risks and charges	27	42	28
Total provisions for risks and charges	**27**	**42**	**28**

The provision for risks and charges relates to the Agents Termination Indemnity Provision (FIRR) in BasicItalia S.p.A.. The reduction follows the settlement of a number of positions in the period.

32. LOANS

The changes in the loans during the year are shown below:

	31/12/2016	Repayments	New loans	30/06/2017	Short-term portion	Medium/long-term portion
“BNL Loan”	7,500	(625)	-	6,875	(1,250)	5,625
“Intesa Loan”	9,375	(1,875)	-	7,500	(3,750)	3,750
“Basic Village property loan”	6,900	(600)	-	6,300	(1,200)	5,100
“BasicItalia property loan”	2,746	(203)	-	2,543	(407)	2,136
“BPM Loan”	-	(123)	2,000	1,877	(496)	1,381
Balance	**26,521**	**(3,426)**	**2,000**	**25,095**	**(7,103)**	**17,992**

The maturity of the long-term portion of loans is highlighted below:

	June 30, 2017	December 31, 2016	June 30, 2016
MEDIUM/LONG TERM LOANS:			
- due within 5 years	16,558	17,052	13,927
- due beyond 5 years	1,434	2,862	2,415
Total medium/long-term loans	***17,992***	***19,914***	***16,342***
Leasing payables	1,226	1,600	1,531
Total leasing payables (maturity within 5 years)	***1,226***	***1,600***	***1,531***
Total loans	**19,218**	**21,514**	**17,873**

The medium/long-term loans are comprised for Euro 5.1 million of the residual value of the loan provided by the Unicredit Group, for the purchase of the "BasicVillage" building located at Largo Maurizio Vitale, 1, Turin ("BasicVillage Property Loan"), for Euro 2.1 million the residual loan from Mediocredito Italiano S.p.A. (Intesa Sanpaolo S.p.A.) for the purchase of the building of BasicItalia S.p.A. located at Strada Cebrosa, 106 ("BasicItalia Property Loan"), for Euro 3.7 million the residual loan from Intesa SanPaolo issued in April 2015 ("Intesa Loan"), for Euro 5.6 million the new medium/long-term loan issued by Banca Nazionale del Lavoro S.p.A. in November 2016 ("BNL Loan"), of six year duration and repayable in quarterly installments and for Euro 1.4 million the loan issued by Banco BPM S.p.A. ("BPM Loan") in February 2017.

The "BNL Loan" was disbursed in November 2016 for Euro 7.5 million; it has six-year duration and is repayable in quarterly instalments at a quarterly Euribor rate increased by 95 basis points. The contractual conditions do not include financial covenants. The loan contract stipulates the maintenance of a number of ownership conditions concerning BasicNet S.p.A., in particular that the overall investment (direct or indirect) of BasicWorld S.r.l. in BasicNet S.p.A. should not reduce below 30%. The loan is supported by a second level mortgage on the BasicVillage building in Turin and a first level mortgage on the adjacent building, acquired at the end of the year.

The "Intesa" loan was issued in April 2015 by Intesa Sanpaolo S.p.A. for Euro 15 million. The loan is for four years, repayable on a quarterly basis, at Euribor three months increased by 185 basis points and with the objective to support development investments, in addition to optimise the duration of the financing; collateral was provided of a lien on the shares of Superga Trademark S.A. In July 2015, the variable Euribor rate was converted (with an interest rate swap) into a fixed rate of 0.23% annually.
The contractual conditions do not include financial covenants. The "Intesa Loan" contract stipulates the maintenance of a number of ownership conditions concerning BasicWorld S.r.l., the majority shareholder of BasicNet S.p.A., and of BasicNet S.p.A..

– the maintenance by Mr. Marco Daniele Boglione (either directly or indirectly) of at least 51% of the share capital of Basic World S.r.l., a company which holds 33.1283% of BasicNet S.p.A. shares and is the largest shareholder;

– that the total shareholding, direct or indirect, of BasicWorld S.r.l. in the share capital of BasicNet S.p.A., does not reduce under 30%;

– the maintenance, either directly or indirectly, by BasicNet S.p.A. of full ownership of Superga Trademark S.A..

The “Basic Village property loan” granted by the Unicredit Group was for the acquisition of the building “Basic Village” at Largo M. Vitale 1, Turin. The loan was granted in September 2007 for Euro 18 million at a variable rate converted into a fixed rate (Note 41). Against this loan there is a mortgage on the property and a guarantee from the parent company BasicNet S.p.A. with maturity in September 2022.

The “BasicItalia Loan” granted by Banca Intesa Sanpaolo S.p.A. was for the purchase of the building “BasicItalia” at Strada Cebrosa 106, Turin. The loan was granted in October 2008 for Euro 6 million with repayment of the capital in fifty-nine quarterly equal instalments and maturity in September 2023. The loan is guaranteed by a mortgage on the property and by a guarantee from the parent company BasicNet S.p.A..

The “BPM Loan” was undertaken by BasicItalia in February 2017 for an amount of Euro 2 million, repayable in 16 quarterly instalments at a variable quarterly Euribor rate, plus a margin of 70 basis points. The loan is guaranteed under the contract and by a surety of the parent company BasicNet S.p.A. and does not stipulate financial covenants.

At June 30, 2017 the credit lines available from the banking system (bank overdrafts, commercial advances, medium/long-term loans, import financing, leasing and letters of credit), amounted to Euro 188.9 million, broken down as follows:

(in Euro millions)	**June 30, 2017**	**June 30, 2016**
Cash facility	127.6	106.0
Factoring	1.5	1.5
Letters of credit and swaps	31.1	23.8
Medium/long term loans	25.1	24.7
Property leases	3.6	3.6
Total	**188.9**	**159.6**

The average interest paid for the BasicNet Group in the year is reported in Note 36.

33. EMPLOYEE AND DIRECTOR BENEFITS

The account includes the post-employment benefits for employees of Euro 2.6 million and the termination indemnities of Directors of Euro 583 thousand.

The changes in the period of the post-employment benefit liability were as follows:

	June 30, 2017			June 30, 2016		
	Defined benefit plans	**Defined contrib. plans**	**Total**	**Defined benefit plans**	**Defined contrib. plans**	**Total**
Change in the balance sheet:						
Net liabilities recognised at begin. of year	2,529	-	2,529	2,508	-	2,508
Interest	20	-	20	28	-	28
Pension cost, net of withholdings	109	397	506	61	378	439
Benefits paid	(49)	-	(49)	(64)	-	(64)
Payments to the INPS treasury fund	-	(64)	(64)	-	(186)	(186)
Payments to other supp. pension fund	-	(333)	(333)	-	(192)	(192)
Actuarial gain/(losses)	5	-	5	124	-	124
Net liabilities recognised in the accounts	**2,614**	**-**	**2,614**	**2,657**	**-**	**2,657**
Change in the income statement:						
Interest	20	-	20	28	-	28
Pension Cost	114	397	511	61	378	439
Total charges/(income) for post-employment benefits	**134**	**397**	**531**	**89**	**378**	**467**

The account "defined benefit plans" includes the present value of the liabilities in the Italian companies of the Group towards employees in accordance with Article 2120 of the Civil Code. Based on the regulatory changes in 2007, the sums matured prior to January 1, 2007 to employees are recognised as defined benefit plans in accordance with *IAS 19 – Employee benefits*; those matured subsequent to this date are on the other hand recognised as defined contribution plans in accordance with the same standard.

Within the Group there are no other defined benefit plans.

The actuarial valuation of the Post-Employment Benefit is prepared based on the "matured benefits" method through the Projected Unit Credit Method in accordance with IAS 19. Under this method the valuation is based on the average present value of the pension obligations matured based on the employment service up to the time of the valuation, without projecting the remuneration of the employee in accordance with the regulatory modifications introduced by the Pension Reform.

The revaluations of the amounts at the option date for all of the companies and the benefits matured and not allocated to complementary pension schemes for businesses with less than 50 employees are recorded under post-employment benefit. In accordance with IAS 19, this provision was recorded as a "Defined benefit plans".

The actuarial model for the measurement of the post-employment benefit is based on various assumptions of a demographic and financial nature. The principal assumptions of the model concerning the actuarial valuations relating to personnel costs are:

	June 30, 2017	**December 31, 2016**
Annual discount rate	1.740%	1.790%
Annual inflation rate:	1.500%	1.500%
Annual increase in post-employment benefit:	2.625%	2.625%
Annual increase in salaries:	1.000%	1.000%

The change in the annual discount rate reflects the increase in the yields of the "corporate bonds" of the basket utilised (Iboxx Eurozone Corporate) at the balance sheet date.

34. DEFERRED TAX LIABILITIES

	June 30, 2017	December 31, 2016	June 30, 2016
Deferred tax liabilities	680	1,084	367
Total deferred tax liabilities	**680**	**1,084**	**367**

Deferred tax assets and liabilities are calculated on all the temporary differences arising between the book value in the consolidated financial statements and their assessable amount for tax purposes. The change in deferred tax liabilities, net of deferred tax assets, was Euro 405 thousand and relates for Euro 193 thousand to the release of deferred tax assets provisioned in previous years, for Euro 143 thousand deferred tax assets on non-deductible items principally relating to doubtful debt provisions and inventory obsolescence provisions, for Euro 403 thousand deferred tax assets on derivative financial instruments in addition to provisions and for Euro 304 thousand for deferred tax liabilities on the amortisation of brands.

The individual effects are reported in the table below:

	June 30, 2017			December 31, 2016			
	Amount of temporary differences	**Rate %**	**Tax effect**	**Amount of temporary differences**	**Rate %**	**Tax effect**	**Changes 2017/2016**
Deferred tax assets:							
- Excess doubtful debt provision not deductible	(6,759)	24.00%	(1,622)	(5,994)	24.00%	(1,439)	(183)
- Inventory obsolescence provision	(3,478)	24.00%	(863)	(3,646)	24.00%	(903)	40
- ROL surplus	(455)	24.00%	(109)	(455)	24.00%	(109)	-
- Prudent exchange differences, net	(329)	24.00%	(79)	56	24.00%	13	(92)
- Misc. charges temporarily non-deductible	(2,014)	27.90%	(560)	(2,147)	27.90%	(592)	32
- Effect IAS 19 – Employee Benefits	(115)	24.00%	(27)	(105)	24.00%	(25)	(2)
- Effect IAS 39 – financial instruments	(1,120)	24.00%	(269)	556	24.00%	134	(403)
Total	**(14,271)**		**(3,529)**	**(11,736)**		**(2,920)**	**(608)**
Deferred tax liabilities:							
- Dividends not received	-	24.00%	-	75	24.00%	18	(18)
- Amortisation/Depreciation tax basis	11,791	27.90%	3,290	10,700	27.90%	2,985	305
- Effect IAS 38 – plant costs	17	27.90%	5	16	27.90%	4	1
- Effect of IAS 17 finance leases and other tax differences on buildings	1,735	27.90%	484	2,117	27.90%	591	(107)
- Effect IFRS 3 – goodwill amortisation	1,541	27.90%	430	1,411	27.90%	407	23
Total	**15,084**		**4,209**	**14,319**		**4,005**	**204**
Deferred tax charge/(income) as per financial statements			**680**			**1,084**	**(404)**

The deferred tax assets and liabilities reported at December 31, 2016 were calculated at the new IRES rate in force, as per the 2016 Stability Law (Law 208/2015) and in accordance with paragraph 47 of IAS 12 which provides for the utilisation of the tax rates which will be applied in the year in which the underlying asset will be realised or underlying liability settled.

The derivatives defined as cash flow hedges and valued at fair value result in the relative tax being recorded directly in the “comprehensive income statement” and not in the “income statement”. They have a positive effect of Euro 0.3 million.

The same treatment is adopted for the tax effect relating to the actuarial gain/losses, recorded since January 1, 2013, in accordance with IAS 19 Revised.

35. OTHER NON-CURRENT LIABILITIES

	June 30, 2017	December 31, 2016	June 30, 2016
Guarantee deposits	1,101	927	904
Total other non-current liabilities	**1,101**	**927**	**904**

The "guarantee deposits" include the guarantees received from licensees, to cover the minimum royalties guaranteed contractually.

36. BANK PAYABLES

	June 30, 2017	December 31, 2016	June 30, 2016
Bank payables due within one year:			
- short-term portion of medium/long-term loans	7,103	6,607	5,357
- bank overdrafts and bills	13,827	8,014	13,594
- import advances	14,847	19,031	13,528
Total bank payables	**35,777**	**33,652**	**32,479**

The portion of medium/long-term loans due within one year is included under short-term bank debt as described in Note 32.

The changes in the financial position are commented upon in the Directors' Report. Interest due matured at the end of the year on short and medium/long-term loans is reported in the account bank payables.

Cash advances refer to temporary utilisation by the Parent Company BasicNet S.p.A., for Group treasury needs.

The financial debt by interest rate at June 30, 2017 is as follows:

	Interest Rate		
	Fixed	**Variable**	**Total**
Short-term	14,007	21,769	35,776
Medium/long term	8,850	10,368	19,218
Total	**22,857**	**32,138**	**54,994**

The average variable rate of medium/long-term loans is 2.56%, while the short-term rate ranges between 0.19% and 0.54%.

37. TRADE PAYABLES

The “trade payables” are payable in the short-term and increased by approx. Euro 6.3 million compared to June 30, 2016, due to the normal commercial cycle and the variable timing of goods deliveries. At the date of the present report there are no initiatives for the suspension of supplies, payment injunctions or executive actions by creditors against BasicNet S.p.A. or other companies of the Group.

Trade payables are normally settled between 30 and 120 days. The book value of trade payables equates the relative fair value.

38. TAX PAYABLES

The breakdown of this account is shown in the following table:

	June 30, 2017	December 31, 2016	June 30, 2016
Tax payables:			
Income taxes	3,058	1,363	5,026
Withholding taxes	38	53	41
VAT payable online sales	21	-	-
Employee contributions	492	543	454
Non-recurring tax charges	7	569	1,702
Group VAT	936	13,221	9,736
Total tax payables	**4,552**	**15,749**	**16,958**

Current tax payables include provisions for IRES and IRAP to be settled at the reporting date. The balance at June 30 includes income taxes provisioned at the end of the previous year, to be settled in the second half of the subsequent year and the estimate of income taxes payable on assessable income in the half-year. The amount includes income taxes for the period of Euro 1.6 million and Euro 1.4 million as the 2016 balance. The VAT payable at December 31 was settled in the period.

39. OTHER CURRENT LIABILITIES

	June 30, 2017	December 31, 2016	June 30, 2016
Accrued expenses	10	626	18
Other payables	8,492	6,933	8,396
Total other current liabilities	**8,502**	**7,559**	**8,414**

The account “accrued expenses” principally includes deferred employee remuneration.

The “other payables” at June 30, 2017 principally include employee and director remuneration and expenses (Euro 3.1 million), payable in the subsequent month, related social security charges (Euro 1.1 million), other related liabilities (Euro 0.2 million), royalty payment on accounts from licensees (Euro 0.1 million), Euro 1.7 million related to the acquisition by BasicNet S.p.A. of the Briko brand (Note 19) and other miscellaneous amounts (Euro 2.4 million).

40. DEFERRED INCOME

	June 30, 2017	December 31, 2016	June 30, 2016
Royalties	-	885	-
Sponsored goods revenues	798	1,173	1,331
Other deferred income	173	111	220
Total deferred income	**971**	**2,169**	**1,551**

The "sponsored goods revenues" relates to the invoicing of sponsored merchandise, which contractually partially refers to the period after the reporting date, with corresponding prepayments recorded under assets for sponsoring costs.

41. DERIVATIVE INANCIAL INSTRUMENTS

	June 30, 2017	December 31, 2016	June 30, 2016
Derivative financial instruments	1,120	1,052	1,667
Total	**1,120**	**1,052**	**1,667**

The account includes for Euro 846 thousand the adjustments to market value of the interest rate hedging operations on the medium-long-term "Intesa loan" and on the BasicVillage property loan (Note 32), signed with leading financial counterparties, which converted the variable interest rates into fixed interest rates, respectively at 2.08% and 6.04% (cash flow hedge). A negative equity reserve was recorded of approx. Euro 635 thousand, net of the tax effect.

The account includes in addition for Euro 274 thousand the market value at June 30, 2017 of the currency hedge instruments on US Dollars (cash flow hedge), subscribed with primary credit institutions; the instrument utilised, called flexi term, operates in the form of forward currency purchases on a portion of the estimated currency needs for the purchase of goods on foreign markets, to be made in 2017 and 2018, on the basis of the goods orders already sent to suppliers, or still to be made but included in the budget. At June 30, 2017, commitments were in place on estimated future purchases, for USD 23 million, divided into 8 operations with variable maturities in the second half of 2017 (for USD 10 million) and in 2018 (for USD 13 million), at fixed exchange rates between USD/Euro 1.12 and USD/Euro 1.13. During H1 2017, forward purchase operations were utilised for approx. USD 19 million and the relative effects were recognised to the income statement. A negative equity reserve was recorded of approx. Euro 208 thousand, net of the tax effect.

In the case of the Interest Rate Swap (IRS) agreed by the Group, the specific hedge of the variable cash flow realised at market conditions, through the signing of the fix/flo IRS perfectly hedges the item to which the original cash flows stem, as in this case, and continues to be effective.

42. GUARANTEES GIVEN

With reference to the guarantees and commitments of the Group with third parties reference should be made to Note 32.

In February 2010, the Intesa Sanpaolo S.p.A. Group and BasicItalia S.p.A. signed an agreement which would permit access to subsidised finance for the start-up of franchising stores of the Group, against which a portion of the loans are guaranteed and the purchase of assets in leasing in the case of non-compliance by the store owner. For its part, BasicItalia S.p.A. has the contractual right to sub-enter into the management of the stores, in the event that the store owner does not comply with the loan and leasing repayments. At June 30, 2017, the deposit amounted to Euro 220 thousand and leasing guarantees amount to Euro 1.2 million.

In accordance with that outlined above guarantees were granted of Euro 0.6 million by credit institutions in favour of the lessees of the stores of BasicRetail S.r.l. directly undertaking retail sales of the Group products.

Further commitments were undertaken by the subsidiary BasicItalia S.p.A. relating to the opening of import credit documentation (credit letters) for goods, through some Credit Institutions, totalling Euro 24.2 million (Euro 20.6 million at June 30, 2016), in addition to a surety issued by a leading bank in guarantee of the contractual commitments related to a sponsorship contract for Euro 6.5 million.

The future rental commitments to be honoured on contractual expiry indicatively amount to Euro 9.6 million concerning the rental of the outlets and the directly managed sales points. The average duration of the rental contracts is 8 years.

The shares of the subsidiary Superga Trademark S.A. are subject to a pledge in favour of Intesa Sanpaolo S.p.A. in guarantee of the loan issued in April 2015.

43. CLASSIFICATION OF THE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The principal risks and uncertainties of the Group activities are described in the Directors’ Report.

The financial instruments of the BasicNet Group include:

- cash and cash equivalents and bank overdrafts;
- medium/long-term loans and lease financing;
- derivative financial instruments;
- trade payables and receivables.

It is recalled that the Group only subscribes to cash flow hedges, to hedge against interest and currency risks.

In accordance with the requirements of IFRS 7 in relation to financial risks, the types of financial instruments present in the financial statements, with indication of the valuation criteria applied, are reported below:

	Financial instruments at fair value recorded through:		Financial instruments at amortised cost	Non-listed investments valued at cost	Book value at 30.06.2017
	P&L	Shareholders' Equity			
Assets:					
Equity invest. & other financial assets	-	-	-	694	**694**
Interests in joint ventures	-	-	-	278	**278**
Trade receivables	-	-	49,292	-	**49,292**
Other current assets	-	-	9,211	-	**9,211**
Derivative financial instruments	-	-	-	-	**-**
Liabilities:					
Bank payables	-	-	35,777	-	**35,777**
Medium/long-term loans	-	-	19,218	-	**19,218**
Trade payables	-	-	36,964	-	**36,964**
Other current liabilities	-	-	8,502	-	**8,502**
Derivative financial instruments	-	1,120	-	-	**1,120**

The financial risk factors, identified in *IFRS 7 – Financial instruments*: *additional disclosures*, are described below:

- the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in market prices ("*market risk*"). The market risk includes the following risks: price, currency and interest rates:
  a. the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in market prices (other than changes determined from interest rate or currency risk), whether the changes are determined by specific factors related to the financial instrument or its issuer, or whether it is due to factors which influence all similar financial instruments traded on the market *("price risk");*
  b. the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in currency prices ("*currency risk*");
  c. the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in market interest rates ("*interest rate risk*");
- the risk that one of the parties that signs a contract of a financial nature does not comply with an obligation ("*credit risk*");
- the risk that an entity has difficulty in complying with the obligations associated with the financial liabilities *("liquidity risk");*
- the risk that the loans within the companies of the Group contain clauses which allow the counterparties to request the creditor on the occurrence of certain events or circumstances the immediate repayment of the sums granted and not yet due, generating a liquidity risk *("default risk").*

Price risk

The Group is exposed to the risk of fluctuations of commodity prices relating to raw materials (wool, cotton, rubber, synthetic fibre etc.) incorporated in the finished products which BasicItalia S.p.A. acquires on international markets, as well as fluctuations in the cost of oil which influences transport costs.
The Group does not hedge these risks as not directly dealing with raw materials but only finished products and is exposed for the part of the increase which cannot be transferred to the final consumer if the market and competitive conditions do not permit such.

Currency risk

The BasicNet Group has subscribed the majority of its financial instruments in Euro which corresponds to its functional and presentation currency. Operating on the international market the group is also exposed to fluctuations in exchange rates, principally the US Dollar against the Euro.

At June 30, 2017, unrealised exchange gains were recorded of Euro 486 thousand, while unrealised exchange losses were recorded of Euro 527 thousand, for a net exchange loss of Euro 41 thousand.

At the interim reporting date, hedging operations on US Dollar fluctuations were in place for a total of USD 23 million. The relative effects are illustrated in the account Derivative financial instruments, outlined in Note 29.

Group Management considers that the management and containment polices adopted for this risk are adequate.

All medium/long-term loans and leasing contracts are in Euro, therefore they are not subject to any currency risk.

Interest rate risk

The composition of the gross financial debt between fixed and variable interest rates at June 30, 2017 is shown below:

	June 30, 2017	**%**	**June 30, 2016**	**%**
Fixed rate	22,857	41.6%	18,825	37.4%
Variable rate	32,138	58.4%	31,553	62.6%
Gross debt	**54,995**	**100.0%**	**50,378**	**100.0%**

The interest rate fluctuation risks of some medium/term loans were hedged with conversion of the variable rate into fixed rates, as described in Note 41.
On the remaining part of the debt, the Group is exposed to fluctuation risks.

Where at June 30, 2017 the interest rate on long/term loans at that date were 100 basis points higher (or lower) compared to the actual rates, there would be a higher financial charges (lower), before the tax effect, respectively of Euro +135 thousand and Euro -135 thousand.

Credit Risk

The doubtful debt provision (Note 25) which includes provisions against specific credit positions and a general provision on an historical analysis of receivables, represents approx. 13.8% of trade receivables at June 30, 2017.

Liquidity risk

Liquidity risk is mitigated in the short-term period by the significant generation of cash realised by the "licenses and trademarks" segment, by the significant positive net working capital, and by the overall credit lines provided by the banking system (Note 32).

The table below illustrates the cash flow timing of payments on medium/long-term debt.

	Book value	Future interest income/ expense	Contractual cash flows	Within 1 year	From 1 to 5 years	Beyond five years
"BNL Loan"	6,875	165	7,040	1,299	5,113	628
"Intesa Loan"	7,500	179	7,679	3,879	3,800	-
"BasicVillage property loan"	6,300	1,062	7,362	1,558	5,499	305
"BasicItalia property loan"	2,542	180	2,722	459	1,747	516
"BPM Loan"	1,877	27	1,904	508	1,396	-
Lease payables	1,226	38	1,264	645	619	-
Total financial liabilities	**26,320**	**1,651**	**27,971**	**8,348**	**18,174**	**1,449**

Default risk and debt covenants

The risk that the loans within the companies of the Group contain clauses (covenants) which allow the counterparties to request the creditor on the occurrence of certain events or circumstances the immediate repayment of the sums granted and not yet due, generating a liquidity risk.

The loans in place at the reporting date are not subject to financial covenants.

44. CONTINGENT LIABILITIES/ASSETS

The BasicNet Group is involved in some legal disputes of a commercial nature which are not expected to give rise to significant liabilities.

A.S. Roma contract termination

The dispute was taken by BasicItalia S.p.A. against A.S. Roma S.p.A. and Soccer S.a.s. Brand Management S.r.l., which on November 23, 2012 communicated the unilateral advance resolution of the team sponsorship, agreed with duration until June 30, 2017, for presumed non-compliance and, in particular, defects in the materials supplied. BasicItalia S.p.A., considering the reasons for the resolution unfounded, instigated an ordinary court procedure requesting compensation for significant damage incurred. A.S. Roma S.p.A. and Soccer S.a.s. appealed against the request of BasicItalia S.p.A. and counterclaimed requesting compensation for presumed damage. On May 26, the Court-appointed Technical Expert's findings (CTU) were considered. On this occasion, BasicItalia S.p.A., citing the conclusions of the CTU, underlined that no evidence exists of defective materials provided by Basic subsequent to the reconditioning carried out in accordance with the contract, arguing therefore the unlawful resolution by A.S. Roma and Soccer and requesting the undertaking of the accounting consultancy for the quantification of damages. A.S. Roma and Soccer, challenging BasicItalia S.p.A.'s interpretation of the technical consultants report, requested testimonial evidence from the team's players, in addition to technical accounting consultancy for the assessment of alleged damages. The judge, releasing the reserve established by the hearing, rejected the applications of the parties, referring the case to a subsequent hearing for assessment upon the need for additional investigations. The hearing for the statement of conclusions was fixed for September 15, 2017.
In addition, BasicItalia S.p.A. began proceedings against Soccer S.a.s., a debtor of BasicItalia S.p.A., for the provision of goods related to the sponsorship and against which an injunction against Soccer S.a.s. was issued on January 22, 2013. Against the opposition of Soccer S.a.s., an ordinary case, currently in the investigatory phase, was opened; currently, the opinions of the Court Appointed Expert and the Court Technical Assistant are being drawn up, while the hearing for the examination of findings has been fixed for December 15, 2017.

In addition, following the above termination of the contract, A.S. Roma sought to enforce payment of the surety granted by BNL S.p.A. in favour of BasicItalia S.p.A. for a maximum amount of Euro 5.5 million which guaranteed commitments undertaken by BasicItalia S.p.A. under the sponsorship agreement. Following the non-payment by BNL S.p.A., A.S. Roma petitioned the Rome Court to enforce a payment order against BNL for the full guaranteed amount. As a result of this procedure, in which BasicItalia S.p.A. (together with the parent company BasicNet S.p.A.) was joined as a party by BNL, the Rome Court, with judgement of December 7, 2013, rejected all applications by A.S. Roma, considering the enforcement illegitimate. This sentence was not challenged by A.S. Roma and the sentence is final.

On December 20, 2013, A.S. Roma again requested payment of the above-mentioned surety and, following the refusal of BNL to meet this new request, presented an appeal before the Rome Court on February 20, 2014. With judgement of December 15, 2014, the Rome Court rejected all requests made by A.S. Roma. A.S. Roma appealed against this decision before the Rome Appeals Court with subpoena dated February 10, 2015. The preliminary hearing, fixed for June 8, 2015, was postponed to June 10, 2015. On June 8, 2015, both BasicItalia S.p.A. and BNL put forward the rejection of the appeal and the confirmation of the first level judgment. The hearing held on June 10, 2015 sent the case for the establishment of conclusions on July 4, 2018.

45. INTERCOMPANY TRANSACTIONS AND TRANSACTIONS WITH RELATED COMPANIES

The transactions between the Parent Company and its subsidiaries and between the subsidiaries were within the normal operating activities of the Group and were concluded at normal market conditions. The balance sheet and income statement effects of the transactions are eliminated in the consolidation process. Based on the information received from the companies of the Group there were no atypical or unusual operations.

BasicNet S.p.A., and, as consolidating companies, BasicItalia S.p.A., BasicRetail S.r.l., BasicVillage S.p.A. and Jesus Jeans S.r.l. have adhered to the national fiscal regime as per Article 177/129 of the CFA.

The transactions with related parties for the period ended June 30, 2017 are reported below:

	Investments	Trade receivables	Trade payables	Other Income	Costs
Interests in joint ventures:					
- Fashion S.r.l.	278	1	2	-	-
Remuneration of Boards and Senior Executives and other related parties	-	-	-	-	2,970

The remuneration concerns emoluments and all other payments, pension-related or social security deriving from the role of Director or Statutory Auditor in BasicNet S.p.A. and the other companies within the consolidation scope.
In relation to the other related parties, we highlight the legal consulting activities undertaken by Studio Legale Pavesio e Associati and by Studio Legale Cappetti, of the Director Carlo Pavesio. These transactions, not material compared to the overall values, were at market conditions.

46. SUBSEQUENT EVENTS

They are described in the Directors' Report.

47. CONSOB COMMUNICATION NO. DEM/6064293 OF JULY 28, 2006

Pursuant to Consob Communication DEM/6064293 of July 28, 2006, we report that there were no non-recurring significant operations during the period, nor positions or transactions from atypical and/or unusual operations.

For the Board of Directors

The Chairman

Marco Daniele Boglione

ATTACHMENT 1
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COMPANIES INCLUDED IN THE CONSOLIDATION UNDER THE LINE-BY-LINE METHOD

	Registered office	Corporate purpose	Share capital		Parent company holding (%)
PARENT COMPANY					
BasicNet S.p.A.					
Directly held subsidiaries:					
- Basic Properties B.V.	Amsterdam (NL)	Sub-license concession of patent rights to local licensees.	EURO	18,160	100
- BasicVillage S.p.A. - single shareholder company	Turin (Italy)	Building mgt. at Largo M. Vitale, 1.	EURO	412,800	100
- BasicItalia S.p.A. single shareholder company	Turin (Italy)	Italian licensor, direct stores of BasicNet Group.	EURO	7,650,000	100
- BasicNet Asia Ltd.	Hong Kong (China)	Control activity of the licensees and sourcing centre in Asia.	HKD	10,000	100
- Jesus Jeans S.r.l. single shareholder company	Turin (Italy)	Owner of the Jesus Jeans brand.	EURO	10,000	100
Indirectly held subsidiaries:					
– through Basic Properties B.V.					
- Basic Trademark S.A.	Luxembourg	Owner of some brands of the BasicNet Group.	EURO	1,250,000	100
- Superga Trademark S.A.	Luxembourg	Owner of the brand Superga.	EURO	500,000	100 (1)
- Basic Properties America, Inc.	Richmond (Virginia – USA)	Sub-license of the brands for the US, Canada and Mexico markets.	USD	8,469,157.77	100
- through BasicItalia S.p.A.					
- BasicRetail S.r.l. single shareholder company	Turin (Italy)	Management of outlets owned by the Group and a number of sales points.	EURO	10,000	100

1) shares subject to pledges with voting rights at Extraordinary Shareholders' Meeting for Banca Intesa Sanpaolo S.p.A. in guarantee of the loan issued in April 2015.

ATTACHMENT 1
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COMPANIES INCLUDED IN THE CONSOLIDATION UNDER THE EQUITY METHOD

	Registered office	Corporate purpose	Share capital		Holding (%)
- through BasicNet S.p.A.					
- Fashion S.r.l.	Turin (Italy)	Owner of the Sabelt brand under a joint-venture	EURO	100,000	50 (1)

(1) the remaining 50% of the investment is held by the Marsiaj family

ATTACHMENT 2

DECLARATION

OF THE HALF-YEAR FINANCIAL STATEMENTS AS PER ARTICLE 81-TER OF CONSOB REGULATION NO. 81 OF MAY 14, 1999 AND SUBSEQUENT AMENDMENTS AND SUPPLEMENTS

The undersigned Marco Daniele Boglione as Executive Chairman, Giovanni Crespi as Chief Executive Officer of BasicNet S.p.A., and Paolo Cafasso as Executive Officer for Financial Reporting of BasicNet S.p.A., affirm, and also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:

- the adequacy in relation to the characteristics of the company and
- the effective application of the administrative and accounting procedures for the Condensed Consolidated Half-Year Financial Statements for the period from January 1 to June 30, 2017.

No significant aspect emerged concerning the above.

We also declare that:

- the condensed half-year financial statements:
  a) were prepared in accordance with international accounting standards, recognised in the European Union pursuant to EU regulation No. 1606/2002 of the European Parliament and Council, of July 19, 2002;
  b) correspond to the underlying accounting documents and records;
  c) provide a true and fair view of the economic, balance sheet and financial situation of the Issuer and of the companies included in the consolidation;
- the Interim Directors' Report includes a reliable analysis of the significant events in the first six months of the year and their impact on the condensed half-year financial statements, with a description of the principal risks and uncertainties for the remaining six months. This Report also contains a reliable analysis of the significant operations with related parties.

Marco Daniele Boglione
Chairman

Giovanni Crespi
Chief Executive Officer

Paolo Cafasso
Executive Officer for Financial Reporting

BasicNet S.p.A.

Review report on the condensed half-year financial statements

(Translation from the original Italian text)

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Building a better working world

Review report on the condensed half-year financial statements
(Translation from the original Italian text)

To the Shareholders of
BasicNet S.p.A.

Introduction

We have reviewed the condensed half-year financial statements, comprising the consolidated income statement, the consolidated comprehensive income statement, the consolidated balance sheet, the consolidated cash flow statement, the statement of changes in consolidated equity and the related explanatory notes of BasicNet S.p.A. and its subsidiaries (the "BasicNet Group") as of June 30, 2017. The Directors of BasicNet S.p.A. are responsible for the preparation of the condensed half-year financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed half-year financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of condensed half-year financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed half-year financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed half-year financial statements of BasicNet Group as of June 30, 2017 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

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Other matters

Financial statements and condensed half-year financial statements of the prior year respectively audited and reviewed by another auditor.

The consolidated financial statements for the year ended December 31, 2016 and the condensed half-year financial statements for the half-year period ended June 30, 2016 have been respectively audited and reviewed by another auditor who expressed an unqualified opinion on the consolidated financial statements on April 6, 2017 and expressed an unqualified conclusion on the condensed half-year financial statements on August 3, 2016.

Turin, August 1, 2017

EY S.p.A.
Signed by: Stefania Boschetti, Partner

This report has been translated into the English language solely for the convenience of international readers