GROUP

2018 HALF-YEAR REPORT

DIRECTORS' REPORT

BASICNET GROUP CONDENSED HALF-YEAR FINANCIAL STATEMENTS AND EXPLANATORY NOTES

CORPORATE BOARDS of BasicNet S.p.A.

Board of Directors

Marco Daniele Boglione	**Chairman**
Daniela Ovazza	**Vice Chairman**
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 Franco Spalla	**Directors**

[1] Independent Directors

Remuneration Committee

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

Control and Risks Committee

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

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

The key earnings indicators grew strongly in the first half of 2018 on 2017: EBITDA of Euro 13.1 million (+55%), EBIT of Euro 10.1 million (+88.5%), Net profit of approx. Euro 6.5 million (+87%).

The other indicators also substantially improved on the same period of the previous year:

- *aggregate sales* of Group products by the global Licensee Network as follows:
  - commercial licensees of Euro 285.1 million, Euro 267 million in H1 2017 (+6.8% at current exchange rates, +9.5% at like-for-like exchange rates) and
  - productive licensees of Euro 113.7 million, Euro 105.9 million in H1 2017 (+7.4% at current exchange rates and 11.6% at like-for-like exchange rates);

  totalling Euro 398.8 million, compared to Euro 372.9 million in 2017 (+7% at current exchange rates, +10.1% at like-for-like exchange rates);
- strong international market third-party licensee sales of Euro 218.8 million (+5.5% on H1 2017);
- significant European market growth (+8.5%). Continued American market development (+2.8%); Asian and Oceania markets recover (+6.1%), with substantially static Middle Eastern and African markets;
- *royalties and sourcing commissions* of Euro 25.7 million, +5.3% at current exchange rates, +7.5% at like-for-like exchange rates (Euro 24.4 million in H1 2017);
- sales of the proprietary licensee BasicItalia S.p.A., its subsidiary BasicRetail S.r.l. and, marginally, sample sales of BasicNet S.p.A. amount to Euro 67.1 million, compared to Euro 60.1 million in 2017 (+11.6%).
- as a result, consolidated revenues - including royalties and sourcing commissions in addition to sales - amount to Euro 92.7 million (Euro 84.5 million in 2017), up 9.8% at current exchange rates (+10.4% at like-for-like exchange rates);
- *EBITDA* at Euro 13.1 million (Euro 8.5 million in H1 2017), following major Italian market contribution;
- *EBIT* of Euro 10.1 million (Euro 5.4 million in H1 2017);
- *net profit* of Euro 6.5 million (Euro 3.5 million in 2017);
- *net debt* of Euro 57.2 million, compared to Euro 61.5 million at December 31, 2017. During the period, treasury shares were acquired for Euro 1.6 million, with dividends of Euro 3.3 million paid.

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 licensees or licensees:*** independent business owners, granted licenses to distribute Group brand products in their respective regions.
- ***Productive Licensees or sourcing centers:*** third-party firms to the Group. Their function is to manufacture and market merchandise and are located in various countries worldwide, depending on what type of goods they produce.
- ***Commercial licensee aggregate sales:*** sales by commercial licensees, recognised by the BasicNet Group to the "royalties and sourcing commissions" account of the income statement;
- ***Productive licensee aggregate sales:*** sales by productive licensees, recognised by the BasicNet Group to the "royalties and sourcing commissions" account of the income statement;
- ***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.
- ***EBITDA:*** "operating result" before "amortisation and depreciation".
- ***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.

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, Sabelt® and Sebago®.

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 BasicNet 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.

The BasicNet Group comprises Italian and international operating companies within the following sectors (as outlined in detail in Note 6):

i) *license and brand management*

ii) *proprietary licensees*

iii) *property management*

REGIONAL COMMERCIAL PERFORMANCES

Proprietary brand sales and production revenues of the global Group licensees - generator of royalties and sourcing commissions - were as follows:

(In Euro thousands)	H1 2018	H1 2017	Changes	
Group Brand Licensee Aggregate Sales (*)	**Total**	**Total**	**Total**	**%**
Commercial Licensees	285,096	266,970	18,126	*6.8%*
Productive Licensees (sourcing centers)	113,735	105,888	7,847	*7.4%*
Total	**398,831**	**372,858**	**25,973**	***7.0%***

(*) Data not audited

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

(In Euro thousands)	H1 2018		H1 2017		Changes	
Aggregate Sales of the Group Productive Licensees (*)	**Total**	**%**	**Total**	**%**	**Total**	**%**
Europe	10,310	*9.1*	14,006	*13.2*	(3,696)	*(26.4)*
The Americas	6,168	*5.4*	10,068	*9.5*	(3,900)	*(38.7)*
Asia and Oceania	97,065	*85.3*	81,814	*77.3*	15,251	*18.6*
Middle East and Africa	192	*0.2*	-	-	192	*N/A*
Total	**113,735**	***100.0%***	**105,888**	***100.0%***	**7,847**	***7.4***

(*) Data not audited

and of the commercial licensees:

(In Euro thousands)	H1 2018		H1 2017		Changes	
Aggregate Sales of the Group Commercial Licensees (*)	**Total**	**%**	**Total**	**%**	**Total**	**%**
Europe	189,627	*66.7*	174,782	*65.5*	14,845	*8.5*
The Americas	25,589	*9.0*	24,886	*9.3*	703	*2.8*
Asia and Oceania	45,295	*15.8*	42,687	*16.0*	2,608	*6.1*
Middle East and Africa	24,585	*8.5*	24,615	*9.2*	(30)	*(0.1)*
Total	**285,096**	***100.0%***	**266,970**	***100.0%***	**18,126**	***6.8***

(*) Data not audited

Significant **European market** growth (+8.5%) was strongly supported by the start-up of Sebago® brand (acquired on July 31) distribution, with all the existing brands performing well - particularly Kappa®, which saw sales grow across all its main markets and particularly Italy, while building further also on the gains made by the "Kappa Authentic" line. The Superga® brand also performed well - in significant contrast to the contracting Italian market - reaping the rewards of the distribution reorganisation undertaken in previous years, while the K-Way® brand delivered growth on the back of full operability at its 44 mono-brand stores, mainly located in Italy (29) and in France (13).

In commercial terms, new K-Way® brand licensing contracts were agreed for Austria and Germany, for the Briko® brand for Belgium, the Netherlands, Luxembourg and Switzerland (this latter extended along with the renewal of the Austria and Germany license) and for the Sebago® brand for Norway, Albania, Bosnia and Herzegovina, Croatia, Montenegro, Serbia, Slovenia, Ireland and the United Kingdom.

Finally, new sponsorships included for the Kappa® brand the Cultural y Deportiva Leonesa and Real Betis Balompié football teams and two three-year agreements with the French rugby team Castres Olympique and the Welsh Pontypridd – RFC by the French licensee. The Italian licensee reconfirmed for an additional three years its sponsorship beginning in 2009 of the Italian Judo, Karate and Martial Arts Federation.

A co-branding initiative for Kappa® was launched with Antonia. Superga®'s main collaborations involved the blogger Lizzy van der Ligt and the Norwegian brand Mads Norgaard. The first capsule collection with Highsnobiety was also launched. Finally, for the K-Way® Brand, the capsule collections developed through co-branding with Dsquared2 and the Italian stylist Simone Guidarelli were presented.

The **Americas market** overall grew 2.8%, despite the weakening of a number of local currencies against the Euro which impacted the very strong commercial results, both for the Kappa® brand - which with the "Authentic" label continues to draw plaudits on the North American market - and for the Superga® brand which mainly performed well on the South American markets.
New licenses were agreed for the Canadian market for the Briko® brand and for the Canada and United States territories for the Sebago®brand in the period. The Sebago® brand began to reposition the main accounts for the high potential North American market. New product deliveries are expected to start in the fourth quarter of the year.

Asia and Oceania reported growth of 6.1%, with the Kappa® brand contributing very strongly following the recovery of the Asian market with the opening of new sales points and a focus on marketing, while the Australian market grew significantly amid a strong start for the "Authentic" label license. A new license for Taiwan became effective for Kappa®.
Superga® sales were also buoyant, particularly in Australia, Vietnam and Singapore, with the broadening of the distribution network and a stepping up of local marketing, while in China supported by the new licensee, principally on the Tmall platform. K-Way® also performed well, principally in Taiwan, Japan and South Korea.
In terms of communications, co-branding initiatives were also launched for the Asian market with the Korean brand Charms per Kappa®. The English model and fashion designer Alexa Chung was the face of the first half-year campaign and also launched a capsule collection "Superga x ALEXACHUNG" in Los Angeles and Seoul.

In view of continued political instability, results on the **Middle East and African** markets were substantially stable on 2017. We however highlight the strong performance of the Kappa® South African licensee and of the Superga® Lebanese licensee, thanks also to a good reception for the region's four mono-brands.

FINANCIAL PERFORMANCE OVERVIEW

The key financial highlights are reported below:

BasicNet Group Key Financial Highlights

(Euro thousands)	H1 2018	H1 2017	Changes	%
Group Brand Aggregate Sales by the Network of commercial and productive licensees (*)	**398,831**	**372,858**	**25,973**	**7.0%**
Royalties and sourcing commissions	25,671	24,370	1,301	5.3%
Consolidated direct sales	67,080	60,113	6,967	11.6%
Contribution margin on net sales	27,864	23,579	4,285	18.2%
EBITDA (**)	13,144	8,484	4,660	54.9%
EBIT (**)	10,140	5,379	4,761	88.5%
Net Profit	6,497	3,474	3,023	87.0%
Basic earnings per share in circulation	0.1188	0.0626	0.056	89.8%

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

Commercial and financial analysis

As a result of the significant revenue growth of the productive and commercial licensees, as outlined in the preceding pages, ***consolidated royalties*** **and** ***sourcing commissions***, and therefore not including the royalties of the directly-held Italian licensees, amounted to Euro 25.7 million (+5.3% on the previous year at current exchange rates, +7.5% at like-for-like exchange rates).

Overall ***sales*** were Euro 67.1 million (Euro 60.1 million in H1 2017). Growth of 11.6% was supported also by the launch of Sebago® brand (acquired in July 2017) shoe sales, Kappa® brand sales growth driven by the "Authentic" label and a turnaround for the Superga brand, which reaped the rewards from the repositioning of distribution undertaken in previous years. The ***contribution margin*** on sales of Euro 27.9 million rose approx. 18.2% on H1 2017. The revenue margin was 41.5% (39.2% in 2017). The higher margin revenue mix and the strengthening Euro against the US Dollar, benefitting the majority foreign currency purchases, contributed to margin growth on the first half of the previous year.

Other income of Euro 1.1 million includes rental income, condominium income and other non-recurring income which is the source of fluctuations from period to period.

Sponsorship and media spend of Euro 12.2 million was slightly down on Euro 12.4 million in the same period of the previous year. The difference relates to non-recurring marketing investments in the previous year.

Personnel costs increased from Euro 10.5 million in H1 2017 to Euro 11.5 million in H1 2018 due to new hires (28 employees more than June 2017), partially undertaken in the second half of the previous year, mainly in the marketing and product research and development areas.

Overhead costs, i.e. ***Selling*** and ***general and administrative costs*** and ***royalty expenses*** amounted to Euro 17.8 million, in line with H1 2017.

On the basis of the components outlined above, ***EBITDA*** in the half-year was Euro 13.1 million (Euro 8.5 million in H1 2017).

EBIT, after ***amortisation and depreciation*** of Euro 3 million, totalled approx. Euro 10.1 million, compared to Euro 5.4 million in H1 2017.

Consolidated net financial charges/income, including exchange gains and losses, reported a charge of Euro 987 thousand, compared to Euro 433 thousand in the same period of the previous year. The difference relates to currency movements, reporting net charges of Euro 373 thousand, compared to charges of Euro 41 thousand in the previous year. Financial charges in service of the debt of Euro 614 thousand increased Euro 222 thousand on 2017, which benefitted from financial income equating to the difference from a VAT reimbursement awaited since 2012.

The ***consolidated pre-tax profit*** was Euro 9.1 million, compared to Euro 4.9 million in H1 2017.

Income taxes in the half-year increased due to the higher assessable amount. On the other hand, the H1 2018 fiscal tax rate reduced on H1 2017 due to the amount of the benefit deriving from first application of the "patent box" regulation also for the company BasicTrademark SA, operating under Italian tax law, with the agreement with the Tax Agency of April 2018 permitting also the recognition of benefits relating to previous years of Euro 117 thousand. The BasicNet S.p.A. procedure has not yet been completed.

The ***net profit*** of Euro 6.5 million compares to Euro 3.5 million in H1 2017.

Balance sheet overview

The changes in the balance sheet are reported below:

BasicNet Group Condensed Balance Sheet

(Euro thousands)	**June 30, 2018**	**December 31, 2017**	**June 30, 2017**
Property	21,931	22,292	22,773
Brands	46,974	46,789	35,003
Non-current assets	24,508	25,028	25,396
Current assets	128,534	125,427	121,274
Total assets	**221,947**	**219,536**	**204,446**
Group shareholders' equity	99,860	97,011	92,337
Non-current liabilities	31,262	33,350	24,223
Current liabilities	90,825	89,175	87,886
Total liabilities and shareholders' equity	**221,947**	**219,536**	**204,446**

Capital expenditure in the period amounted to Euro 2.4 million, following IT programme investment (Euro 0.7 million), EDP and furniture and fitting spending (Euro 0.7 million), for commercial goodwill on sales points (Euro 0.3 million) and for own brand management (Euro 0.2 million), with the residual concerning property improvements and other minor items. The increase in the Brands account against June 30, 2017 concerns the purchase of the Sebago® brand at the end of July 2017.

BasicNet Group Summary Net Financial Position

(Euro thousands)	**June 30, 2018**	**December 31, 2017**	**June 30, 2017**	**Changes 30/6/2018 31/12/2017**	**Changes 30/6/2018 30/6/2017**
Net financial position – Short-term	(32,471)	(33,050)	(31,299)	579	(1,172)
Financial payables – Medium-term	(23,885)	(27,439)	(17,992)	3,554	(5,893)
Finance leases	(888)	(991)	(1,226)	103	338
Consolidated Net Financial Position	**(57,244)**	**(61,480)**	**(50,517)**	**4,236**	**(6,727)**
Net Debt/Equity ratio (Net financial position/Shareholders' equity)	0.57	0.63	0.55	(0.06)	0.09

Consolidated net debt, including medium-term loans and finance leases (Euro 23.9 million) and mortgages (Euro 7.2 million), decreased from Euro 61.5 million at December 31, 2017 to Euro 57.2 million at June 30, 2018. Dividends were distributed of Euro 3.3 million in the period, with investment of Euro 2.4 million and treasury shares acquired for Euro 1.6 million. The increase on June 30, 2017 relates to the loan to acquire the Sebago® brand agreed in July 2017 for Euro 13 million and already partially absorbed.

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.

	30/06/2018	31/12/2017	30/06/2017
SHARE PRICE INFORMATION			
Net equity per share	1.637	1.591	1.514
Price at period end	3.780	3.680	3.580
Maximum price in the period	4.090	4.050	4.000
Minimum price in the period	3.440	3.150	3.150
Total number of shares	60,993,602	60,993,602	60,993,602
Weighted average number of shares outstanding in the period	54,674,226	55,308,514	55,474,230

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.	10.781%
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 24, 2018 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, 2018, the Company held 6,575,882 treasury shares (10.781% of the share capital), for a total investment of over Euro 16.1 million. No further purchases were made in the current month and therefore at the date of this report the value of treasury shares in portfolio at current market prices was approx. Euro 26.8 million.

HUMAN RESOURCES

At June 30, 2018, the Group headcount was 595, as follows:

	Human resources at June 30, 2018				Human resources at June 30, 2017			
Category	Number		Average age		Number		Average age	
	Men / Women	Total	Men / Women	Average	Men / Women	Total	Men / Women	Average
Executives	20 / 10	30	47 / 51	48	18 / 10	28	47 / 50	48
White-collar	161 / 376	537	35 / 36	36	148 / 362	510	35 / 36	35
Blue-collar	14 / 14	28	46 / 42	44	16 / 13	29	43 / 42	42
Total	195 / 400	595	36 / 36	36	182 / 385	567	36 / 36	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.

Licensee network operating risks

The adoption of a licensee network system has enabled the Group brands to expand and quickly enter new markets. The Group monitors the activities of its licensees and detects any problems on-line in the management of the brands in the various regions. The most important factor of the system is therefore to guarantee the capacity to identify new business opportunities and markets and appropriate licensees for each market. The main risk is therefore the undertaking of licensees not equipped for the task and the particular local market.
The Group has adopted specific measures to assess licensees and for the drawing up of contracts to offset this risk, including:

- the parallel use of Group management and specialised local information sources to identify and negotiate with licensees;

- the use of license contracts based on a standard consolidated over time, prepared by outside international or local specialised legal experts to handle any exceptions, amendments or integrations, established through negotiations or for compliance with local rules;
- the use of three/five-year license contracts which include way-out clauses for underperforming licensees.

The Group in addition in 2012 put in place the "dotcom" BasicAudit for the control, verification and analysis of licensee operational compliance, identifying any discrepancies in their operations, developing contractual clauses requiring the annual preparation of certified statements by the International Auditing Firm to certify the data sent to the Group, and carrying out specific controls at licensee offices.

Risks related to BasicNet Group production

BasicNet carries out extensive selection and monitoring activities on the Sourcing Centers i.e. licensee businesses managing the production flows of Group brand finished products, which are distributed by the commercial licensees within their respective areas and has developed an IT platform which directly connects the productive and commercial licensees.

The theoretical risks identified with regards to the Sourcing Centers are:

- the possibility that the Sourcing Centers fail to identify producers who can guarantee the required quality standards of BasicNet for product packaging;
- the trust risk regarding the Sourcing Centers, which may hinder the correct identification of product costs;
- compliance risk concerning the international rules governing labour contracts and ecological and safety compliance, which may impact the international image of the Group brands.

BasicNet has put in place specific operating mechanisms to correctly manage these risks, including:

- a selection of Sourcing Centers based on an assessment of the technical requirements to satisfy Group needs in terms of quality, volumes and production times (contained in the "Sourcing Agreement"), in addition to the financial solidity of the manufacturer, assessed through specific onsite visits and repeated on a consistent basis;
- the use of anti-trust controls that require that strategic products be produced by at least two or three Sourcing Centers. Moreover, after five years orders are switched to a new sourcing centre, and we make sure that no factory devotes more than half of its productive capacity to our Group's brand-name products.
- the use of contracts with Sourcing Centers stipulating the commitment of the contracting parties to comply with local and international labour and ecological regulations and the signing of a commitment to comply with the Code of Conduct and the Forbidden Chemicals Agreement;
- the Sourcing Center operational cash flows are finally subject to checks by BasicAudit.

Currency risk

The Group is exposed to currency risk on merchandise purchases or royalty income from commercial licensees and sourcing centre 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
Royalty trade receivables are largely secured by bank guarantees, corporate sureties, letters of credit, guarantee deposits, or advance payment, provided by licensees.
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 centres.
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 the brand stores under franchises are paid weekly, related to their sales and do not present substantial insolvency risks.

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.
The main disputes in which the Group is involved are summarised below.

A.S. Roma contract termination

A.S. Roma S.p.A. and Soccer S.a.s. Brand Management S.r.l., on November 23, 2012 communicated the unilateral advance resolution of the team sponsorship, agreed with duration until June 30, 2017 with BasicItalia S.p.A., for presumed non-compliance and, in particular, defects in the materials supplied. The decision generated a number of legal disputes, which were outlined in detail in the annual financial report and to which reference should be made, with only updates provided herein.

- BasicItalia, 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. As conciliation has not been successful, at the July 20, 2018 hearing the judge invited the parties to present their conclusions and has suspended judgment, setting however a deadline for concluding defense arguments of November 20, 2018 and therefore creating additional time to reach a settlement.

- 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 was brought. As conciliation has not been successful, at the July 20, 2018 hearing the judge invited the parties to present their conclusions and has suspended judgment, setting however a deadline for concluding defense arguments of November 20, 2018 and therefore creating additional time to reach a settlement.

- 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, although its claims have been dismissed. A.S. Roma presented an appeal to the Rome Court of Appeal against this judgment; after an initial hearing held on June 10, 2015 the Court sent the case for the establishment of conclusions on July 4, 2018. The hearing of July 4, 2018 was deferred to January 8, 2020 due to the Court's reorganisation.

K-WAY disputes in China

The dispute with the company Taizhou Boyang, owner of the K-WAY brand in China, is in progress. Currently, BasicNet S.p.A. has obtained confirmation from the Chinese authorities of ownership of the K-WAY brand for weather-proof clothing, while Taizhou Boyang has had its rights on the K-WAY brand for non-weather proof clothing confirmed.
BasicNet S.p.A. is defending its right to produce in China and export to countries where K-WAY brands are registered for all clothing items (weather-proof and non-weather proof), in addition to the right to sell in China weather proof clothing items under the K-WAY brand and for the full recognition of all Brand intellectual property rights.

Tax disputes

In the initial months of 2018, a tax dispute with the Tax Agency began, following the inspection by the Finance Police for the years 2012 to 2017. In the tax assessment, the Agency alleges the partial non-deductibility of the Post-employment benefit provision accrual made for the Executive Boards for the years 2012 to 2014, on the basis of an interpretation of the rules governing Post-employment benefits for employees, in the total absence of specific tax rules. The Tax Agency is claiming approx. Euro 360 thousand for IRES, in addition to penalties and interest. Not agreeing with the Tax Agency's interpretation and noting also favourable jurisprudence in similar cases, the company presented an appeal for all of the years subject to assessment.

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 2018 Half-Year Financial Statements.

SUBSEQUENT EVENTS AND OUTLOOK

In terms of general Group operations, strong commercial development and advances for the main indicators on the previous period may be expected again for the second half of the year, based on the order book and forecast royalties and sourcing commissions.

Turin, July 27, 2018

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 2018**	%	**H1 2017**	%	**Changes**	%
Consolidated direct sales	*(7)*	67,080	*100.00*	60,113	*100.00*	6,967	*11.59*
Cost of sales	*(8)*	(39,216)	*(58.46)*	(36,534)	*(60.78)*	(2,682)	*(7.34)*
GROSS MARGIN		**27,864**	***41.54***	**23,579**	***39.22***	**4,285**	***18.17***
Royalties and sourcing commissions	*(9)*	25,671	*38.27*	24,370	*40.54*	1,301	*5.34*
Other income	*(10)*	1,103	*1.65*	1,442	*2.40*	(339)	*(23.47)*
Sponsorship and media costs	*(11)*	(12,179)	*(18.16)*	(12,445)	*(20.70)*	266	*2.13*
Personnel costs	*(12)*	(11,540)	*(17.20)*	(10,536)	*(17.53)*	(1,004)	*(9.53)*
Selling, general and administrative costs, royalties expenses	*(13)*	(17,774)	*(26.50)*	(17,926)	*(29.82)*	152	*0.85*
Amortisation & Depreciation	*(14)*	(3,005)	*(4.48)*	(3,105)	*(5.17)*	100	*3.23*
EBIT		**10,140**	***15.12***	**5,379**	***8.95***	**4,761**	***88.50***
Net financial income (charges)	*(15)*	(987)	*(1.47)*	(433)	*(0.72)*	(554)	*(127.31)*
Share of profit/ (loss) of investments valued at equity	*(16)*	(13)	*(0.02)*	(14)	*(0.02)*	1	*2.39*
PROFIT BEFORE TAXES		**9,140**	***13.63***	**4,932**	***8.20***	**4,208**	***85.33***
Income taxes	*(17)*	(2,643)	*(3.94)*	(1,458)	*(2.43)*	(1,185)	*(81.27)*
NET PROFIT		**6,497**	***9.69***	**3,474**	***5.78***	**3,023**	***87.03***
Of which:							
- Shareholders of BasicNet S.p.A.		**6,497**	***9.69***	**3,474**	***5.78***	**3,023**	***87.03***
- Minority interests		-	-	-	-	-	-
Earnings per share	*(18)*						
Basic		0.1188		0.0626		0.056	*89.77*
Diluted		0.1188		0.0626		0.056	*89.77*

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CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(In Euro thousands)

	Note	H1 2018	H1 2017	Changes
Profit for the period (A)		***6,497***	***3,474***	***3,023***
Effective portion of the Gains/(losses) on cash flow hedges		1,332	(1,676)	3,008
Re-measurement of post-employment benefits (IAS 19) (*)		47	(5)	52
Gains/(losses) from translation of accounts of foreign subsidiaries		222	(582)	804
Tax effect on other profits/(losses)		(331)	402	(733)
Total other gains/(losses), net of tax effect (B)	*(30)*	***1,270***	***(1,861)***	***3,131***
Total Comprehensive Profit (A)+(B)		**7,767**	**1,613**	**6,154**
Total Comprehensive Profit attributable to:				
- Shareholders of BasicNet S.p.A.		7,767	1,613	6,154
- Minority interests		-	-	-

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

CONSOLIDATED BALANCE SHEET

(In Euro thousands)

ASSETS	Note	June 30, 2018	December 31, 2017	June 30, 2017
Intangible assets	(19)	53,503	53,762	42,445
Goodwill	(20)	9,516	9,527	9,783
Property, plant and equipment	(21)	29,465	29,893	29,972
Equity invest. & other financial assets	(22)	676	661	694
Interests in joint ventures	(23)	253	266	278
Deferred tax assets		-	-	-
Total non-current assets		**93,413**	**94,109**	**83,172**
Net inventories	(24)	51,509	46,517	50,784
Trade receivables	(25)	55,716	58,578	49,292
Other current assets	(26)	8,329	6,636	9,211
Prepayments	(27)	8,343	7,876	7,509
Cash and cash equivalents	(28)	4,349	5,819	4,478
Derivative financial instruments	(29)	288	1	-
Total current assets		**128,534**	**125,427**	**121,274**
TOTAL ASSETS		**221,947**	**219,536**	**204,446**

LIABILITIES	Note	June 30, 2018	December 31, 2017	June 30, 2017
Share capital		31,717	31,717	31,717
Reserve for treasury shares in portfolio		(16,140)	(14,495)	(12,722)
Other reserves		77,786	69,143	69,868
Net Profit		6,497	10,646	3,474
Minority interests		-	-	-
Total Shareholders' Equity	(30)	**99,860**	**97,011**	**92,337**
Provisions for risks and charges	(31)	24	42	27
Loans	(32)	24,773	28,430	19,218
Employee and Director benefits	(34)	3,816	3,534	3,197
Deferred tax liabilities	(35)	1,561	311	680
Other non-current liabilities	(36)	1,088	1,033	1,101
Total non-current liabilities		**31,262**	**33,350**	**24,223**
Bank payables	(33)	36,820	38,869	35,777
Trade payables	(37)	36,716	33,869	36,964
Tax payables	(38)	4,432	3,231	4,552
Other current liabilities	(39)	9,494	7,951	8,502
Accrued expenses	(40)	2,807	3,656	971
Derivative financial instruments	(41)	556	1,599	1,120
Total current liabilities		**90,825**	**89,175**	**87,886**
TOTAL LIABILITIES		**122,087**	**122,525**	**112,109**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**221,947**	**219,536**	**204,446**

CONSOLIDATED CASH FLOW STATEMENT

(In Euro thousands)

	June 30, 2018	December 31, 2017	June 30, 2017
A) OPENING SHORT-TERM BANK DEBT (*)	**(25,946)**	**(21,338)**	**(21,338)**
B) CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit	6,497	10,646	3,474
Amortisation & Depreciation	3,005	6,419	3,105
Result of companies valued under the equity method	13	26	14
Changes in working capital:			
. (Increase) decrease in trade receivables	2,862	(512)	8,775
. (Increase) decrease in inventories	(4,992)	691	(3,576)
. (Increase) decrease in other receivables	(2,160)	3,291	1,082
. Increase (decrease) in trade payables	2,848	2,170	5,266
. Increase (decrease) in other payables	3,183	(11,306)	(11,697)
Net change in post-employment benefit	282	672	335
Others, net	(62)	(432)	(187)
	11,476	**11,665**	**6,591**
C) CASH FLOW FROM INVESTING ACTIVITIES			
Investments in fixed assets:			
- tangible assets	(1,056)	(2,548)	(988)
- intangible assets	(1,318)	(15,601)	(2,807)
- financial assets	(15)	(432)	(465)
Realisable value for fixed asset disposals:			
- tangible assets	28	89	35
- intangible assets	39	735	732
- financial assets	-	-	-
	(2,322)	**(17,757)**	**(3,493)**
D) CASH FLOW FROM FINANCING ACTIVITIES			
Lease contracts (repayments)	(103)	(609)	(373)
Undertaking of medium/long-term loans	-	15,000	2,000
Loan repayments	(3,552)	(6,978)	(3,427)
Conversion of short-term credit lines	-	-	-
Acquisition of treasury shares	(1,645)	(2,605)	(832)
Dividend payments	(3,273)	(3,324)	(3,324)
	(8,573)	**1,484**	**(5,956)**
E) CASH FLOW IN THE PERIOD	**581**	**(4,608)**	**(2,858)**
F) CLOSING SHORT-TERM BANK DEBT	**(25,365)**	**(25,946)**	**(24,196)**

(*) 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 Result	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**

	Share Capital	Treasury shares	Reserves & Retained earnings	Translation reserve	IAS 19 Remeas. reserve	Cash flow hedge reserve	Net Result	Total Group Net Equity
Balance at January 1, 2018	**31,717**	**(14,495)**	**69,575**	**986**	**(208)**	**(1,210)**	**10,646**	**97,011**
Allocation of 2017 result as per Shareholders' AGM resolution of April 27, 2018:								
- Reserves & Retained earnings		-	7,373	-	-	-	(7,373)	-
- Dividends distributed		-	-	-	-	-	(3,273)	**(3,273)**
Acquisition of treasury shares		(1,645)	-	-	-	-	-	**(1,645)**
H1 2018 Result		-	-	-	-	-	6,497	**6,497**
Other comprehensive income statement items:								
- Gains/(losses) recorded directly to translation reserve		-	-	222	-	-	-	**222**
- Gains/(losses) recorded directly to equity for IAS 19 remeasurement		-	-	-	36	-	-	**36**
- Gains recorded directly to cash flow hedge reserve		-	-	-	-	1,012	-	**1,012**
Total comprehensive income		-	-	*222*	*36*	*1,012*	*6,497*	***7,767***
Balance at June 30, 2018	**31,717**	**(16,140)**	**76,948**	**1,208**	**(172)**	**(198)**	**6,497**	**99,860**

CONSOLIDATED NET FINANCIAL POSITION

(In Euro thousands)

	June 30, 2018	December 31, 2017	June 30, 2017
Cash and cash equivalents	4,349	5,819	4,478
Bank overdrafts and bills	(16,988)	(11,516)	(13,827)
Import advances	(12,726)	(20,249)	(14,847)
Sub-total net liquidity available	*(25,365)*	*(25,946)*	*(24,196)*
Short-term portion of medium/long-term loans	(7,106)	(7,104)	(7,103)
Short-term net financial position	**(32,471)**	**(33,050)**	**(31,299)**
Intesa Sanpaolo loan	-	(1,875)	(3,750)
BasicVillage property loan	(3,900)	(4,500)	(5,100)
BasicItalia property loan	(1,729)	(1,932)	(2,136)
BNL loan	(4,375)	(5,000)	(5,625)
Banco BPM loan	(881)	(1,132)	(1,381)
MPS Loan	(13,000)	(13,000)	-
Leasing payables	(888)	(991)	(1,226)
Sub-total loans and leasing	*(24,773)*	*(28,430)*	*(19,218)*
Consolidated Net Financial Position	**(57,244)**	**(61,480)**	**(50,517)**

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

		June 30, 2018	December 31, 2017	June 30, 2017
A.	Cash	109	107	78
B.	Other cash equivalents	4,240	5,712	4,400
C.	Securities held for trading	-	-	-
D.	**Cash & cash equivalents (A)+(B)+(C)**	**4,349**	**5,819**	**4,478**
E.	**Current financial receivables**	**-**	**-**	**-**
F.	Current bank payables	(29,714)	(31,765)	(28,674)
G.	Current portion of non-current debt	(7,106)	(7,104)	(7,103)
H.	Other current financial payables	-	-	-
I.	**Current financial debt (F)+(G)+(H)**	**(36,820)**	**(38,869)**	**(35,777)**
J.	**Net current financial debt (I)-(E)-(D)**	**(32,471)**	**(33,050)**	**(31,299)**
K.	Non-current bank payables	(24,773)	(28,430)	(19,218)
L.	Bonds issued	-	-	-
M.	Derivatives fair value	(267)	(1,598)	(1,120)
N.	**Non-current financial debt (K)+(L)+(M)**	**(25,040)**	**(30,028)**	**(20,338)**
O.	**Net financial debt (J)+(N)**	**(57,511)**	**(63,078)**	**(51,637)**

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).

STATEMENT OF CHANGES IN NET FINANCIAL POSITION

(Euro thousands)

	June 30, 2018	December 31, 2017	June 30, 2017
A) OPENING NET FINANCIAL POSITION	**(61,480)**	**(49,459)**	**(49,459)**
B) CASH FLOW FROM OPERATING ACTIVITIES			
Net profit/(loss)	6,497	10,646	3,474
Amortisation & Depreciation	3,005	6,419	3,105
Changes in working capital:	1,740	(5,667)	(151)
Net change in post-employment benefits	282	672	335
Others, net	(48)	(405)	(171)
	11,476	**11,665**	**6,592**
C) CASH FLOW FROM INVESTING ACTIVITIES			
Fixed asset investments	(2,389)	(18,581)	(4,261)
Realisable value for fixed asset disposals	67	824	768
	(2,322)	**(17,757)**	**(3,493)**
D) CASH FLOW FROM FINANCING ACTIVITIES			
Acquisition of treasury shares	(1,645)	(2,605)	(832)
Dividend payments	(3,273)	(3,324)	(3,324)
	(4,918)	**(5,929)**	**(4,156)**
E) CASH FLOW IN THE PERIOD	**4,236**	**(12,021)**	**(1,057)**
F) CLOSING NET FINANCIAL POSITION	**(57,244)**	**(61,480)**	**(50,517)**

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, Briko and Sebago. 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 27, 2018. 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, 2018 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, 2018 are the same as those used for the Consolidated Financial Statements at December 31, 2017. The Condensed Consolidated Half-Year Financial Statements must be read together with the Consolidated Financial Statements at December 31, 2017, 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

The accounting standards adopted are in line with the recognition and measurement criteria utilised in the preparation of the consolidated financial statements at December 31, 2017, to which reference should be made for further information, with the exception of that outlined in the paragraph below.

The Group adopted for the first time some amendments to accounting standards which are in force for the periods which begin from January 1, 2018 and thereafter. The Group has not adopted in advance any standard, interpretation or amendment published but not yet in effect.

As per IAS 8 - *Accounting Standards, Changes in Accounting Estimates and Errors* the nature and impact of each amendment is briefly indicated and illustrated below:

IFRS 9 - *Financial Instruments*
In July 2014, the IASB published the final version of IFRS 9 Financial Instruments which replaces IAS 39 *Financial Instruments*: *Recognition and measurement* and all the previous versions of IFRS 9. IFRS 9 combines all three aspects relating to the accounting of financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for periods beginning January 1, 2018. With the exception of the hedge accounting, retrospective application is required of the standard, but it is not obligatory to disclose comparative information. In relation to the hedge accounting, the standard is generally applied in a prospective manner, with some limited exceptions.

These amendments did not impact the Group's balance sheet and shareholders' equity.

IFRS 15 - *Revenues from contracts with customers:*
IFRS 15 was issued in May 2014, amended in April 2016, and introduces a new model in five steps applied to revenues from contracts with customers. IFRS 15 provides for the recognition of revenues for an amount which reflects the payment which the entity considers to have the right to in exchange for the transfer of goods or services to the customer.

The new standard replaces all the previous requirements of IFRS in terms of revenue recognition. The standard is effective for periods beginning January 1, 2018, with full retrospective or amended application.

The Group has applied the new standard from the date of obligatory application, utilising the amended application method.

These amendments did not impact the Group's revenues and income statement.

Under IFRS 15, the BasicNet Group separately recognises a liability and a counter-entry asset, respectively, to product revenues for which returns are expected and to the relative cost of sales.

Amendments to IFRS 2 -*Classification and measurement of share-based payments*
The IASB issued amendments to IFRS 2 Share-based payments which concern three principal areas: the effects of a vesting condition on the measurement of a cash-settled share-based payment; the classification of an equity-settled share-based payment settled net of withholding tax obligations; the accounting where a change in the terms and conditions of an equity-settled share-based payment changes its classification from cash-settled to equity-settled.

These amendments did not have any impact on the Group consolidated financial statements.

Amendments to IAS 40 - *Investment property*
The amendments clarify when an entity should transfer a building, including buildings under construction or development within or outside the Property investments account.

These amendments did not have any impact on the Group consolidated financial statements.

IFRIC 22 - *Foreign currency transactions and advance consideration*
The interpretation clarifies that, in setting the spot exchange rate to be utilised for the initial recognition of the relative assets, costs or revenues on cancellation of a non-cash asset or non-cash liability relating to advances on consideration, the transaction date is the date on which the entity initially recognises the non-cash asset or non-cash liability relating to the advances on consideration.

These amendments did not have any impact on the Group consolidated financial statements.

At the interim reporting date, the European Union had not yet completed its endorsement process for the following standards and amendments:

IFRS 16 - Leasing
IFRS 16 was published in January 2016 and replaces IAS 17 *Leasing*, IFRIC 4 *Determining whether an arrangement contains a lease*, SIC 15 *Operating leases - Incentives* and SIC 27 *Evaluating the substance of transactions in the legal form of a lease*. IFRS 16 defines the principles for the recognition, measurement, presentation and disclosure of leasing and requires lessees to recognise all leasing contracts in the financial statements on the basis of a single model similar to that utilised for recognising finance leases in accordance with IAS 17. The standard provides for two exemptions for the recognition by lessees - leasing contracts with low value and short-term lease contracts (for example contracts with expiry within 12 months or less). At the initial date of the lease contract, the lessee records a liability against the lease payments and an asset which represents the right to the use of the underlying asset for the duration of the contract. The lessees must separately record the expenses for interest on the leasing liabilities and the amortisation of the right to use an asset.

The accounting required by IFRS 16 for lessees is substantially unchanged compared to the current accounting under IAS 17. The lessees will continue to classify all leases utilising the same classification principle as per IAS 17 and distinguishing between two types of leases: operating leases and finance leases.

IFRS 16 requires from lessors and lessees greater disclosure compared to IAS 17.

IFRS 16 will enter into force for the periods beginning January 1, 2019 and thereafter. A lessee may choose to apply the standard utilising a fully retrospective approach or a modified retrospective approach. The transitory provisions within the standard permit some options.

The Group is continuing to establish in 2018 the effects from implementation of IFRS 16 on its consolidated financial statements.

Amendments to IFRS 10 and IAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The amendments concern the conflict between IFRS 10 and IAS 28 with reference to the loss of control of a subsidiary which was sold or conferred to an associate or a joint venture. The amendments clarify that the profit or loss from the sale or from the conferment of assets which constitute a business, as defined by IFRS 3, between an investor and its associate or joint venture, must be entirely recognised. Any profit or loss from the sale or conferment of an asset which does not constitute a business is therefore only recognised up to amount held by third party investors in the associate or joint venture. The IASB indefinitely postponed the application of these amendments, although where an entity decides to apply them in advance, such should be done on a prospective basis.

The Group will apply these amendments when they enter into force.

IFRS 17 - *Insurance contracts*
In May 2017, the IASB issued IFRS 17 - *Insurance Contracts,* a complete new standard relating to insurance contracts which covers recognition and measurement, presentation and disclosure. IFRS 17 will replace IFRS 4 - *Insurance Contracts* which was issued in 2005. IFRS 17 will enter into force for periods beginning January 1, 2021 and thereafter and will require the presentation of comparative balances.

This standard is not applicable to the Group.

Improvements to IFRS (2014-2016 cycle)
These improvements include amendments to IFRS 1 - *First-time adoption* of IFRS and IAS 28 - *Investments in associates and joint ventures*: the Group does not expect any effect on its consolidated financial statements.

IFRIC 22 - *Foreign currency transactions and advance consideration*
The interpretation clarifies that, in setting the spot exchange rate to be utilised for the initial recognition of the relative assets, costs or revenues on cancellation of a non-cash asset or non-cash liability relating to advances on consideration, the transaction date is the date on which the entity initially recognises the non-cash asset or non-cash liability relating to the advances on consideration. The Interpretation is effective for periods beginning January 1, 2018 and thereafter. Advance application is permitted and should be disclosed.

The Group does not expect effect on its consolidated financial statements.

IFRIC 23 - *Uncertainty on tax treatment*
The interpretation sets out the accounting approach to income taxes where the tax treatment implies uncertainties impacting the application of IAS 12. An entity should define whether it considers each uncertain tax treatment separately or together with other (one or more) uncertain tax treatments. The Interpretation is effective for periods beginning January 1, 2019 or thereafter, although transitory arrangements are available.

The Group will apply the interpretation from its entry into force. The Group does not expect significant effects on its consolidated financial statements.

IAS 28 - *Investments in associates and joint ventures*
The amendments, concerning long-term interests in associates or joint ventures (with effect from January 1, 2019), clarify that IFRS 9 should be applied where an entity funds associates and joint ventures with preference shares or through the granting of receivables for which repayment is not expected in the foreseeable future.
The Group will apply the interpretation from its entry into force. The Group does not expect significant effects on its consolidated financial statements.

IAS 19 - *Employee benefits*
The amendment of the standard (effective January 1, 2019) clarifies how an entity should recognise a change, reduction or settlement of a defined benefit plan. It is now mandatory that current labour costs and the net interest accruing in the period subsequent to the recalculation are established on the basis of the assumptions used for the recalculation.
The Group will apply the interpretation from its entry into force. The Group does not expect significant effects on its consolidated financial statements.

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, 2018 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, 2018		December 31, 2017		June 30, 2017	
	Average	**At period end**	**Average**	**At period end**	**Average**	**At period end**
US Dollar	1.2064	1.1658	1.1349	1.1993	1.0927	1.1412
HK Dollar	9.4577	9.1468	8.8446	9.3720	8.4973	8.9068
Japanese Yen	130.9430	129.0400	127.0638	135.0100	122.2990	127.7500
UK Sterling	0.8801	0.8861	0.8753	0.8872	0.8611	0.8793

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, 2018 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) license and brand management, (ii) proprietary licensees and (iii) property management. 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 Interim 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 Interim 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., Fashion S.r.l. and TOS 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 2018	**Licenses and brands**	**Proprietary licensees**	**Property**	**Inter-segment eliminations**	**Consolidated**
Consolidated direct sales - third parties	910	66,170	-	-	67,080
Consolidated direct sales - inter-segment	*927*	*142*	-	*(1,069)*	-
(Cost of sales)	(1,561)	(38,590)	-	935	(39,216)
GROSS MARGIN	**276**	**27,722**	**-**	**(134)**	**27,864**
Royalties and sourcing commissions – third parties	25,671	-	-	-	25,671
Royalties and sourcing commissions – inter-segment	*5,829*	-	-	*(5,829)*	-
Other income - third parties	417	283	403	-	1,103
Other income – inter-segment	*152*	*6,288*	*1,367*	*(7,807)*	-
(Sponsorship and media costs)	(9,069)	(9,379)	-	6,269	(12,179)
(Personnel costs)	(5,326)	(6,192)	(22)	-	(11,540)
(Selling, general and administrative costs, royalties expenses – third parties)	(7,595)	(16,836)	(844)	7,501	(17,774)
Amortisation & Depreciation	(1,049)	(1,496)	(460)	-	(3,005)
EBIT	**9,306**	**390**	**444**	**-**	**10,140**
Financial income	795	619	-	-	1,414
(Financial charges)	(986)	(1,242)	(173)	-	(2,401)
Share of profit/(loss) of investments valued at equity	(13)	-	-	-	(13)
PROFIT/(LOSS) BEFORE TAXES	**9,102**	**(233)**	**271**	**(-**	**9,140**
Income taxes	(2,333)	(201)	(109)	-	(2,643)
NET PROFIT/(LOSS)	**6,769**	**(434)**	**162**	**-**	**6,497**
Significant non-cash items:					
Amortisation & Depreciation	(1,049)	(1,496)	(460)	-	(3,005)
Write-downs	-	-	-	-	-
Total non-cash items	**(1,049)**	**(1,496)**	**(460)**	**-**	**(3,005)**
Investments in non-current assets	**(1,017)**	**(1,037)**	**(320)**	**-**	**(2,374)**
Segment assets and liabilities:					
Assets	**199,833**	**106,067**	**17,109**	**(101,062)**	**221,947**
Liabilities	**90,134**	**94,730**	**11,455**	**(74,232)**	**122,087**

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)	(1,133)	(36,200)	-	800	(36,534)
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)	(9,071)	(9,380)	-	6,007	(12,445)
(Personnel costs)	(4,593)	(5,921)	(22)	-	(10,536)
(Selling, general and administrative costs, royalties expenses – third parties)	(7,380)	(16,594)	(785)	6,833	(17,926)
Amortisation & Depreciation	(1,087)	(1,563)	(455)	-	(3,105)
EBIT	**8,295**	**(3,406)**	**490**	**(1)**	**5,379**
Financial income	681	848	-	-	1,529
(Financial charges)	(1,252)	(500)	(216)	6	(1,962)
Share of profit/(loss) of investments valued at equity	(14)	-	-	-	(14)
PROFIT/(LOSS) BEFORE TAXES	**7,709**	**(3,058)**	**274**	**6**	**4,932**
Income taxes	(1,995)	650	(113)	-	(1,458)
NET PROFIT/(LOSS)	**5,716**	**(2,407)**	**160**	**6**	**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**

- The “Licenses and brands” segment includes royalties and sourcing commissions, increasing from Euro 29.6 million in H1 2017 to Euro 31.5 million in H1 2018. The segment net profit totalled Euro 6.8 million, compared to Euro 5.7 million in H1 2017;

- the “Proprietary Licensees” segment, comprising BasicItalia S.p.A. and its subsidiary BasicRetail S.r.l., reports revenues of Euro 66.1 million, against Euro 59.7 million in the previous year. The contribution margin on sales was Euro 27.7 million, compared with Euro 23.5 million in 2017. The revenue margin was 41.8% (39.4% in 2017), benefitting from the movement of the US Dollar against the Euro in terms of the cost of sales. Personnel costs increased on the previous year due to the development of retail operations and the opening of a number of new sales points. The segment reports a loss of approx. Euro 434 thousand compared to a loss of Euro 2.4 million in the previous year;

- 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 162 thousand compared to Euro 160 thousand in 2017.

7. CONSOLIDATED DIRECT SALES

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

	H1 2018	**H1 2017**
Italy	61,523	56,572
EU countries other than Italy	3,151	1,972
Rest of the World	2,406	1,569
Total consolidated direct sales	**67,080**	**60,113**

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 66.3 million) and by BasicNet S.p.A. for sample merchandise sales (Euro 768 thousand). Sales on the home market accounted for 91.7%, while approx. 4.7% of sales were in other EU countries, with the remaining approx. 3.6% 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 2018	H1 2017
Goods purchased – Overseas	33,216	29,974
Freight charges and accessory purchasing cost	4,205	3,721
Goods purchased – Italy	2,709	2,566
Cost of outsourced logistics	2,045	2,326
Samples purchased	1,274	880
Packaging	250	191
Changes in inventory of raw materials, ancillary, consumables and goods	(4,967)	(3,576)
Others	484	452
Total cost of sales	**39,216**	**36,534**

“Goods purchased” refer to the finished products acquired by BasicItalia S.p.A.. Sample purchases were made by BasicNet S.p.A. for resale to the licensees.
The increase in the cost of sales was less than proportionate than revenue growth.

9. ROYALTIES AND SOURCING COMMISSIONS

“Royalties and sourcing commissions” 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 licensees.

The changes in the year are commented upon in the Interim Directors’ Report.

The breakdown by region is reported below:

	H1 2018	H1 2017
Europe (EU and non-EU)	12,166	11,028
The Americas	2,826	2,794
Asia and Oceania	9,145	8,944
Middle East, Africa	1,534	1,604
Total	**25,671**	**24,370**

10. OTHER INCOME

	H1 2018	H1 2017
Rental income	315	316
Recovery of condominium expenses	73	76
Income from promo sales	-	5
Other income	715	1,045
Total other income	**1,103**	**1,442**

The “recovery of condominium expenses” concerns the recharge to lessees of utility costs.
“Other income” includes prior year accruals’ reversals, the recharge of expenses to third parties and other indemnities against counterfeiting and unauthorised usage protection actions. In the first half of 2017, this account included the gain on the sale of the Lanzera brand for Euro 195 thousand.

11. SPONSORSHIP AND MEDIA COSTS

	H1 2018	H1 2017
Sponsorship and marketing	10,730	11,176
Advertising	986	963
Promotional expenses	463	306
Total sponsorship and media costs	**12,179**	**12,445**

The account "sponsorship" refers to communication investments incurred directly to which the Group contributes, described in detail in the Interim Directors' Report. The movements relate to non-recurring marketing investment in the previous year.

"Advertising" refers to billboard advertising and press communication campaigns.

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

12. PERSONNEL COSTS

	H1 2018	H1 2017
Wages and salaries	8,419	7,698
Social security charges	2,589	2,338
Post-employment benefits	532	500
Total	**11,540**	**10,536**

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

	Human resources at June 30, 2018				Human resources at June 30, 2017			
Category	Number		Average age		Number		Average age	
	Men / Women	Total	Men / Women	Average	Men / Women	Total	Men / Women	Average
Executives	20 / 10	30	47 / 51	48	18 / 10	28	47 / 50	48
White-collar	161 / 376	537	35 / 36	36	148 / 362	510	35 / 36	35
Blue-collar	14 / 14	28	46 / 42	44	16 / 13	29	43 / 42	42
Total	195 / 400	595	36 / 36	36	182 / 385	567	36 / 36	36

The average number of employees during the half-year was 579, broken down as 29 executives, 521 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 28 new employees, mainly in the marketing and product research and development areas.

13. SELLING, GENERAL AND ADMINISTRATIVE COSTS AND ROYALTIES EXPENSES

	H1 2018	H1 2017
Selling and royalty service expenses	4,202	4,267
Rental, accessory and utility expenses	4,991	5,118
Commercial expenses	2,451	2,386
Directors and Statutory Auditors emoluments	2,144	1,818
Doubtful debt provision	813	1,020
Other general expenses	3,173	3,317
Total selling, general and administrative costs, and royalties expenses	**17,774**	**17,926**

"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 2018 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 2018	H1 2017
Amortisation	1,550	1,627
Depreciation	1,455	1,478
Total amortisation & depreciation	**3,005**	**3,105**

Amortisation on intangible assets includes Euro 287 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 2018	H1 2017
Interest income	18	227
Bank interest charges	(145)	(197)
Interest on medium/long term loans	(350)	(343)
Property lease interest	(10)	(24)
Others	(127)	(55)
Total financial income and charges	***(614)***	***(392)***
Exchange gains	1,349	1,210
Exchange losses	(1,722)	(1,251)
Net exchange gains/(losses)	***(373)***	***(41)***
Total financial income/(charges)	**(987)**	**(433)**

Net currency losses amounted to Euro 373 thousand, against losses of Euro 41 thousand in the same period of the previous year, as a result of US Dollar movements; net financial charges in service of the debt amounted to Euro 615 thousand compared to Euro 392 thousand in the previous year; financial income in the first half of 2017 concerned the 2012 financial year VAT repayment settled during the period.

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

The account reflects the effect on the consolidated result for the period of the valuation at equity of the joint venture Fashion S.r.l.

17. INCOME TAXES

Income taxes of Euro 2.6 million comprise current taxes of Euro 2.2 million (of which Euro 0.5 million for IRAP), deferred tax charges of Euro 0.9 million and Euro 0.5 million of tax income related to the application of the “Patent Box”, of which Euro 117 thousand concerning the ruling with the Tax Agency for BasicTrademark, signed in the period, with effect on financial years 2015-2016-2017. It should be noted that the benefit attributable to the application of the recent “Patent Box” regulation, for the parent company BasicNet, was limited to the part not subject to the tax ruling by the Tax Agency which is awaited.

18. EARNINGS PER SHARE

The basic earnings per share, for H1 2018, 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 2018**	**H1 2017**
Net profit attributable to owners of the Parent	6,497,042	3,473,716
Weighted average number of ordinary shares	54,674,226	55,474,230
Basic earnings per ordinary share	0.1188	0.0626

At June 30, 2018 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, 2018	December 31, 2017	June 30, 2017
Concessions, brands and similar rights	47,266	47,101	35,309
Software development	3,860	4,083	4,400
Other intangible assets	2,311	2,511	2,693
Industrial patents	66	67	43
Total intangible assets	**53,503**	**53,762**	**42,445**

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 1.1.2018	**58,619**	**41,709**	**9,925**	**131**	**110,384**
Additions	*227*	*711*	*74*	*4*	*1,016*
Disposals and other changes	-	-	*(152)*	-	*(152)*
Write-downs	-	-	-	-	-
Historic cost at 30/06/2018	**58,846**	**42,420**	**9,847**	**135**	**111,248**

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

	Concessions, brands & similar rights	Software development	Other intangible assets	Industrial patents	Total
Acc. Amort. at 1.1.2018	**(11,518)**	**(37,626)**	**(7,414)**	**(64)**	**(56,622)**
Amortisation	*(62)*	*(934)*	*(235)*	*(5)*	*(1,236)*
Disposals and other changes	-	-	*113*	-	*113*
Write-downs	-	-	-	-	-
Acc. Amort. at 30/06/2018	**(11,580)**	**(38,560)**	**(7,536)**	**(69)**	**(57,745)**

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 1.1.2018	**47,101**	**4,083**	**2,511**	**67**	**53,762**
Additions	*227*	*711*	*74*	*4*	*1,016*
Disposals and other changes	-	-	*(39)*	-	*(39)*
Amortisation	*(62)*	*(934)*	*(235)*	*(5)*	*(1,236)*
Write-downs	-	-	-	-	-
Closing net book value at 30.06.2018	**47,266**	**3,860**	**2,311**	**66**	**53,503**

The increase in "concessions, brands and similar rights" is due to the capitalisation of costs incurred for the registration of trademarks in new countries, for renewals and extensions and for the purchase of software licenses. Amortisation in the period concerns the Jesus Jeans brand, amortised over 20 years, as not yet reaching a market positioning equal to that of the principal brands.

At June 30, 2018, 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), the Briko brand at Euro 1.7 million and the Sebago brand at Euro 11.9 million. The Kappa, Robe di Kappa, Superga, K-Way, Briko and Sebago 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, 2018, 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 0.7 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 0.1 million and amortisation in the period of Euro 0.2 million.

20. GOODWILL

	June 30, 2018	**December 31, 2017**	**June 30, 2017**
Goodwill	9,516	9,527	9,783
Goodwill	**9,516**	**9,527**	**9,783**

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 1.6 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 287 thousand was made (Note 14).

21. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2018	December 31, 2017	June 30, 2017
Property	21,931	22,292	22,774
Furniture and other assets	5,330	5,487	4,991
Plant and machinery	559	456	431
EDP	1,483	1,501	1,611
Industrial and commercial equipment	162	157	165
Total property, plant and equipment	**29,465**	**29,893**	**29,972**

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 1.1.2018	**36,981**	**17,270**	**1,763**	**13,998**	**995**	**71,007**
Additions	*136*	*432*	*188*	*272*	*30*	*1,058*
Disposals and other changes	-	*(29)*	-	*(1)*	-	*(30)*
Historic cost at 30/06/2018	**37,117**	**17,673**	**1,951**	**14,269**	**1,025**	**72,035**

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 1.1.2018	**(14,689)**	**(11,783)**	**(1,307)**	**(12,497)**	**(838)**	**(41,114)**
Depreciation	*(497)*	*(560)*	*(85)*	*(289)*	*(25)*	*(1,456)*
Disposals and other changes	-	-	-	-	-	-
Acc. Deprec. at 30.06.2018	**(15,186)**	**(12,343)**	**(1,392)**	**(12,786)**	**(863)**	**(42,570)**

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 1.1.2018	**22,292**	**5,487**	**456**	**1,501**	**157**	**29,893**
Additions	*136*	*432*	*188*	*272*	*30*	*1,058*
Depreciation	*(497)*	*(560)*	*(85)*	*(287)*	*(25)*	*(1,456)*
Disposals and other changes	-	*(29)*	-	*(1)*	-	*(30)*
Closing net book value at 30.06.2018	**21,931**	**5,330**	**559**	**1,483**	**162**	**29,465**

"Property" includes the value of the buildings at Strada della Cebrosa 106, Turin, headquarters of BasicItalia S.p.A., at Largo Maurizio Vitale 1, Turin, headquarters of the Parent Company and the building located in Turin, Corso Regio Parco, 43, neighbouring the Basic Village S.p.A. property.

Total gross investments in the period amounted to Euro 1.1 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, 2018	**December 31, 2017**	**June 30, 2017**
Other receivables, guarantees	676	661	694
Total financial receivables	***676***	***661***	***694***
Total investments & other financial assets	**676**	**661**	**694**

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

23. INVESTMENTS IN JOINT VENTURES

	June 30, 2018	**December 31, 2017**	**June 30, 2017**
Investments in:			
- Joint ventures	253	266	278
Total investments in joint ventures	**253**	**266**	**278**

Investments in joint ventures concern the value of the investment in Fashion S.r.l., held 50%. The company owns the Sabelt brand. From January 1, 2014, this category of investment has been valued at equity, as per IFRS 11.

24. NET INVENTORIES

	June 30, 2018	December 31, 2017	June 30, 2017
Finished products and goods	55,857	51,392	54,433
Inventory obsolescence provision	(4,348)	(4,874)	(3,649)
Total net inventories	**51,509**	**46,517**	**50,784**

Finished inventories include goods in transit at the balance sheet date which at June 30, 2018 amount to approx. Euro 7.7 million compared to Euro 2.1 million at December 31, 2017, goods held at Group brand stores for Euro 7 million, compared to Euro 9.3 million at December 31, 2017 and goods to be shipped against orders, to be delivered at the beginning of the following period, for Euro 6.9 million compared to Euro 6.4 million at December 31, 2017.
The movements in the period were as follows:

	June 30, 2018	June 30, 2017
Inventory obsolescence provision at 1.1	**4,874**	**3,646**
Provisions in the period	979	428
Utilisations	(1,505)	(425)
Inventory obsolescence provision at 30.06	**4,348**	**3,649**

25. TRADE RECEIVABLES

	June 30, 2018	December 31, 2017	June 30, 2017
Gross value	62,883	66,871	57,195
Doubtful debt provision	(7,167)	(8,293)	(7,903)
Total trade receivables	**55,716**	**58,578**	**49,292**

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, 2018	June 30, 2017
Doubtful debt provision at 1.1	**8,293**	**7,690**
Provisions in the period	813	1,020
Utilisations	(1,938)	(807)
Doubtful debt provision at 30.06	**7,167**	**7,903**

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, 2018	December 31, 2017	June 30, 2017
Tax receivables	6,336	5,396	7,394
Other receivables	1,992	1,240	1,817
Total other current assets	**8,329**	**6,636**	**9,211**

"Tax receivables" principally include IRES and IRAP paid on account for Euro 1 million, VAT receivables for Euro 23 thousand and withholding taxes on royalties for Euro 5.3 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 1.5 million and other minor items for the residual.

27. PREPAYMENTS

	June 30, 2018	December 31, 2017	June 30, 2017
Expenses pertaining to future collections	4,711	4,587	4,463
Sponsorship and media	1,915	2,115	1,575
Others	1,717	1,174	1,471
Total prepayments	**8,343**	**7,876**	**7,509**

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, 2018	December 31, 2017	June 30, 2017
Bank and postal deposits	4,240	5,712	4,400
Cash in hand and similar	109	107	78
Total cash and cash equivalents	**4,349**	**5,819**	**4,478**

"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 1.8 million), BasicItalia S.p.A. (Euro 0.8 million), BasicRetail S.r.l. (Euro 0.8 million), Basic Properties America Inc. (Euro 0.7 million) and, for the difference, the other Group companies (Euro 0.2 million).

29. DERIVATIVE FINANCIAL INSTRUMENTS

	June 30, 2018	December 31, 2017	June 30, 2017
Derivative financial instruments	288	1	-
Total	**288**	**1**	**-**

The account includes for Euro 288 thousand the market value at June 30, 2018 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 2018 and 2019, on the basis of the goods orders already sent to suppliers, or still to be made but included in the budget. At June 30, 2018, commitments were in place on estimated future purchases, for USD 13 million, divided into 6 operations with variable maturities in the second half of 2018 (for USD 5 million) and in 2019 (for USD 8 million), at fixed exchange rates between USD/Euro 1.2000 and USD/Euro 1.2065. During H1 2018, forward purchase operations were utilised for approx. USD 28 million and the relative effects were recognised to the income statement. A positive equity reserve was recorded of approx. Euro 219 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 IRS perfectly hedges the item to which the original cash flows stem, as in this case, and continues to be effective.

SHAREHOLDERS' EQUITY & LIABILITIES

30. SHAREHOLDERS' EQUITY

	June 30, 2018	December 31, 2017	June 30, 2017
Share capital	31,717	31,717	31,717
Treasury shares	(16,140)	(14,495)	(12,722)
Other reserves	77,787	69,144	69,868
Net Profit	6,497	10,646	3,474
Minority interests	-	-	-
Total Shareholders' Equity	**99,860**	**97,011**	**92,337**

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 H1 2018, 435,154 treasury shares were acquired in accordance with Shareholders' Meetings motions, as illustrated in the Interim Directors' Report, which together with the 6,140,728 shares held at the end of the previous year, totalled 6,575,882 at June 30, 2018 (10.781% 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, 2018	June 30, 2017	Changes
Effective part of the Gains/(losses) on cash flow instruments generated in the period (currency hedges)	1,198	(1,884)	3,082
Effective part of the Gains/(losses) on cash flow instruments generated in the period (interest rate hedges)	134	208	(74)
Effective part of the Gains/losses on cash flow hedge instruments	***1,332***	***(1,676)***	***3,008***
Re-measurement of defined benefit plans (IAS 19)	47	(5)	52
Gains/(losses) from translation of accounts of foreign subsidiaries	222	(582)	804
Tax effect relating to the Other items of the comprehensive income statement	(331)	402	(733)
Total other gains/(losses), net of tax effect	**1,270**	**(1,861)**	**3,131**

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

	June 30, 2018			June 30, 2017		
	Gross value	**Tax Charge/ Benefit**	**Net value**	**Gross value**	**Tax Charge/ Benefit**	**Net value**
Effective part of Gains/losses on cash flow hedge instruments	1,332	(320)	1,012	(1,676)	401	(1,275)
Gains/losses for re-measurement of defined benefit plans (IAS 19)	47	(11)	36	(6)	1	(5)
Gains/(losses) from translation of accounts of foreign subsidiaries	222	-	222	(582)	-	(582)
Total other gains/(losses), net of tax effect	**1,601**	**(331)**	**1,270**	**(2,264)**	**402**	**(1,861)**

31. PROVISIONS FOR RISKS AND CHARGES

	June 30, 2018	**December 31, 2017**	**June 30, 2017**
Provisions for risks and charges	24	42	27
Total provisions for risks and charges	**24**	**42**	**27**

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:

	31/12/2017	**Repayments**	**New loans**	**30/06/2018**	**Short-term portion**	**Medium/long-term portion**
"Basic Village property loan"	5,700	(600)	-	5,100	(1,200)	3,900
"BasicItalia property loan"	2,340	(203)	-	2,137	(408)	1,729
"Intesa Loan"	5,625	(1,875)	-	3,750	(3,750)	-
"BNL Loan"	6,250	(625)	-	5,625	(1,250)	4,375
"MPS Loan"	13,000	-	-	13,000	-	13,000
"BPM Loan"	1,628	(248)	-	1,380	(499)	881
Balance	**34,543**	**(3,551)**	**-**	**30,992**	**(7,106)**	**23,885**

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

	June 30, 2018	December 31, 2017	June 30, 2017
Medium/long term loans:			
- due within 5 years	23,072	24,696	16,558
- due beyond 5 years	813	2,743	1,434
Total medium/long-term loans	***23,885***	***27,439***	***17,992***
Leasing payables	888	991	1,226
Total leasing payables (maturity within 5 years)	***888***	***991***	***1,226***
Total loans	**24,773**	**28,430**	**19,218**

The medium/long-term loans are comprised for Euro 3.9 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 1.7 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 4.4 million the medium/long-term loan issued by Banca Nazionale del Lavoro S.p.A. in November 2016 ("BNL Loan"), for Euro 13 million the loan issued in July 2017 by MPS Capital Services Banca per le Imprese S.p.A. for the acquisition of the Sebago brand ("MPS Loan") and the residual loan from Banco BPM for Euro 0.9 million, to support investment activities in the retail sector ("BPM Loan").

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 "Intesa Loan" was issued in April 2015 for Euro 15 million and is of four-year duration, repayable in quarterly instalments at a quarterly Euribor rate plus 185 basis points. In July 2015, the variable Euribor rate was converted (under an interest rate swap) into a fixed rate of 0.23% annually. The loan will support developmental investments, in addition to optimising the duration of loans undertaken; it is supported by a pledge on Superga Trademark S.A. shares with obligation to maintain the full investment in the company by the Group.

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 "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 "MPS Loan" was issued in July 2017 for Euro 13 million and is of six-year duration, repayable in quarterly instalments from December 2019 at a quarterly Euribor rate (although not below zero) plus 170 basis points. No financial covenants are stipulated, although the maintenance of a number of ownership conditions are required 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 pledge on the shares of TOS S.r.l., owner of the Sebago brand, with obligation to maintain the full investment in the company by the Group.

The "Banco BPM Loan" was disbursed in February 2017 to BasicItalia S.p.A. for Euro 2 million; it has four-year duration and is repayable in quarterly instalments at a quarterly Euribor rate increased by 70 basis points. The contractual conditions do not include financial covenants.

At June 30, 2018 the credit lines available from the banking system (bank overdrafts, commercial advances, medium/long-term loans, import financing, leasing and letters of credit), amount to Euro 206.9 million, broken down as follows:

(in Euro millions)	**June 30, 2018**	**December 31, 2017**	**June 30, 2017**
cash facility	139.8	131.8	127.6
factoring	1.5	1.5	1.5
letters of credit and swaps	31.0	32.1	31.1
medium/long term loans	31.0	34.5	25.1
property leases	3.6	3.6	3.6
Total	**206.9**	**203.5**	**188.9**

The average interest paid for the BasicNet Group in the year is reported in the table at Note 33.

33. BANK PAYABLES

	June 30, 2018	**December 31, 2017**	**June 30, 2017**
Bank payables due within one year:			
- short-term portion of medium/long-term loans	7,106	7,104	7,103
- bank overdrafts and bills	16,988	11,516	13,827
- import advances	12,726	20,249	14,847
Total bank payables	**36,820**	**38,869**	**35,777**

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, 2018 is as follows:

	Interest Rate		
	Fixed	**Variable**	**Total**
Short-term	15,986	20,831	36,817
Medium/long term	3,900	20,874	24,774
Total	**19,886**	**41,705**	**61,591**

The average variable rate of medium/long-term loans is 2.11%, while the short-term rate ranges between 0.11% and 0.18%.

34. EMPLOYEE AND DIRECTOR BENEFITS

The account includes the post-employment benefits for employees of Euro 2.7 million and the termination indemnities of Directors of Euro 1.1 million.

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

	June 30, 2018			June 30, 2017		
	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	2,702	-	2,702	2,529	-	2,529
Interest	22	-	22	20	-	20
Pension cost, net of withholdings	86	429	515	109	397	506
Benefits paid	(59)	-	(59)	(49)	-	(49)
Payments to the INPS treasury fund	-	-	-	-	(64)	(64)
Payments to other supp. pension fund	-	(429)	(429)	-	(333)	(333)
Actuarial gain/(losses)	(47)	-	(47)	5	-	5
Net liabilities recognised in the accounts	**2,704**	**-**	**2,704**	**2,614**	**-**	**2,614**
Change in the income statement:						
Interest	22	-	22	20	-	20
Pension Cost	122	429	551	114	397	511
Total charges/(income) for post-employment benefits	**144**	**429**	**573**	**134**	**397**	**531**

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, 2018	**December 31, 2017**	**June 30, 2017**
Annual discount rate	1.840%	1.610%	1.740%
Annual inflation rate	1.500%	1.500%	1.500%
Annual increase in post-employment benefit	2.625%	2.625%	2.625%
Annual increase in salaries	1.000%	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.

35. DEFERRED TAX LIABILITIES

	June 30, 2018	**December 31, 2017**	**June 30, 2017**
Deferred tax liabilities	1,561	311	680
Total deferred tax liabilities	**1,561**	**311**	**680**

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 individual effects are reported in the table below:

	June 30, 2018			December 31, 2017			
	Amount of temporary differences	**Rate %**	**Tax effect**	**Amount of temporary differences**	**Rate %**	**Tax effect**	**Changes 2018/2017**
Deferred tax assets:							
- Excess doubtful debt provision not deductible	(6,125)	24.00%	(1,470)	(7,242)	24.00%	(1,738)	268
- Inventory obsolescence provision	(4,248)	24.00%	(1,047)	(4,774)	24.00%	(1,174)	127
- ROL surplus	(455)	24.00%	(109)	(455)	24.00%	(109)	-
- Prudent exchange differences, net	-	24.00%	-	-	24.00%	-	-
- Misc. charges temporarily non-deductible	(2,666)	27.90%	(723)	(2,403)	27.90%	(655)	(68)
- Effect IAS 19 – Employee Benefits	(63)	24.00%	(15)	(139)	24.00%	(33)	18
-Effect IAS 39 – financial instruments	(267)	24.00%	(63)	(1,598)	24.00%	(383)	320
Total	**(13,824)**		**(3,427)**	**(16,612)**		**(4,092)**	**665**
Deferred tax liabilities:							
- Dividends not received	-	24.00%	-	93	24.00%	22	(22)
- Prudent exchange differences, net	334	24.00%	81	(945)	24.00%	(227)	308
- Amortisation/Depreciation tax basis	14,474	27.90%	4,213	13,631	27.90%	3,804	409
- Effect IAS 38 – plant costs	16	27.90%	5	16	27.90%	5	-
- Effect of IAS 17 - finance leases and other tax differences on buildings	764	27.90%	213	1,240	27.90%	346	(133)
-Effect IFRS 3 – goodwill amortisation	1,706	27.90%	476	1,623	27.90%	453	23
Total	**17,294**		**4,988**	**15,657**		**4,403**	**585**
Deferred tax liability/(asset) as per financial statements			**1,561**			**311**	**1,250**

Deferred tax assets are recorded considering probable their recovery based on future profit expectations, and principally relate to non-deductible doubtful debt provisions (approx. Euro 1.5 million) and non-deductible inventory obsolescence provisions (approx. Euro 1 million).

Deferred tax liabilities principally refer to the tax effects deriving from the application of the IFRS international accounting standards, with particular reference to the accounting of amortisation on own brands solely for tax purposes (Euro 4.2 million) and goodwill amortisation deductible (Euro 0.5 million).

36. OTHER NON-CURRENT LIABILITIES

	June 30, 2018	**December 31, 2017**	**June 30, 2017**
Guarantee deposits	1,088	1,033	1,101
Total other non-current liabilities	**1,088**	**1,033**	**1,101**

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

37. TRADE PAYABLES

The “trade payables” are payable in the short-term and decreased by approx. Euro 0.2 million compared to June 30, 2017, 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, 2018	December 31, 2017	June 30, 2017
Group VAT	802	1,284	936
Income taxes	2,986	1,272	3,058
Employee contributions	547	610	492
Other	97	64	66
Total tax payables	**4,432**	**3,231**	**4,552**

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 2.2 million and Euro 0.8 million as the 2017 balance.

39. OTHER CURRENT LIABILITIES

	June 30, 2018	December 31, 2017	June 30, 2017
Accrued expenses	406	669	10
Payables to employees and directors	4,646	3,288	5,423
Other payables	4,442	3,994	3,069
Total other current liabilities	**9,494**	**7,951**	**8,502**

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

“Payables to employees and Directors” mainly concern salaries and expenses for reimbursement settled in the subsequent month.

“Other payables” at June 30, 2018 principally include social security charges (Euro 1.2 million), other related liabilities (Euro 0.2 million), royalty payments on account from licensees (Euro 0.1 million) and other miscellaneous amounts Euro (3 million).

40. DEFERRED INCOME

	June 30, 2018	December 31, 2017	June 30, 2017
Royalties	-	2,357	-
Sponsored goods revenues	891	1,287	798
Other deferred income	1,916	13	173
Total deferred income	**2,807**	**3,656**	**971**

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, 2018	December 31, 2017	June 30, 2017
Derivative financial instruments	556	1,599	1,120
Total	**556**	**1,599**	**1,120**

The account includes 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 422 thousand, net of the tax effect.

In the case of the Interest Rate Swap (IRS) agreed by the Company, 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, Intesa Sanpaolo S.p.A. 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 BasicItalia guarantees a portion of the loan and the purchase of assets in leasing and sub-entry into the management of the sales point in the case of non-compliant of the store owner. At December 31, 2017, the bank deposits of BasicItalia were restricted for Euro 240 thousand; guarantees were also provided on leasing amounting to Euro 888 thousand.

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 22.6 million (Euro 24.2 million at June 30, 2017), 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.

With regards to commitments for future rental charges to be settled on contractual maturity, reference should be made to Note 43 "Guarantees given" of the consolidated financial statements at December 31, 2017 as there were no significant changes in the period.

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 and the shares of TOS S.r.l. are subject to a pledge in favour of MPS Capital Services Banca per le Imprese S.p.A. as guarantee of the loan issued in July 2017.

43. CLASSIFICATION OF THE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The principal risks and uncertainties of the Group activities are described in the Interim 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 30.06.2018**
	Income Statement	**Share. Equity**			
Assets:					
Equity invest. & other financial assets	-	-	-	676	**676**
Interests in joint ventures	-	-	-	253	**253**
Trade receivables	-	-	55,716	-	**55,716**
Other current assets	-	-	8,329	-	**8,329**
Derivative financial instruments	-	288	-	-	**288**
Liabilities:					
Bank payables	-	-	36,820	-	**36,820**
Medium/long-term loans	-	-	24,773	-	**24,773**
Trade payables	-	-	36,716	-	**36,716**
Other current liabilities	-	-	9,494	-	**9,494**
Derivative financial instruments	-	556	-	-	**556**

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, 2018, unrealised exchange gains were recorded of Euro 388 thousand, while unrealised exchange losses were recorded of Euro 55 thousand, for a net unrealised exchange gain of Euro 333 thousand.

At the interim reporting date, 6 hedging operations on US Dollar fluctuations were in place for a total of USD 13 million. The relative effects are illustrated in the account Derivative financial instruments, outlined in Note 29.

Group Management considers that the management and containment policies 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, 2018 is shown below:

	June 30, 2018	%	June 30, 2017	%
Fixed rate	19,886	32.3%	22,857	41.6%
Variable rate	41,705	67.7%	32,138	58.4%
Gross debt	**61,591**	**100.0%**	**54,995**	**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, 2018 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 +116 thousand and Euro -116 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. 11.4% of trade receivables at June 30, 2018.

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 333).

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 5 years
"BasicVillage property loan"	5,100	665	5,765	1,469	4,296	-
"BasicItalia property loan"	2,137	137	2,274	453	1,821	-
"Intesa Loan"	3,750	41	3,791	3,791	-	-
"BNL Loan"	5,625	115	5,740	1,294	4,446	-
"BPM Loan"	1,380	15	1,395	508	887	-
"MPS Loan"	13,000	755	13,755	223	12,718	814
Lease payables	888	20	908	488	420	-
Total financial liabilities	**31,880**	**1,748**	**33,628**	**8,226**	**24,588**	**814**

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

A.S. Roma S.p.A. and Soccer S.a.s. Brand Management S.r.l., on November 23, 2012 communicated the unilateral advance resolution of the team sponsorship, agreed with duration until June 30, 2017 with BasicItalia S.p.A., for presumed non-compliance and, in particular, defects in the materials supplied. The decision generated a number of legal disputes, which were outlined in detail in the annual financial report and to which reference should be made, with only updates provided herein.

- BasicItalia, 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. As conciliation has not been successful, at the July 20, 2018 hearing the judge invited the parties to present their conclusions and has suspended judgment, setting however a deadline for concluding defense arguments of November 20, 2018 and therefore creating additional time to reach a settlement.

- 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 was brought. As conciliation has not been successful, at the July 20, 2018 hearing the judge invited the parties to present their conclusions and has suspended judgment, setting however a deadline for concluding defense arguments of November 20, 2018 and therefore creating additional time to reach a settlement.

- 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, although its claims have been dismissed. A.S. Roma presented an appeal to the Rome Court of Appeal against this judgment; after an initial hearing held on June 10, 2015 the Court sent the case for the establishment of conclusions on July 4, 2018. The hearing of July 4, 2018 was deferred to January 8, 2020 due to the Court's reorganisation.

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., Basic Trademark S.A., Superga Trademark S.A., Basic Properties BV and TOS 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, 2018 are reported below:

	Investments	Trade receivables	Trade Payables	Other Income	Costs
Interests in joint ventures: - Fashion S.r.l.	81	-	5	1	-
Remuneration of Boards and Senior Executives and other related parties	-	-	-	-	3,000

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 and by Studio Boidi & Partners, in which Massimo Boido has a 35% holding and is a strategic executive in BasicWorild S.r.l. These transactions, not material compared to the overall values, were at market conditions.
The collections owned by BasicNet S.p.A., which are utilised for media events, shows, press gatherings together with the Brands and/or products of the Group, are subject to a put and call agreement with BasicWorld S.r.l. The agreement is for a duration until July 31, 2020 and provides for an exercise price of the Call Option by BasicWorld equal to the cost incurred by BasicNet for the purchase of the Collection, as resulting from the accounting entries of BasicNet, in addition to a financial interest charge equal to the average rate applied to BasicNet at the exercise option date.

46. SUBSEQUENT EVENTS

These events are outlined 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)	Management of the buildings at Turin - Largo M. Vitale, 1 and C.so Regio Parco, 43.	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
- TOS S.r.l. single shareholder company	Turin (Italy)	Owner of the brand Sebago.	EURO	10,000	100 (1)
- 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 (2)
- 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 a pledge with the Group required to maintain full ownership of the company, in guarantee of the loan issued by MPS Capital Services Banca per le Imprese S.p.A. in July 2017.

2) 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
Page 2 of 2

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 joint-venture	EURO	100,000	50 [3]

(3) 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. 11971 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 conformity 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, 2018.

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 interim condensed consolidated financial statements

(Translation from the original Italian text)

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Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
BasicNet S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the consolidated income statement, the consolidated comprehensive income statement, the consolidated balance sheet at June 30, 2017, 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 30 June 2018. The Directors of BasicNet S.p.A. are responsible for the preparation of the interim condensed consolidated 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 interim condensed consolidated 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 interim condensed consolidated 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 interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of BasicNet Group as of June 30, 2018 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.

Turin, 27 July 2018,

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

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