

BasicNet S.p.A.

Largo Maurizio Vitale, 1
 10152 Torino
 Italy
 phone +39 011 2617 1
 fax +39 011 2617 595
 free number 800 80 2000
 e-mail: someone@basic.net
 pec: basicnet@legalmail.it
 www.basic.net

PRESS RELEASE
BASICNET – STRONG GROWTH CONTINUES IN H1 2019

- aggregate sales: Euro 484.8 million (+21.6%)
- consolidated revenues: Euro 137.8 million (+48.6%)
- EBIT: Euro 14.6 million (+43.8%)
- consolidated net profit: Euro 10.4 million (+60.2%)

Turin, July 25, 2019. The Board of Directors of BasicNet S.p.A., in a meeting today chaired by Marco Boglione, approved the H1 2019 consolidated results.

The H1 2019 results reflect the acquisition of the French licensee Sport Finance SAS (now Kappa Europe) at the beginning of this year and consolidated from January 1, 2019, in addition to application of IFRS 16.

In summary:

- aggregate sales of Group brand products by the Global licensee Network of Euro 484.8 million, up 21.6% at current exchange rates (+17.5% at like-for-like exchange rates) - as follows:¹
 - commercial licensee sales of Euro 350 million (Euro 285.1 million in H1 2018, up 22.8% at current exchange rates (+19.7% at like-for-like exchange rates), against which royalties totalling Euro 29 million were matured (Euro 25.7 million in 2018);
 - productive licensee sales of Euro 134.9 million, Euro 113.7 million in H1 2018, +18.6% at current exchange rates (+11.8% at like-for-like exchange rates);
 - European market growth continues (+18%). Major American market growth (+54.8%), with significant recovery on Middle Eastern and African markets (+46.2%). Asian and Oceania markets grew 11.6%.
- Consolidated revenues, comprising the royalties, sourcing commissions and sales of BasicItalia S.p.A., BasicRetail S.r.l. and Kappa Europe, total Euro 137.8 million (Euro 92.7 million in 2018), up 48.6% at current exchange rates (47.9% at like-for-like exchange rates). This growth was supported by the entry of the French Group into the consolidation, net of which consolidated revenues grew 15.2% over H1 2018. The breakdown follows:
 - royalties and sourcing commissions of Euro 26.8 million (Euro 25.7 million in H1 2018), +4.5% at current exchange rates (+2.3% at like-for-like exchange rates). H1 2019 royalties do not include Euro 2.7 million matured on revenues generated by the Kappa Europe Group, which joined the consolidation from January 1. At like-for-like consolidation scope, royalties and sourcing commissions were up 15.2% over H1 2018;
 - direct consolidated sales totalled Euro 111 million, compared to Euro 67.1 million in 2018 (+65.4%). Excluding the revenues generated by Kappa Europe, growth of 15.2% was delivered in the period;

¹ (no changes following acquisition of Kappa Europe Group, whose sales were already included in the 2018 total)

- EBITDA of Euro 20.3 million (Euro 13.1 million in H1 2018), +54.5%; the result was impacted by application in H1 2019 of IFRS 16 for the reclassification of lease charges to amortisation, excluding which EBITDA would have totalled Euro 17.6 million (+34.2%);
- EBIT of Euro 14.6 million (Euro 10.1 million in H1 2018), +43.8%;
- net profit of Euro 10.4 million (Euro 6.5 million in 2018), +60.2%;
- financial debt of Euro 86.9 million (Euro 57.2 million at June 30, 2018 and Euro 51.7 million at December 31, 2018). Application from January 1, 2019 of the new standard IFRS 16 resulted in a higher usage right payable of Euro 18 million. The impact on the net financial position from the acquisition of the Kappa Europe Group was Euro 19.7 million, of which Euro 2.8 million for the valuation of the put & call options on the residual 39% of Kappa Europe. Excluding the two factors outlined above, the financial debt of the BasicNet Group would have amounted to Euro 49.3 million. Dividends of Euro 6.5 million were distributed in the period (Euro 3.3 million in 2018), with Euro 1.3 million invested to acquire treasury shares.

For further details on the operating performance, reference should be made to the Half-Year Report, available from tomorrow, July 26, 2019 at the registered office and on BasicNet's website www.basiconet.com/contenuti/dati finanziari/relazioni semestrali.asp, in addition to the authorised storage mechanism www.1info.it

Other motions

The Board of Directors appointed at today's meeting a Lead Independent Director, Director Adriano Marconetto, and appointed the Director Cristiano Fiorio as a new member of the Control and Risks Committee, which therefore comprises four directors, all of whom independent.

Outlook

Brand development will continue on the main markets. The strategic development projects of the Group are bolstered by the recent acquisition by BasicItalia of control of the Sport Finance Group (now Kappa Europe).

Group operating results in the second half of the year are again expected to be strong based on the order book and forecast royalties and sourcing commissions.

This forecast is subject to the general market performance, which is shrouded by a degree of economic and political uncertainty, as reflected in consumption figures and by currency price fluctuations.

As communicated on July 19, the Chief Executive Officer Federico Trono will present to the market the H1 2019 commercial results during a video conference to be held **this afternoon at 5 PM**. To join the video conference call (to be held in English), click on:

[Join Skype Meeting](#)

or telephone: +390200624808

(ID conference: 64744006 and PIN conference: 47794)

the presentation may be downloaded from the website www.BasicNet.com, from the section: "financial data/other information and presentations" shortly before the video conference, at the following link:

www.basiconet.com/contenuti/dati finanziari/informazioni annuali.asp?menuSelectedID=3g&language=IT

In relation to the "alternative performance indicators", as defined by CESR/05-178b recommendation and Consob Communication DEM/6064293 of July 28, 2006, we provide below a definition of the indicators used in this press release:

- **Commercial licensee aggregate sales:** sales by commercial licensees, recognised by the BasicNet Group to the "royalties" account of the income statement;
- **Productive licensee aggregate sales:** sales by productive licensees, recognised by the BasicNet Group to the "sourcing commissions" account of the income statement;
- **Consolidated Revenues** the sum of royalties, sourcing commissions and sales of the subsidiaries BasicItalia S.p.A., BasicRetail S.r.l. and Kappa Europe S.A.S. and of the parent company BasicNet S.p.A.
- **EBITDA:** "operating result" before "amortisation and depreciation".
- **EBIT:** "operating result".

The Executive Officer for Financial Reporting, Ms. Paola Bruschi, declares in accordance with Article 154-bis, paragraph 2, of the Consolidated Finance Act that the accounting information contained in the present press release corresponds to the underlying accounting documents, records and accounting entries.

FINANCIAL STATEMENTS

BasicNet Group Key Financial Highlights

<i>(Euro thousands)</i>	H1 2019	H1 2018	Changes	%
Group Brand Aggregate Sales by the Network of commercial and productive licensees (*)	484,832	398,831	86,001	21.6%
Royalties and sourcing commissions	26,819	25,671	1,148	4.5%
Consolidated direct sales	110,962	67,080	43,882	65.4%
Contribution margin on net sales	49,627	27,864	21,763	78.1%
EBITDA	20,312	13,144	7,168	54.5%
EBIT	14,576	10,140	4,436	43.8%
Net profit	10,408	6,497	3,911	60.2%
Attributable to:				
- Shareholders of BasicNet S.p.A.	11,205	6,497	4,708	72.5%
- Minority shareholders	(797)	-	(797)	N.A.
Earnings per ordinary share	0.23	0.11	0.12	99.2%

(*) *Data not audited*

BasicNet Group Condensed Balance Sheet

<i>(Euro thousands)</i>	June 30, 2019	December 31, 2018	June 30, 2018
Property	21,136	21,583	21,931
Brands	46,631	47,124	46,974
Non-current assets	48,701	24,438	24,508
Current assets	201,955	142,368	128,534
Total assets	318,423	235,513	221,947
Group shareholders' equity	114,555	112,937	99,860
Non-current liabilities	50,953	29,392	31,262
Current liabilities	152,915	93,184	90,825
Total liabilities and shareholders' equity	318,423	235,513	221,947

BasicNet Group Summary Net Financial Position

<i>(Euro thousands)</i>	June 30, 2019	December 31, 2018	June 30, 2018	Changes 30/6/2019 31/12/2018	Changes 30/6/2019 30/6/2018
Net financial position – Short-term	(40,325)	(29,464)	(32,471)	(10,861)	(7,854)
Financial payables – Medium-term	(25,114)	(21,394)	(23,885)	(3,720)	(1,229)
Finance leases	(720)	(823)	(888)	103	168
Total net financial position	(66,159)	(51,681)	(57,244)	(14,478)	(8,915)
Payables for exercise future share acquisitions	(2,839)	-	-	(2,839)	(2,839)
Payables for usage rights	(17,996)	-	-	(17,996)	(17,996)
Consolidated Net Financial Position	(86,994)	(51,681)	(57,244)	(35,313)	(29,750)
Net Debt/Equity ratio (Net financial position/Shareholders' equity)	0.78	0.46	0.57	0.32	0.20

BASICNET GROUP
Financial Statements

CONSOLIDATED INCOME STATEMENT

(Euro thousands)

	H1 2019		H1 2018		Changes	
		%		%		%
Consolidated direct sales	110,962	100.00	67,080	100.00	43,882	65.42
Cost of sales	(61,335)	(55.28)	(39,216)	(58.46)	(22,119)	(56.40)
GROSS MARGIN	49,627	44.72	27,864	41.54	21,763	78.11
Royalties and sourcing commissions	26,819	24.17	25,671	38.27	1,148	4.47
Other income	2,659	2.40	1,103	1.65	1,556	140.96
Sponsorship and media costs	(18,685)	(16.84)	(12,179)	(18.16)	(6,506)	(53.42)
Personnel costs	(15,876)	(14.31)	(11,540)	(17.20)	(4,336)	(37.57)
Selling, general and administrative costs, royalties expenses	(24,232)	(21.84)	(17,774)	(26.50)	(6,423)	(36.33)
Amortisation & Depreciation	(5,736)	(5.17)	(3,005)	(4.48)	(2,732)	(90.92)
EBIT	14,576	13.14	10,140	15.12	4,436	43.75
Net financial income (charges)	(782)	(0.70)	(987)	(1.47)	205	20.74
Share of profit/(loss) of investments valued at equity	(13)	(0.01)	(13)	(0.02)	-	-
PROFIT BEFORE TAXES	13,781	12.42	9,140	13.63	4,641	50.78
Income taxes	(3,373)	(3.04)	(2,643)	(3.94)	(730)	(27.63)
NET PROFIT	10,408	9.38	6,497	9.69	3,911	60.20
Attributable to:						
- Shareholders of the company	11,205	10.10	6,497	9.69	4,708	72.47
- Minority shareholders	(797)	(0.72)	-	-	(797)	N.A.
Earnings per share						
Basic	0.2367		0.1188		0.118	99.22
Diluted	0.2367		0.1188		0.118	99.22

CONSOLIDATED BALANCE SHEET

(Euro thousands)

ASSETS	June 30, 2019	December 31, 2018	June 30, 2018
Intangible assets	70,308	53,225	53,503
Goodwill	11,863	9,232	9,516
Property, plant and equipment	32,377	29,397	29,465
Equity invest. & other financial assets	1,168	1,048	676
Interests in joint ventures	230	243	253
Deferred tax assets	522	-	-
Total non-current assets	116,468	93,145	93,413
Net inventories	81,850	44,379	51,509
Trade receivables	79,985	69,880	55,716
Other current assets	12,374	8,820	8,329
Prepayments	14,111	9,368	8,343
Cash and cash equivalents	12,983	9,616	4,349
Derivative financial instruments	651	305	288
Total current assets	201,955	142,368	128,534
TOTAL ASSETS	318,423	235,513	221,947
LIABILITIES	June 30, 2019	December 31, 2018	June 30, 2018
Share capital	31,717	31,717	31,717
Reserve for treasury shares in portfolio	(19,107)	(17,827)	(16,140)
Other reserves	91,537	78,033	77,786
Net Profit	10,408	21,014	6,497
Minority interests	-	-	-
Total Shareholders' Equity	114,555	112,937	99,860
Provisions for risks and charges	192	50	24
Loans	46,670	22,217	24,773
Employee and Director benefits	2,872	4,040	3,816
Deferred tax liabilities	-	1,949	1,561
Other non-current liabilities	1,219	1,136	1,088
Total non-current liabilities	50,953	29,392	31,262
Bank payables	53,308	39,080	36,820
Trade payables	70,620	38,280	36,716
Tax payables	10,771	2,133	4,432
Other current liabilities	13,956	9,624	9,494
Accrued expenses	3,784	3,631	2,807
Derivative financial instruments	476	436	556
Total current liabilities	152,915	93,184	90,825
TOTAL LIABILITIES	203,868	122,576	122,087
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	318,423	235,513	221,947

CONSOLIDATED CASH FLOW STATEMENT

(Euro thousands)

	June 30 2019	December 31 2018	June 30 2018
A) OPENING SHORT-TERM BANK DEBT (*)	(23,419)	(25,946)	(25,946)
B) CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit	10,408	21,014	6,497
Amortisation & Depreciation	5,737	6,448	3,005
Result of companies valued under the equity method	13	23	13
Changes in working capital:			
. (Increase) decrease in trade receivables	9,718	(11,302)	2,862
. (Increase) decrease in inventories	(22,719)	2,138	(4,992)
. (Increase) decrease in other receivables	(2,093)	(3,677)	(2,160)
. Increase (decrease) in trade payables	9,957	4,412	2,848
. Increase (decrease) in other payables	1,095	2,300	3,183
Net change in post-employment benefit	207	505	282
Others, net	224	49	(62)
	12,947	21,910	11,476
C) CASH FLOW FROM INVESTING ACTIVITIES			
Investments in fixed assets:			
- tangible assets	(4,280)	(2,801)	(1,056)
- intangible assets	(3,433)	(2,613)	(1,318)
- financial assets	(121)	(386)	(15)
Change in consolidation scope	(3,138)	-	-
Realisable value for fixed asset disposals:			
- tangible assets	23	255	28
- intangible assets	241	39	39
- financial assets	-	-	-
	(10,707)	(5,506)	(2,322)
D) CASH FLOW FROM FINANCING ACTIVITIES			
Lease contracts (repayments)	(103)	(168)	(103)
Undertaking of medium/long-term loans	4,200	-	-
Loan repayments	(3,892)	(7,104)	(3,552)
Grant (repayment) of loans for usage rights	(1,071)	-	-
Repayment of Kappa Europe Group bond loan	(2,276)	-	-
Acquisition of treasury shares	(1,279)	(3,332)	(1,645)
Dividend payments	(6,468)	(3,273)	(3,273)
Conversion differences and others	158	-	-
	(10,732)	(13,877)	(8,573)
E) CASH FLOW IN THE PERIOD	(8,492)	2,527	581
F) CLOSING SHORT-TERM BANK DEBT	(31,911)	(23,419)	(25,365)

(*) Balance at January 1

CONSOLIDATED NET CASH POSITION

(Euro thousands)

	June 30, 2019	December 31, 2018	June 30, 2018
Cash and cash equivalents	12,983	9,616	4,349
Bank overdrafts and bills	(24,261)	(10,735)	(16,988)
Import advances	(20,633)	(22,300)	(12,726)
<i>Sub-total net liquidity available</i>	<i>(31,911)</i>	<i>(23,419)</i>	<i>(25,365)</i>
Short-term portion of medium/long-term loans	(8,414)	(6,045)	(7,106)
Short-term net financial position	(40,325)	(29,464)	(32,471)
BasicVillage property loan	(2,700)	(3,300)	(3,900)
BasicItalia property loan	(1,322)	(1,525)	(1,729)
BNL loan	(3,125)	(3,750)	(4,375)
Banco BPM loan	(379)	(632)	(881)
MPS Loan	(10,563)	(12,187)	(13,000)
Kappa Europe Group loan	(7,025)	-	-
Payables for exercise future share acquisitions	(2,839)	-	-
Payables for usage rights	(17,996)	-	-
Leasing payables	(720)	(823)	(888)
<i>Sub-total loans and leasing</i>	<i>(46,670)</i>	<i>(22,217)</i>	<i>(24,773)</i>
Consolidated Net Financial Position	(86,994)	(51,681)	(57,244)