

BasicNet S.p.A.

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PRESS RELEASE

BASICNET – BOD APPROVES H1 RESULTS. BUSINESS MODEL’S FLEXIBILITY SOFTENS IMPACT OF PANDEMIC ON RESULTS.

H1 2020 consolidated revenues: Euro 109.1 million (Euro 137.8 million in H1 2019);

Licensee aggregate sales: Euro 367.6 million (Euro 484.8 million in H1 2019);

EBITDA: Euro 772 thousand (Euro 20.3 million in H1 2019);

EBIT: loss of Euro 5.0 million (profit of Euro 14.6 million in H1 2019);

Net result: loss of Euro 5.5 million (profit of Euro 10.4 million in H1 2019).

Turin, July 30, 2020. The Board of Directors of BasicNet S.p.A., in a meeting today chaired by Marco Bogliione, approved the H1 2020 consolidated results.

The H1 2020 results reflect the restrictions imposed to contain the spread of Covid-19 since January 2020 by the public authorities of the various affected countries.

Against this backdrop, a comparison of the operating and financial results for the period with those of the previous year - as summarised below - highlights the impacts of the pandemic:

- aggregate sales of Group products by the global Licensee Network were as follows:
 - commercial licensees of Euro 259.6 million (Euro 350 million in H1 2019, -25.8%) and
 - productive licensees of Euro 108 million (Euro 134.9 million in H1 2019, -19.9%),
 totalling Euro 367.6 million, Euro 484.8 million in H1 2019 (-24.2%).

The first half of the year saw a drop in aggregate sales across all regions: Europe reported a 20.8% slowdown, the Americas 30.1%, the Middle East and Africa 40.5%, while Asia and Oceania reported a decline of 34.4%;

- consolidated revenues, which in the initial two months of the year grew 15.3% on the previous year, of Euro 109.1 million (Euro 137.8 million in H1 2019, -20.8%) broke down as follows:
 - royalties and sourcing commissions: Euro 22.4 million (Euro 26.8 million in H1 2019, -16.5%) and
 - direct sales: Euro 86.8 million (Euro 111 million in H1 2019, -21.8%). The result was affected by the total closure of stores between March and May;
- EBITDA: Euro 772 thousand (Euro 20.3 million in H1 2019). Marketing and communication investment, both in Italy and overseas, amounted in the period to Euro 22.7 million (Euro 21.3 million in 2019), reflecting the continued commitment to developing own brands. The figures are impacted by Kappa Europe negative results caused by some delays in the Group integration process also due to the pandemic crisis;
- EBIT: a loss of Euro 5.0 million (profit of Euro 14.6 million in H1 2019), after amortisation and depreciation of Euro 3.2 million and the depreciation of rights-of-use for Euro 2.5 million;
- net result: loss of Euro 5.5 million (profit of Euro 10.4 million in 2019);

- net financial debt: Euro 81.6 million (Euro 86.9 million at June 30, 2019 and Euro 78.3 million at December 31, 2019). Investments in fixed assets were made in the period of Euro 13.3 million, of which Euro 10.5 million for the acquisition of the Milan BasicVillage following the closing of the transaction announced on August 5 last year.

Outlook

Although a recovery is underway, the uncertainties regarding the duration of the pandemic - which in certain countries continues to have a significant impact - and the consequent containment measures and the general economic environment make forecasts for the current year difficult.

A recovery is expected in the second half of the year - as long as the health emergency does not re-emerge - based on the order book, royalties and sourcing commissions inflows and ongoing brand development spend.

The Chief Executive Officer Federico Trono will present to the market the H1 2020 results during a video conference call this afternoon at 5.30 PM.

To join the video conference call (to be held in English), click on:

Attend the Microsoft Teams meeting

+39 02 0062 4808 Italy, Milan (charges applied)

ID conference: 910 142 730#

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.basicnet.com/contenuti/datifinanziari/informazioniannuali.asp?menuSelectedID=3g&language=IT

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 this press release and in the financial statements, 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 licensee company BasicItalia S.p.A. and its subsidiaries BasicRetail S.r.l., BasicRetail Suisse S.A. and the companies of the Kappa Europe S.A.S. Group, in addition to the parent company BasicNet S.p.A.
- **Marketing and communication investment** the sum of sponsorship and media costs and other communication costs including overheads.
- **EBITDA:** “operating result” before “amortisation and depreciation”.
- **EBIT:** “operating result”.
- **Contribution margin on direct sales:** “gross profit”;
- **Debt/equity ratio** this is an indicator of the financial structure of the balance sheet and is calculated as the ratio of financial debt to shareholders' equity.
- **Net debt:** total of current and medium/long-term financial payables, less cash and cash equivalents and other current financial assets.
- **Free cash flow** represents the cash flow available to the company and is the difference between the cash flow from operating activities and the cash flow for investments in fixed assets.
- **Basic earnings per share** calculated as required by IFRS on the basis of the weighted average number of shares in circulation in the year.

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.

The financial statements are attached

FINANCIAL STATEMENTS

BasicNet Group Key Financial Highlights

<i>(Euro thousands)</i>	H1 2020	H1 2019	Changes	%
Group Brand Aggregate Sales by the Network of commercial and productive licensees (*)	367,611	484,832	(117,221)	(24.2%)
Royalties and sourcing commissions	22,382	26,819	(4,437)	(16.5%)
Consolidated direct sales	86,765	110,962	(24,197)	(21.8%)
EBITDA	772	20,312	(19,540)	(96.2%)
EBIT	(4,970)	14,576	(19,546)	(134.1%)
Net Profit/(loss)	(5,522)	10,408	(15,930)	(153.1%)
Earnings/(loss) per ordinary share (**)	(0.1039)	0.2367	(0.341)	(143.9%)

(*) *Data not audited*

BasicNet Group Condensed Balance Sheet

<i>(Euro thousands)</i>	June 30, 2020	December 31, 2019	June 30, 2019
Property	34,120	20,653	21,136
Brands	46,834	46,789	46,631
Non-current assets	33,075	31,306	31,586
Right-of-use	18,595	18,066	17,115
Current assets	181,787	176,421	201,955
Total assets	314,411	293,235	318,423
Group shareholders' equity	109,691	121,741	114,555
Non-current liabilities	53,678	47,637	50,953
Current liabilities	151,042	123,857	152,915
Total liabilities and shareholders' equity	314,411	293,235	318,423

BasicNet Group Summary Net Financial Position

<i>(Euro thousands)</i>	June 30, 2020	December 31, 2019	June 30, 2019	Changes 30/06/2020 31/12/2019	Changes 30/06/2020 30/6/2019
Net financial position – Short-term	(38,744)	(36,209)	(40,325)	(2,535)	1,581
Financial payables – Medium-term	(19,155)	(19,288)	(25,114)	133	5,959
Finance leases	(490)	(651)	(720)	161	230
Net financial position with banks	(58,389)	(56,148)	(66,159)	(2,240)	7,770
Other financial liabilities	(2,839)	(2,839)	(2,839)	-	-
Payables for rights-of-use	(20,360)	(19,287)	(17,996)	(1,073)	(2,363)
Total net financial position	(81,588)	(78,274)	(86,994)	(3,313)	5,406
Debt/Equity ratio (Net financial position/Shareholders' equity)	0.74	0.64	0.78	0.10	(0.01)

BASICNET GROUP
Financial Statements

CONSOLIDATED INCOME STATEMENT

(Euro thousands)

	H1 2020		H1 2019		Changes	
		%		%		%
Consolidated direct sales	86,765	100.00	110,962	100.00	(24,197)	(21.81)
Cost of sales	(52,976)	(61.06)	(61,335)	(55.28)	8,359	13.63
GROSS MARGIN	33,789	38.94	49,627	44.72	(15,838)	(31.91)
Royalties and sourcing commissions	22,382	25.80	26,819	24.17	(4,437)	(16.54)
Other income	1,884	2.17	2,659	2.40	(775)	(29.14)
Sponsorship and media costs	(19,913)	(22.95)	(18,685)	(16.84)	(1,228)	(6.57)
Personnel costs	(14,018)	(16.16)	(15,876)	(14.31)	1,858	11.70
Selling, general and administrative costs, royalties expenses	(23,353)	(26.92)	(24,232)	(21.84)	879	3.63
Amortisation & depreciation	(5,742)	(6.62)	(5,737)	(5.17)	(5)	(0.08)
EBIT	(4,970)	(5.73)	14,576	13.14	(19,546)	(134.10)
Net financial income (charges)	23	0.03	(782)	(0.70)	805	102.96
Share of profit/(loss) of investments valued at equity	(13)	(0.02)	(13)	(0.01)	-	-
PROFIT/(LOSS) BEFORE TAXES	(4,960)	(5.72)	13,781	12.42	(18,741)	(135.99)
Income taxes	(562)	(0.65)	(3,373)	(3.04)	2,811	83.35
NET PROFIT/(LOSS)	(5,522)	(6.36)	10,408	9.38	(15,930)	(153.05)
Earnings/(loss) per share						
Basic	(0.1039)		0.2367		(0.341)	(143.90)
Diluted	(0.1039)		0.2367		(0.341)	(143.90)

CONSOLIDATED BALANCE SHEET

(Euro thousands)

ASSETS	June 30, 2020	December 31, 2019	June 30, 2019
Intangible assets	53,460	53,184	53,193
Rights-of-use	18,595	18,066	17,115
Goodwill	12,141	12,206	11,863
Property, plant and equipment	45,127	31,761	32,377
Equity invest. & other financial assets	1,048	1,051	1,168
Interests in joint ventures	204	217	230
Deferred tax assets	2,048	329	522
Total non-current assets	132,624	116,814	116,468
Net inventories	76,417	66,757	81,850
Trade receivables	61,150	68,560	79,985
Other current assets	13,955	10,887	12,374
Prepayments	10,082	14,517	14,111
Cash and cash equivalents	19,926	15,235	12,983
Derivative financial instruments	257	465	651
Total current assets	181,787	176,421	201,955
TOTAL ASSETS	314,411	293,235	318,423
LIABILITIES	June 30, 2020	December 31, 2019	June 30, 2019
Share capital	31,717	31,717	31,717
Reserve for treasury shares in portfolio	(22,225)	(22,225)	(19,107)
Other reserves	105,721	91,196	91,537
Net Profit	(5,522)	21,053	10,408
TOTAL GROUP SHAREHOLDERS' EQUITY	109,691	121,741	114,555
Provisions for risks and charges	275	227	192
Loans	19,645	19,939	25,834
Payables for rights-of-use	20,360	19,287	17,996
Other financial payables	2,839	2,839	2,839
Employee and Director benefits	3,697	3,408	2,872
Deferred tax liabilities	5,140	-	-
Other non-current liabilities	1,722	1,937	1,219
Total non-current liabilities	53,678	47,637	50,953
Bank payables	58,670	51,444	53,308
Trade payables	60,191	46,492	70,620
Tax payables	10,680	7,585	10,771
Other current liabilities	18,204	11,227	13,956
Accrued expenses	3,028	6,761	3,784
Derivative financial instruments	68	348	476
Total current liabilities	151,042	123,857	152,915
TOTAL LIABILITIES	204,720	171,494	203,868
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	314,411	293,235	318,423

CONSOLIDATED CASH FLOW STATEMENT

(Euro thousands)

	June 30, 2020	December 31, 2019	June 30, 2019
A) OPENING SHORT-TERM BANK DEBT (*)	(27,040)	(23,419)	(23,419)
B) CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit	(5,522)	21,053	10,408
Amortisation & depreciation	5,742	11,964	5,736
Result of companies valued under the equity method	(13)	(25)	13
Changes in working capital:			
. (Increase) decrease in trade receivables	7,410	12,874	9,718
. (Increase) decrease in inventories	(9,659)	(7,626)	(22,719)
. (Increase) decrease in other receivables	1,367	1,314	(646)
. Increase (decrease) in trade payables	13,701	(7,204)	9,957
. Increase (decrease) in other payables	76	(59)	1,495
Net changes in employee and director benefits	290	137	207
Others, net	200	383	224
	13,591	32,811	14,395
C) CASH FLOW FROM INVESTING ACTIVITIES			
Investments in fixed assets:			
- tangible assets	(1,566)	(5,478)	(4,280)
- intangible assets	(1,335)	(3,171)	(3,433)
- financial assets		4	(121)
Change in consolidation scope	(10,466)	(4,586)	(4,586)
Realisable value for fixed asset disposals:			
- tangible assets	50	31	23
- intangible assets		11	241
- financial assets		-	-
	(13,317)	(13,189)	(12,155)
D) CASH FLOW FROM FINANCING ACTIVITIES			
Lease contracts (repayments)	(161)	(172)	(103)
Undertaking of medium/long-term loans	947	4,200	4,200
Loan repayments	(2,276)	(8,967)	(3,892)
Repayment of loans for rights-of-use	(2,514)	(5,162)	(1,071)
Repayment of Kappa Europe Group bond loan		(2,276)	(2,276)
Acquisition of treasury shares		(4,398)	(1,279)
Dividend payments		(6,468)	(6,468)
Conversion differences and others		-	158
	(4,005)	(23,243)	(10,732)
E) CASH FLOW IN THE PERIOD	(3,732)	(3,621)	(8,492)
F) CLOSING SHORT-TERM BANK DEBT	(30,772)	(27,040)	(31,911)

(*) Balance at January 1

CONSOLIDATED NET FINANCIAL POSITION

(Euro thousands)

	June 30, 2020	December 31, 2019	June 30, 2019
Cash and cash equivalents	19,926	15,235	12,983
Bank overdrafts and bills	(26,314)	(17,094)	(24,261)
Import advances	(24,384)	(25,181)	(20,633)
<i>Sub-total net liquidity available</i>	<i>(30,772)</i>	<i>(27,040)</i>	<i>(31,911)</i>
Short-term portion of medium/long-term loans	(7,972)	(9,169)	(8,414)
Short-term net financial position	(38,744)	(36,209)	(40,325)
Medium/long term loans	(19,156)	(19,288)	(25,114)
Payables for exercise future share acquisitions	(2,839)	(2,839)	(2,839)
Payables for rights-of-use	(20,360)	(19,287)	(17,996)
Finance lease payables	(490)	(651)	(720)
<i>Sub-total loans and leasing</i>	<i>(42,845)</i>	<i>(42,065)</i>	<i>(46,670)</i>
Consolidated Net Financial Position	(81,588)	(78,274)	(86,994)