GROUP

HALF-YEAR REPORT

AT JUNE 30, 2020

DIRECTORS' REPORT

BASICNET GROUP CONDENSED HALF-YEAR FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Capitale Sociale Euro 31.716.673,04 i.v.
R.E.A. 631153 della C.C.I.A.A. di Torino
Numero Registro Imprese Torino
Partita I.V.A. e Codice Fiscale 04413650013

CORPORATE BOARDS of BasicNet S.p.A.

Board of Directors

Marco Daniele Boglione	**Chairman**
Daniela Ovazza	**Vice Chairperson**
Federico Trono	**Chief Executive Officer**
Alessandro Boglione Lorenzo Boglione Veerle Bouckaert Paola Bruschi Elisa Corghi [1] Cristiano Fiorio [1] Francesco Genovese Alessandro Jorio Renate Marianne Hendlmeier [1] Adriano Marconetto [1] Carlo Pavesio	**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 Cristiano Fiorio	**Chairperson**

Board of Statutory Auditors

Maria Francesca Talamonti	**Chairperson**
Sergio Duca Alberto Pession	**Statutory Auditors**
Giulia De Martino Maurizio Ferrero	**Alternate Auditors**

Independent Audit Firm

EY S.p.A.

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DIRECTORS' REPORT

The first half of 2020 featured internationally the pandemic caused by the Covid-19 virus, whose intensity forced the Public Authorities of nearly all countries to take extraordinary measures to protect public health, imposing social distancing measures and with the consequent interruption of all non-essential social and economic activities. Therefore, at differing levels and timeframes across the various countries - beginning with China from January 2020 - the international economy was frozen, with a slight recovery only from May.

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:

Key Performance Indicators:

- aggregate sales of Group products by the Global licensee Network of Euro 367.6 million, down 24.2% on 2019 - as follows:

(in Euro millions)	**H1 2020**	**H1 2019**	**% Change**
Commercial licensee sales	259.6	350.0	-25.8%
Productive licensee sales	108.0	134.9	-19.9%
Licensee aggregate sales	**367.6**	**484.8**	**-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) broke down as follows:
  - royalties and sourcing commissions of Euro 22.4 million (Euro 26.8 million in H1 2019), and
  - direct sales of Euro 86.8 million, -21.8% on Euro 111 million in 2019. The result was affected by the total closure of physical stores between March and May;
- EBITDA of Euro 772 thousand, compared to Euro 20.3 million in H1 2019 (-96.2%). 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 result was impacted by the poor result of Kappa Europe in the period, due to the slowing of the integration, also as a result of the pandemic;
- EBIT loss of Euro 5.0 million (profit of Euro 14.6 million in H1 2019), -134.1%;
- net loss of Euro 5.5 million, (net profit of Euro 10.4 million in H1 2019, -153.1%);
- net financial debt of 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.

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 licensee company BasicItalia S.p.A. and its subsidiaries BasicRetail S.r.l., BasicRetail Suisse S.A. and the companies of the Kappa Europe SAS. 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 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®, Sebago®, Briko®, Jesus®Jeans and Sabelt®.

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

The 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 management (business system)*

ii) *proprietary licensees*

iii) *property management*

2020 SIGNIFICANT EVENTS

Covid-19 Health Crisis

As noted, since January 2020, the domestic and international picture has been dominated by the gradual spread of Covid-19 and the resulting restrictive containment measures implemented by the governments of the countries affected.

As highlighted above, the absence of a specific cure to the virus has made it necessary to close down production and commercial activities across many countries, also forcing the respective governments to take extraordinary measures to protect their economies and support the income of residents. The lockdown lasted from 2 to 3 months on average. It began in Italy on March 9, and lasted around 10 weeks. The infection rate is still high in a number of countries, and the restart of trade and movement is causing fears of a resurgent outbreak, even in those countries that have managed to contain its spread.

Against this backdrop, BasicNet swiftly established a "Crisis unit" in February to handle the Covid-19 emergency, through which measures to protect the health and safety of employees and operational continuity were introduced. A remote working programme was therefore introduced for all Group employees, making all the specific tools needed to carry out their respective duties available at home. At the same time, a workplace safety protocol was agreed with the Trade Union representatives with a view to the workforce's gradual return. All possible strategies to protect the economic and financial sustainability of the Group were also adopted, also through working with the banks to put in place the funding necessary to meet any cash requirement.

All these measures are subject to ongoing updates and periodic disclosure to the Board of Directors, to the Board of Statutory Auditors, to the Control Committee and to the Supervisory Board.

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 in sales 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 and ongoing brand development spend.

"Back to the future" Project

During the period, the BasicNet Group has launched a corporate reorganisation project called "Back to the future", with the goal of concentrating in the company BasicTrademark the ownership of all the Group's brands, according to the original structure, which dates back to the acquisition of the Kappa ®, and Robe di Kappa® brands and other minor brands from the MCT bankruptcy. Over time, a number of brands have been acquired directly by BasicNet (K-Way® and Briko®) and special purpose vehicles have been set up for the acquisition of the new brands, specifically Superga® and Sebago®.

The concentration of the proprietary brands at BasicTrademark allows for a restructuring to optimise the management and protection of the brands, without changing the ownership structure or the Group's capital structure.

Presently, BasicProperties S.r.l. and SupergaTrademark S.r.l. have been incorporated into BasicTrademark S.r.l., while the Briko® and Jesus®Jeans brands have been transferred, in addition to the investment in Fashion S.r.l. (Sabelt).

BasicVillage

In 2019 the BasicNet Group reached an agreement for the acquisition of the entire share capital of Aprica Costruzioni S.r.l., a company owning an industrial building covering approx. 4,000 square metres in Milan, via dell'Aprica 12, close to the Scalo Farini. On January 30, BasicVillage S.p.A., the company which owns the Group's real estate assets, completed the purchase of the shares for Euro 10.5 million, subject to a bridge loan of twelve months duration, prior to the granting of a mortgage which includes also the restructuring charges.

In February, restructuring works began on the building in Milan, which will substantially recreate the successful experience of Turin's BasicVillage as a strategic location for the sector globally.

During the period, a series of corporate transactions began to concentrate property ownership at BasicVillage. The transactions, completed in July, concern the merger by incorporation of Aprica Costruzioni S.r.l. and the partial spin-off of BasicItalia's property ownership business unit to BasicVillage.

BasicNet Asia Vietnam

The BasicNet Asia office was opened in Vietnam, supporting the company of the same name - based in Hong Kong - in all development and management activities of the production and distribution licensees in the South-East Asia area.

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) **Group Brand Licensee Aggregate Sales (*)**	**H1 2020** Total	**H1 2019** Total	**Changes** Total	%
Commercial Licensees	259,629	349,974	(90,345)	*(25.8%)*
Productive Licensees (sourcing centers)	107,982	134,858	(26,875)	*(19.9%)*
Total	**367,611**	**484,832**	**(117,221)**	***(24.2%)***

(*) Data not audited

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

(In Euro thousands) **Aggregate Sales of Group Commercial Licensees (*)**	**H1 2020** Total	%	**H1 2019** Total	%	**Changes** Total	%
Europe	177,378	*68.3%*	223,851	*64.0%*	(46,473)	*(20.8%)*
America	27,712	*10.7%*	39,623	*11.3%*	(11,911)	*(30.1%)*
Asia and Oceania	33,155	*12.8%*	50,558	*14.4%*	(17,404)	*(34.4%)*
Middle East and Africa	21,384	*8.2%*	35,942	*10.3%*	(14,558)	*(40.5%)*
Total	**259,629**	***100.0%***	**349,974**	***100.0%***	**(90,345)**	***(25.8%)***

(*) Data not audited

and of the productive licensees:

(In Euro thousands) **Aggregate Sales of Group Productive Licensees (*)**	**H1 2020** Total	%	**H1 2019** Total	%	**Changes** Total	%
Europe	7,998	*7.4%*	10,399	*7.7%*	(2,401)	*(23.1%)*
The Americas	10,078	*9.3%*	8,154	*6.0%*	1,924	*23.6%*
Asia and Oceania	89,332	*82.7%*	115,347	*85.5%*	(26,015)	*(22.6%)*
Middle East and Africa	574	*0.5%*	958	*0.7%*	(384)	*(40.1%)*
Total	**107,982**	***100.0%***	**134,858**	***100.0%***	**(26,875)**	***(19.9%)***

(*) Data not audited

REGIONAL COMMERCIAL PERFORMANCES

2020 began with significant commercial growth in January and February. This was then impacted, in almost every country and for almost every brand, by the slowdown following the introduction of measures to contain the Covid-19 virus. The German market proved to be resilient, and there were also good performances in online sales, especially in the USA, and for the Briko® brand, which reported a growth in revenues over the same period of the previous year. Commercial operations focused on the renewal of expiring licensing contracts.

As regards sponsorship initiatives on the **European market**, the new contracts signed by the German licensee with the FVS Mainz football team, and by Kappa France (Kappa Europe Group) with Metz Football Club are particularly significant for the Kappa® Brand. In February, the sponsorship contract with SSC Napoli was extended until 2022. Kappa UK (Kappa Europe Group) signed a sponsorship agreement with the Rugby World Cup, while Kappa Sport Iberia (Kappa Europe Group) is the new sponsor of Mad Lions, one of the world's leading e-sport organisations.

Italian actor Luca Argentero is the new Robe di Kappa® Digital Ambassador 2020, while singer Mahmood featured in Kappa®'s social media campaign for the Q1Q2 2020 season.
A new digital collaboration with Chiara Ferragni marked Superga's Instagram celebration of the end of the lockdown.
In sailing, the Sebago® brand sponsored Italian skipper Alberto Bona in the Solo Maître CoQ.
On the ski slopes, Briko® presented its collection of snow helmets designed in collaboration with US champion Lindsey Vonn, who will once again be Briko® spokesperson for the 2020-2021 season.

With regards to co-branding:

- Superga® launched its first collaboration with London fashion designer Mira Mikati, the German brand "distorted people", and the London-Greek designer Mary Katrantzou;
- Sebago® continued its exclusive capsule collections within the Sebago® Yacht Club project, and co-branding campaigns were launched with Baracuta and the Italian jeans brand Roy Rogers;
- Robe by Kappa® presented its first lifestyle co-branding with AS Monaco;
- K-Way® celebrated 15 years since its acquisition by BasicNet with its first public show, which took place at the Pitti Uomo exhibition in January.

As regards communication and sponsorship on the **Americas market**, the Kappa brand agreed a new sponsorship with CR Vasco di Gama that was launched by the Brazilian licensee.
With regards to co-branding:

- for Sebago® there were agreements with the Gitman Bros. brand, a second co-branding partnership with Universal Works and the first collaboration with "Todd Snyder";
- Superga® extended its collaboration with the LoveShackFancy brand;
- K-Way® launched a new collaboration with Marc Jacobs.

In terms of communications, co-branding initiatives also began on the **Asian market** with the Singapore brand The Paper Bunny, for Superga® and with the Korean brand Juun.J for Kappa®. Kappa Japan used social media to present its first collaboration with One Piece, a long-running Japanese manga created by graphic novel artist Eiichirō Oda.

Group brand sales points

At June 30, Kappa® and Robe di Kappa® mono-brand stores and shop in shops opened by licensees globally numbered 850 (of which 107 in Italy), with Superga® mono-brand stores and shop in shops totalling 220 (of which 55 in Italy), along with 58 K-Way® sales points (of which 30 in Italy). Turnover at Plug@Sell stores® was the hardest hit by the lockdown period. Online sales grew 87% compared to the previous period, constituting 20% of total sales.

In mid-March, BasicNet launched the "L'Economia locale non si ferma, continua online" (The local economy doesn't stop, it goes online) campaign, in support of the Italian Plug@Sell stores® closed as a result of the health emergency.

In early July, the first Sebago monobrand store opened in Porto Cervo.

FINANCIAL PERFORMANCE OVERVIEW

The key financial highlights are reported below:

BasicNet Group Key Financial Highlights

(Euro thousands)	**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*
(**) *For the definition of the performance indicators, reference should be made to page 2 of the present Report*

Commercial and financial analysis

As well as reflecting the effects of the pandemic on sales performances across the markets in which the Group operates, the result for the period was also influenced by a series of extraordinary, non-recurring events linked to the Covid-19 emergency. These are summarised below:

- personnel costs benefitted from social security contributions totalling Euro 2.7 million across the various countries in which the Group operates;
- overheads include non-recurring charges of Euro 184 thousand, of which Euro 161 thousand relating to sanitising costs and the purchase of personal protective equipment, and for the remainder technical consultancy;
- sponsorship and media investments benefitted from contract and sponsorship renegotiations worth Euro 0.5 million;
- depreciation of rights-of-use decreased Euro 38 thousand following the recalculation of lease contracts following post-lockdown negotiations;
- these fiscal benefits have not had a significant impact on the income statement.

Commercial licensee aggregate sales of Euro 367.6 million compare to Euro 484.8 million in the same period of the previous year; the movements at continental level are commented upon in the introductory paragraphs to this Report.

The ***sales of the productive licensees*** (Sourcing Centers) are only made to commercial licensees or entities within the "operated by BasicNet" scope. The production licenses issued to the Sourcing Centers, differing from those issued to the commercial licensees, do not have regional limitations, but are rather based on technical production and business competences. Product sales by the Sourcing Centers to commercial licensees are made in advance of those made by the latter to the end customer.

Consolidated royalties and ***sourcing commissions*** of Euro 22.4 million compare to Euro 26.8 million in H1 2019.

Overall ***sales*** were Euro 86.8 million (Euro 111 million in H1 2019). The ***contribution margin on sales*** fell from Euro 49.6 million in 2019 (constituting 44.72% of revenues) to Euro 33.8 million in 2020 (38.94% of revenues).

Financial income of Euro 1.9 million in 2019 included income from the settlement agreed by BasicItalia with AS Roma and Soccer for Euro 657 thousand, with regards to the tranche collected in January 2019.

Sponsorship and media spend of approx. Euro 20 million compares to Euro 18.7 million in the same period of the previous year. The increase mainly relates to sponsorship contracts with various football and rugby teams by the French licensee, which came into effect from H2 2019, in addition to the costs related to the first K-Way show, held at the Pitti Uomo exhibition in January 2020.

Personnel costs decreased from Euro 15.9 million in H1 2019 to Euro 14 million in 2020. Through the Crisis Unit established on February 26, the Group swiftly implemented all the necessary measures to protect employee health and safety, and began the procedures set out in national regulations to provide access to various forms of social security and state contributions to reduce lockdown-related costs. Recourse to the Extraordinary Temporary Lay-off Scheme (CIG) or similar wage supplementation schemes in the other countries where the Group operates enabled the reduction of personnel costs for the period by approximately Euro 2.7 million.

Overhead costs, i.e. ***sales*** and ***general and administrative costs*** and ***royalties expenses*** decreased by Euro 0.9 million, decreasing from Euro 24.2 million in H1 2019 to Euro 23.3 million in H1 2020; despite a number of initiatives designed to reduce these costs, lower sales volumes meant that they increased as a percentage of revenues.

EBITDA was Euro 772 thousand (Euro 20.3 million in H1 2019).

EBIT reported a loss of Euro 5 million after amortisation and depreciation of Euro 3.2 million and the depreciation of rights-of-use for Euro 2.5 million.

Consolidated net financial charges/income, including exchange gains and losses, reported income of Euro 23 thousand, compared to a charge of Euro 782 thousand in the same period of the previous year. The reduction is a result of the positive contribution from foreign currency items which report a net positive balance of Euro 688 thousand (compared to Euro 555 thousand in the previous year). Financial charges in service of debt were Euro 665 thousand.

The ***consolidated pre-tax loss*** was Euro 4.9 million, compared to a profit of Euro 13.8 million in H1 2019.

Net of current and deferred taxes provisioned for Euro 562 thousand, the ***net loss*** of Euro 5.5 million compares to a profit of Euro 10.4 million in H1 2019.

Balance sheet overview

The changes in the balance sheet are reported below:

BasicNet Group Condensed Balance Sheet

(Euro thousands)	**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**

As regards changes in fixed assets, during the half year, real estate activities increased (Euro 13.9 million) following the initial consolidation of Aprica Costruzioni S.r.l., owner of the property complex located at the Scalo Farini in Milan. Investments were also made for the development of computer programs (Euro 1.3 million) and for the purchase of electronic machinery and furniture and fittings (Euro 0.8 million).

Group shareholders' equity decreased due to the loss in the period and the dividend approved by the Ordinary Shareholders' Meeting of June 26, 2020, which was paid on July 8.

BasicNet Group Summary Net Financial Position

(Euro thousands)	**June 30, 2020**	**December 31, 2019**	**June 30, 2019**	**Changes 30/06/2020 31/12/2019**	**Changes 30/06/2020 30/06/2019**
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)

Net financial debt with the banking system rose from Euro 56.1 million at December 31, 2019 to Euro 58.4 million at June 30 2020, after the acquisition of Aprica Costruzioni S.r.l. in January for Euro 10.5 million, through a short-term bridging loan, which will be replaced by a mortgage loan within one year. This also includes the costs of restructuring the property complex in Milan. The interruption of commercial activity affected cash generation, which nevertheless remained positive. In order to deal with the possible consequences of the health emergency, BasicNet took swift action, using the banking system to ensure the coverage of any cash requirements. This included suspending medium/long-term loan deadlines and of short-term credit lines for a total of Euro 2.8 million

It should be noted that in July BasicRetail S.r.l. was admitted to the SME Guarantee Fund, with 90% coverage, obtaining a loan worth Euro 5.5 million which will be provided by Banco BPM.

Right-of-use payables rose approx. Euro 1.1 million from December 31 and by Euro 2.4 million compared to June 30, mainly due to new shop openings and the renewal of expired or maturing lease contracts.

Other financial liabilities include the estimated amount to be paid to third party shareholders of Kappa Europe in exchange for exercising their share put option.

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.

	30/06/2020	31/12/2019	30/06/2019
SHARE PRICE INFORMATION			
Earnings/(loss) per share	(0.1039)	0.3919	0.2367
Price at period end	4.01	5.20	4.76
Maximum price in the period	5.55	6.20	5.84
Minimum price in the period	3.00	4.13	4.24
Total number of shares	60,993,602	60,993,602	60,993,602
Shares outstanding (*)	53,130,347	53,715,626	53,939,600

(*) Average number of shares outstanding in the period

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.	12.892%
Francesco Boglione (**)	6.275%
Kairos Partners SGR S.p.A.	5.577%
Enrico Boglione (***)	3.279%

(*) 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.

(**) held indirectly through Enrico Boglione S.r.l. for 2.126%, with the residual 1.153% held directly. (Information required as per Consob Resolution No. 21326 of April 9, 2020)

TREASURY SHARES

The Shareholders' AGM of June 26, 2020 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 10,000,000. The associated plan was launched on the same date. As of the date of this Report, no acquisitions had been made in this area.

At June 30, 2020, the Company held 7,863,255 treasury shares (12.892% of the share capital), for a total investment of Euro 22.2 million. At the date of this report, the value of treasury shares in portfolio at current market prices was approx. Euro 28.7 million.

HUMAN RESOURCES

At June 30, 2020, the Group headcount was 778, as follows:

Category	Human Resources at June 30, 2020	Human Resources at June 30, 2019
Executives	58	64
White-collar	701	722
Blue-collar	19	25
Total	**778**	**811**

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.
Partly in light of the pandemic which has defined the year, the Group has taken all the most appropriate actions to mitigate the potential effects of the risks described below. As such, these risks will not affect the Group's ability to continue as a going concern. Specifically, by working with the banking sector, the Group has secured all the necessary provisions to face any potential liquidity risk.

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 crises 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.
Sourcing commission receivables are covered by the payables of the subsidiaries BasicItalia S.p.A. and Kappa France S.A.S to Sourcing Centers.
Receivables from Italian footwear and apparel retailers within the subsidiary BasicItalia S.p.A. are monitored continually by the credit department of the company alongside specialised legal recovery firms and regional credit bodies throughout the country, commencing from the customer order. Receivables from the brand stores under franchises are paid weekly, related to their sales and do not present substantial insolvency risks.
Similarly, receivables from European clothing and footwear retailers of the subsidiaries Kappa France S.A.S., Kappa Sport Iberia S.L. and Preppy Cotton S.A. are continuously monitored by their local teams under the supervision of the Finance department in Nantes.

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 and by the use of temporary hot money lines. 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

BasicItalia S.p.A. has not yet reached an agreement with AS Roma regarding the mutual claims on the last sponsorship instalment, subsequent to the unilateral rescission in 2012 and of a similar amount of damages from early rescission, claimed by BasicItalia according to the contract.

Subsequent liabilities are not expected to arise for the BasicNet Group regarding the dispute.

It should be noted that, as regards the retraction of lawsuits relating to mutual claims for image damages and the unpaid balance on previous supplies, BasicItalia, Soccer S.a.s. and AS Roma reached a settlement agreement in 2019.

K-WAY disputes in China

As regards the dispute that began in 2018 with the Chinese company Taizhou Boyang, owner of various K-WEY and K-WAY brands in China, no conclusions have yet been reached and it is not currently possible to predict the outcome of the disputes.

Tax disputes

Post-employment benefit deductibility

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 at BasicNet S.p.A.. 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. In March 2019, the Turin Provincial Tax Commission heard the appeal presented by BasicNet. The Tax Agency has appealed against the Tax Commission's decision. The hearing before the Regional Tax Commission is scheduled for September.

Alleged tax inversion Basic Properties America

On December 28, 2018, a tax assessment was received from the Tax Agency by the subsidiary Basic Properties America, Inc., with registered office in New York-USA, following checks on BasicNet by the Finance Police in 2017, on the basis of the alleged tax inversion claimed by the latter against the US subsidiary. The assessments concern financial years 2011, 2012 and 2013, alleging tax evasion in Italy for approx. Euro 3.6 million, in addition to interest and penalties. Tax assessments were also received by BasicTrademark S.A. and SupergaTrademark S.A. for the alleged evasion of VAT for approx. Euro 1 million, on the basis that the royalties paid by Basic Properties America, Inc., for tax purposes considered an Italian company, to these two companies should have been subject to VAT. At the beginning of the present month of July, similar tax assessments for financial year 2014 were received, with claims for additional taxes of approx. Euro 0.3 million and for VAT for approx. Euro 0.1 million.

As they did not consider the arguments put forward by the Agency to be well-founded, the companies lodged appeals against the tax assessments and requests for provisional suspension of the executive effects of the assessments. The Turin Provincial Tax Commission, which had already accepted the request for provisional suspension in October 2019, at the end of January 2020 fully accepted the combined appeals of Basic Properties America Inc., BasicTrademark S.A. (now S.r.l.) and Superga Trademark S.A. (now S.r.l., incorporated with BasicTrademark S.r.l.) and cancelled the tax assessments issued by the Tax Agency.

In June, the Tax Agency appealed against the Provincial Tax Commission's decision. The defence team is currently preparing counter-arguments for the appeal and, as such, no date has yet been set for the hearing.

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 27, 2006, is reported at Note 49 of the Condensed 2020 Half-Year Financial Statements.

SUBSEQUENT EVENTS TO THE END OF THE HALF-YEAR

There were no significant events subsequent to the half-year.

Turin, July 30, 2020

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 49.

CONSOLIDATED INCOME STATEMENT

(In Euro thousands)

	Note	**H1 2020**	%	**H1 2019**	%	**Changes**	%
Consolidated direct sales	*(7)*	86,765	*100.00*	110,962	*100.00*	(24,197)	*(21.81)*
Cost of sales	*(8)*	(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	*(9)*	22,382	*25.80*	26,819	*24.17*	(4,437)	*(16.54)*
Other income	*(10)*	1,884	*2.17*	2,659	*2.40*	(775)	*(29.14)*
Sponsorship and media costs	*(11)*	(19,913)	*(22.95)*	(18,685)	*(16.84)*	(1,228)	*(6.57)*
Personnel costs	*(12)*	(14,018)	*(16.16)*	(15,876)	*(14.31)*	1,858	*11.70*
Selling, general and administrative costs, royalties expenses	*(13)*	(23,353)	*(26.92)*	(24,232)	*(21.84)*	879	*3.63*
Amortisation & depreciation	*(14)*	(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)	*(15)*	23	*0.03*	(782)	*(0.70)*	805	*102.96*
Share of profit/(loss) of investments valued at equity	*(16)*	(13)	*(0.02)*	(13)	*(0.01)*	-	-
PROFIT/(LOSS) BEFORE TAXES		**(4,960)**	***(5.72)***	**13,781**	***12.42***	**(18,741)**	***(135.99)***
Income taxes	*(17)*	(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	*(18)*						
Basic		(0.1039)		0.2367		(0.3406)	*(143.90)*
Diluted		(0.1039)		0.2367		(0.3406)	*(143.90)*

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CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(In Euro thousands)

	Note	**H1 2020**	**H1 2019**	**Changes**
Profit/(loss) for the period (A)		***(5,522)***	***10,408***	***(15,930)***
Effective portion of the Gains/(losses) on cash flow hedges		(128)	(767)	639
Re-measurement of post-employment benefits (IAS 19) (*)		(82)	36	(118)
Gains/(losses) from translation of accounts of foreign subsidiaries		6	46	(40)
Tax effect on other profits/(losses)		51	224	(172)
Total other gains/(losses), net of tax effect (B)	*(32)*	***(153)***	***(461)***	***309***
Total Comprehensive Profit/(loss) (A)+(B)		**(5,674)**	**9,947**	**(15,621)**

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

CONSOLIDATED BALANCE SHEET

(In Euro thousands)

ASSETS	Note	June 30, 2020	December 31, 2019	June 30, 2019
Intangible assets	(19)	53,460	53,184	53,193
Rights-of-use	(20)	18,595	18,066	17,115
Goodwill	(21)	12,141	12,206	11,863
Property, plant and equipment	(22)	45,127	31,761	32,377
Equity invest. & other financial assets	(23)	1,048	1,051	1,168
Interests in joint ventures	(24)	204	217	230
Deferred tax assets	(25)	2,048	329	522
Total non-current assets		**132,624**	**116,814**	**116,468**
Net inventories	(26)	76,417	66,757	81,850
Trade receivables	(27)	61,150	68,560	79,985
Other current assets	(28)	13,955	10,887	12,374
Prepayments	(29)	10,082	14,517	14,111
Cash and cash equivalents	(30)	19,926	15,235	12,983
Derivative financial instruments	(31)	257	465	651
Total current assets		**181,787**	**176,421**	**201,955**
TOTAL ASSETS		**314,411**	**293,235**	**318,423**

LIABILITIES	Note	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/(loss)		(5,522)	21,053	10,408
TOTAL GROUP SHAREHOLDERS' EQUITY	(32)	**109,691**	**121,741**	**114,555**
Provisions for risks and charges	(33)	275	227	192
Loans	(34)	19,645	19,939	25,834
Payables for rights-of-use	(36)	20,360	19,287	17,996
Other financial payables	(37)	2,839	2,839	2,839
Employee and Director benefits	(38)	3,697	3,408	2,872
Deferred tax liabilities	(39)	5,140	-	-
Other non-current liabilities	(40)	1,722	1,937	1,219
Total non-current liabilities		**53,678**	**47,637**	**50,953**
Bank payables	(35)	58,670	51,444	53,308
Trade payables	(41)	60,191	46,492	70,620
Tax payables	(42)	10,680	7,585	10,771
Other current liabilities	(43)	18,204	11,227	13,956
Accrued expenses	(44)	3,028	6,761	3,784
Derivative financial instruments	(45)	268	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

(In 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/(loss)	(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

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(In Euro thousands)

	Share Capital	**Treasury shares**	Reserves & Retained earnings	Translation reserve	**Remeasure. reserve IAS 19**	IFRS 16 Reserve	Cash flow hedge reserve	Net Result	Total Group Net Equity
Balance at January 1, 2019	**31,717**	**(17,827)**	**76,949**	**1,332**	**(153)**	**(582)**	**(94)**	**21,014**	**112,356**
Allocation of 2018 result as per Shareholders' AGM resolution of 19/4/2019:									
- Reserves & Retained earnings		-	14,546	-	-	-	-	(14,546)	**-**
- Dividends distributed		-	-	-	-	-	-	(6,468)	**(6,468)**
Acquisition of treasury shares		(1,279)	-	-	-	-	-	-	**(1,279)**
H1 2019 Result		-	-	-	-	-	-	10,408	**10,408**
Other comprehensive income statement items:									
- Gains/(losses) recorded directly to translation reserve		-	-	46	-	-	-	-	**46**
- Gains/(losses) recorded directly to equity for IAS 19 remeasurement		-	-	-	28	-	-	-	**28**
- Gains recorded directly to cash flow hedge reserve		-	-	-	-	-	(535)	-	**(535)**
Total comprehensive income		*-*	*-*	*46*	*28*	*-*	*(535)*	*10,408*	***9,947***
Balance at June 30, 2019	**31,717**	**(19,107)**	**91,495**	**1,378**	**(124)**	**(582)**	**(628)**	**10,408**	**114,555**

	Share capital	**Treasury shares**	Reserves & Retained earnings	Translation reserve	**Remeasure. reserve IAS 19**	Reserve IFRS 16	Cash flow hedge reserve	Net Result	Total Group Net Equity
Balance at January 1, 2020	**31,717**	**(22,225)**	**90,787**	**1,324**	**(274)**	**(733)**	**92**	**21,053**	**121,741**
Allocation of 2019 result as per Shareholders' AGM resolution of June 26, 2020:									
- Reserves & Retained earnings		-	14,677	-	-	-	-	(14,677)	**-**
- Dividends distributed		-	-	-	-	-	-	(6,376)	**(6,376)**
Acquisition of treasury shares		-	-	-	-	-	-	-	**-**
H1 2020 Result		-	-	-	-	-	-	(5,522)	**(5,522)**
Other comprehensive income statement items:									
- Gains/(losses) recorded directly to translation reserve		-	-	6	-	-	-	-	**6**
- Gains/(losses) recorded directly to equity for IAS 19 remeasurement		-	-	-	(62)	-	-	-	**(62)**
- Gains recorded directly to cash flow hedge reserve		-	-	-	-	-	(96)	-	**(96)**
Total comprehensive income		*-*	*-*	*6*	*(62)*	*-*	*(96)*	*(5,522)*	***(5,674)***
Balance at June 30, 2020	**31,717**	**(22,225)**	**105,464**	**1,330**	**(336)**	**(733)**	**(4)**	**(5,522)**	**109,691**

CONSOLIDATED NET FINANCIAL POSITION

(In 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)
Sub-total net liquidity available	*(30,772)*	*(27,040)*	*(31,911)*
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)
Sub-total loans and leasing	*(42,845)*	*(42,065)*	*(46,670)*
Consolidated Net Financial Position	**(81,588)**	**(78,274)**	**(86,994)**

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

		June 30, 2020	December 31, 2019	June 30, 2019
A.	Cash	180	174	135
B.	Other cash equivalents	19,746	15,061	12,848
C.	Securities held for trading	-	-	-
D.	**Cash & cash equivalents (A)+(B)+(C)**	**19,926**	**15,235**	**12,983**
E.	**Current financial receivables**	**-**	**-**	**-**
F.	Current bank payables	(50,698)	(42,275)	(44,894)
G.	Current portion of non-current debt	(7,972)	(9,169)	(8,414)
H.	Other current financial payables	-	-	-
I.	**Current financial debt (F)+(G)+(H)**	**(58,670)**	**(51,444)**	**(53,308)**
J.	**Net current financial debt (I)-(E)-(D)**	**(38,744)**	**(36,209)**	**(40,325)**
K.	Non-current bank payables	(22,484)	(22,778)	(28,674)
L.	Bonds issued	-	-	-
M.	Other non-current liabilities	(20,371)	(19,170)	(17,821)
N.	**Non-current financial debt (K)+(L)+(M)**	**(42,855)**	**(41,948)**	**(46,495)**
O.	**Net financial debt (J)+(N)**	**(81,599)**	**(78,157)**	**(86,819)**

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 31 and 45).

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 30, 2020. The present document is subject to limited audit.

2. FORM AND CONTENT

The main accounting principles adopted in the preparation of the consolidated interim 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").

The consolidated interim 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 Group consolidated interim financial statements include the financial statements at June 30, 2020 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 US, Asian, Dutch, French, Spanish, English and Swiss subsidiaries, which utilise local accounting standards, as not obliged to adopt IAS/IFRS, the appropriate adjustments were made for the preparation of the consolidated interim financial statements in accordance with international accounting standards.

The accounting principles utilised for the preparation of the Condensed Consolidated Half-Year Financial Statements at June 30, 2020 are the same as those used for the previous year's Consolidated Financial Statements.

Accounting standards, amendments and interpretations applied from January 1, 2020

The Group has not adopted in advance any accounting standard, interpretation or amendment issued but not yet in effect. Specifically, in the absence of endorsement by the European Union, the Group was unable to apply the Amendments to IFRS 16 - *Covid-19-Related Rent Concessions*.

Various amendments and interpretations are applied for the first time in 2020, but did not impact the condensed consolidated half-year financial statements of the Group.

Amendments to IFRS 3 - *Definition of a business*

The amendments to IFRS 3 clarify that to be considered a business, any integrated set of activities and assets must include at least one underlying input and process that together significantly contribute to the creation of an output. It has also been made clear that a business can exist without including all the inputs and processes needed to create an output.

These amendments did not have any impact on the Group consolidated financial statements, but may have a future effect should the Group undertake any further business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39: *Interest rate benchmark reform*

The amendments to IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* set out a number of devices which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform generates uncertainties regarding the timing and/or amount of cash flows based on benchmarks of the hedged item or hedging instrument. These amendments did not have any impact on the Group consolidated financial statements.

Amendments to IAS 1 and IAS 8: *Definition of material*

The amendments provide a new definition of material, stating that "information is material if it is reasonable to assume that its omission, misrepresentation or concealment could influence the decisions that the main users of financial statements prepared for general purposes make on the basis of those financial statements, which provide financial information about the specific reporting entity".

Materiality depends on the nature or extent of the information, or both. An entity assesses whether the information, individually or in combination with other information, is material in the context of the financial statements as a whole.

Information is concealed if it is disclosed in such a way as to have, for the main users of the financial statements, a similar effect to the omission or misstatement of the same information.

These amendments did not have any impact on the Group consolidated financial statements, and are not expected to have any future impact.

Conceptual Framework for Financial Reporting, published March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained within it take precedence over the concepts or requirements of a standard. The purpose of the *Conceptual Framework* is to support the IASB in developing standards, to help those preparing accounts to develop consistent accounting policies where there are no standards applicable in the specific circumstances, and to help all parties involved to understand and interpret the standards.

The revised *Conceptual Framework* includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities, and clarifies some important concepts.

These amendments did not have any impact on the Group 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 aforementioned Consob Resolution No. 15519, in consideration of the insignificance of the overall amounts, transactions with related parties are described in Note 49 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, 2020 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, 2020		December 31, 2019		June 30, 2019	
	Average	At year end	Average	At year end	Average	At year end
US Dollar	1.1031	1.1198	1.1192	1.1234	1.1313	1.1380
HK Dollar	8.5621	8.6788	8.7672	8.7473	8.8703	8.8866
Japanese Yen	119.0510	120.6600	121.8976	121.9400	124.0603	122.6000
UK Sterling	0.8766	0.9124	0.8754	0.8508	0.8728	0.8966
Swiss Franc	1.0637	1.0651	1.1108	1.0854	1.1279	1.1105
Vietnamese Dong	0.0000128	0.0000385	0.0000385	0.0000384	0.0000380	0.0000377

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. For the subsidiaries held less than 100%, minority interest results were allocated. Minority shareholders' equity was not allocated where a future purchase option exists on the minority shares, against which a payable of the estimated purchase value was recognised;

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, 2020 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. In January 2020, Aprica Costruzioni S.r.l. was acquired and in April 2020 the company BasicNet Asia Vietnam entered the consolidation scope to support the development work of production and commercial licensees in South-East Asia. 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.

Information required by Law No. 124 of August 4, 2017, Article 1, paragraph 125

In accordance with Article 1, paragraph 125 of Law 124/2017, the Group has not received any grants from public bodies in excess of Euro 10 thousand.

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 America, Inc., BasicNet Asia Ltd., BasicNet Asia Vietnam Limited, Basic Trademark S.r.l, Jesus Jeans S.r.l., Fashion S.r.l., TOS S.r.l. and BasicAir S.r.l.;
- "Proprietary licensees", which involves the direct management of the sales channels, both in terms of sales to retailers and consumers, through BasicItalia S.p.A. and its subsidiaries BasicRetail S.r.l., BasicRetail SUISSE S.A. and the Kappa Europe Group;
- "Property", which includes the management of the Group's real estate properties. During the period, a series of corporate transactions began to concentrate property ownership at BasicVillage. The transactions were completed in July and related to the merger by incorporation of Aprica Costruzioni S.r.l. (acquired in the half year) and the partial spin-off of BasicItalia's property ownership business unit to BasicVillage.

The BasicNet Group has launched a corporate reorganisation project called "Back to the future", with the goal of concentrating in the company BasicTrademark the ownership of all the Group's brands, according to the original structure, which dates back to the acquisition of the Kappa ®, and Robe di Kappa® brands and other minor brands from the MCT bankruptcy. Over time, a number of brands have been acquired directly by BasicNet
(K-Way® and Briko®) and special purpose vehicles have been set up for the acquisition of the new brands, specifically Superga® and Sebago®.

The concentration of the proprietary brands at BasicTrademark allows for a restructuring to optimise the management and protection of the brands, without changing the ownership structure or the Group's capital structure.

Presently, BasicProperties S.r.l. and SupergaTrademark S.r.l. have been incorporated into BasicTrademark S.r.l., while the Briko® and Jesus®Jeans brands have been transferred along with the investment in Fashion S.r.l...

H1 2020	Licenses and brands	Proprietary licensees	Property	Inter-segment eliminations	Consolidated
Consolidated direct sales - third parties	525	86,230	10	-	86,765
Consolidated direct sales - inter-segment	*1,150*	*123*	*5*	*(1,278)*	-
(Cost of sales)	(1,578)	(52,518)	(6)	1,126	(52,976)
GROSS MARGIN	**97**	**33,835**	**9**	**(152)**	**33,789**
Royalties and sourcing commissions – third parties	22,382	-	-	-	22,382
Royalties and sourcing commissions – inter-segment	*7,320*	-	-	*(7,320)*	-
Other income - third parties	1,257	266	361	-	1,884
Other income – inter-segment	*164*	*8,083*	*1,474*	*(9,721)*	-
(Sponsorship and media costs)	(10,110)	(18,011)	-	8,208	(19,913)
(Personnel costs)	(5,856)	(8,143)	(19)	-	(14,018)
(Selling, general and administrative costs, royalties expenses – third parties)	(8,691)	(21,368)	(1,220)	7,926	(23,353)
Amortisation & depreciation	(2,105)	(4,115)	(523)	1,002	(5,742)
EBIT	**4,458**	**(9,453)**	**83**	**(57)**	**(4,970)**
Financial income	478	1,318	-	100	1,896
(Financial charges)	(704)	(1,072)	(97)	-	(1,873)
Share of profit/(loss) of investments valued at equity	(13)	-	-	-	(13)
PROFIT/(LOSS) BEFORE TAXES	**4,218**	**(9,207)**	**(14)**	**43**	**(4,960)**
Income taxes	(992)	476	(34)	(12)	(562)
NET PROFIT/(LOSS)	**3,227**	**(8,731)**	**(48)**	**31**	**(5,522)**
Significant non-cash items:					
Amortisation & depreciation	(2,105)	(4,115)	(523)	1,002	(5,742)
Write-downs	-	-	-	-	-
Total non-cash items	**(2,105)**	**(4,115)**	**(523)**	**1,002**	**(5,742)**
Segment assets and liabilities:					
Assets	**233,539**	**203,301**	**28,790**	**(151,220)**	**314,411**
Liabilities	**110,094**	**190,015**	**22,521**	**(118,510)**	**204,720**

H1 2019	**Licenses and brands**	**Proprietary licensees**	**Property**	**Inter-segment eliminations**	**Consolidated**
Consolidated direct sales - third parties	1,042	109,920	-	-	110,962
Consolidated direct sales - inter-segment	*1,265*	*205*	-	*(1,470)*	-
(Cost of sales)	(2,148)	(60,448)	-	1,262	(61,335)
GROSS MARGIN	**159**	**49,676**	**-**	**(208)**	**49,627**
Royalties and sourcing commissions – third parties	26,819	-	-	-	26,819
Royalties and sourcing commissions – inter-segment	*9,461*	-	-	*(9,461)*	-
Other income - third parties	598	1,643	418	-	2,659
Other income – inter-segment	*203*	*7,097*	*1,418*	*(8,718)*	-
(Sponsorship and media costs)	(9,558)	(16,366)	-	7,239	(18,685)
(Personnel costs)	(5,761)	(10,093)	(21)	-	(15,876)
(Selling, general and administrative costs, royalties expenses – third parties)	(9,763)	(24,681)	(936)	11,148	(24,232)
Amortisation & depreciation	(1,215)	(4,049)	(473)	-	(5,736)
EBIT	**10,942**	**3,227**	**406**	**-**	**14,576**
Financial income	453	2,053	134	-	2,640
(Financial charges)	(616)	(1,241)	-	-	(1,858)
Share of profit/(loss) of investments valued at equity	(13)	-	-	-	(13)
PROFIT BEFORE TAXES	**11,093**	**2,416**	**271**	**-**	**13,781**
Income taxes	(2,688)	(585)	(100)	-	(3,373)
NET PROFIT	**8,405**	**1,831**	**172**	**-**	**10,408**
Significant non-cash items:					
Amortisation & depreciation	(1,215)	(4,049)	(473)	-	(5,736)
Write-downs	-	-	-	-	-
Total non-cash items	**(1,215)**	**(4,049)**	**(473)**	**-**	**(5,736)**
Segment assets and liabilities:					
Assets	**205,944**	**248,054**	**16,294**	**(151,869)**	**318,423**
Liabilities	**83,877**	**220,113**	**10,254**	**(110,376)**	**203,868**

The Group operating performance and therefore of the respective segments is outlined in detail in the Directors' Report. The segment performances may be summarised as follows:

- the "Licenses and brands" segment reports royalties and sourcing commissions of Euro 29.7 million for H1 2020 compared to Euro 36.2 million in the previous year. EBIT was Euro 4.5 million, compared to Euro 10.9 million in H1 2019. The segment net profit totalled Euro 3.2 million, compared to Euro 8.4 million in H1 2019;

- the "Proprietary Licensees" segment comprises BasicItalia S.p.A., the subsidiaries BasicRetail S.r.l., BasicRetail SUISSE S.A. and the Kappa Europe Group. Segment sales totalled Euro 86.4 million, of which Euro 21.9 million from the Kappa Europe Group, compared to prior year sales of Euro 110 million. The contribution margin on sales fell to Euro 33.9 million from Euro 49.7 million in H1 2019. The revenue margin was 44.1% (49.6% in 2019). Personnel costs decreased on the same period of the previous year following the application of the procedures set out in national regulations to provide access to social security. The segment reports a loss of Euro 8.7 million, compared to a profit of Euro 1.8 million in the same period of the previous year;
- the "Property" segment reports a loss for the period of Euro 48 thousand, compared to a profit of Euro 172 thousand in H1 2019. This was a result of concessions granted to lessees during the months of lockdown (for Euro 29 thousand).

7. CONSOLIDATED DIRECT SALES

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

	H1 2020	H1 2019
Italy	58,092	70,229
EU countries other than Italy	26,212	36,792
Rest of the World	2,461	3,941
Total consolidated direct sales	**86,765**	**110,962**

Direct sales revenues relate to merchandise sold by BasicItalia S.p.A., BasicRetail S.r.l., BasicRetail SUISSE S.A. and the subsidiaries of Kappa Europe SAS through both the wholesale and retail channels (Euro 86 million) and BasicNet S.p.A. for sample merchandise sales (Euro 526 thousand). Sales on the home market accounted for 67%, while approx. 30% of sales were in other EU countries, with the remaining approx. 3% outside the EU. The subsidiaries of Kappa Europe SAS operate in the territories of France, UK, Spain, Portugal and Switzerland.

The composition of revenues from direct sales by distribution channel is presented in the following table:

	H1 2020	H1 2019
Multibrand sales	64,865	82,997
Franchising sales	15,703	23,158
Online sales	5,671	3,032
Sample sales	526	775
Total consolidated direct sales	**86,765**	**110,962**

8. COST OF SALES

	H1 2020	H1 2019
Goods purchased – Overseas	49,327	66,212
Freight charges and accessory purchasing cost	6,104	8,420
Cost of outsourced logistics	3,246	3,478
Goods purchased – Italy	1,396	2,817
Samples purchased	1,412	1,633
Packaging	365	381
Changes in inventory of raw materials, ancillary, consumables and goods	(9,659)	(22,447)
Other	784	840
Total cost of sales	**52,976**	**61,335**

"Goods purchased" refer to the finished products acquired by BasicItalia S.p.A. and the subsidiaries of Kappa Europe SAS. Sample purchases were made by BasicNet S.p.A. for resale to the licensees.

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 Directors' Report.

The breakdown by region is reported below:

	H1 2020	H1 2019
Europe (EU and non-EU)	9,354	10,020
The Americas	2,825	3,479
Asia and Oceania	8,736	10,856
Middle East, Africa	1,467	2,465
Total	**22,382**	**26,819**

10. OTHER INCOME

	H1 2020	H1 2019
Rental income	270	324
Income from promo sales	328	-
Recovery of condominium expenses	58	67
Other income	1,228	2,268
Total other income	**1,884**	**2,659**

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

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 H1 2019 this also included Euro 0.7 million relating to the settlement agreement with AS Roma, as described in the Directors' Report.

11. SPONSORSHIP AND MEDIA COSTS

	H1 2020	H1 2019
Sponsorship and marketing	17,931	14,179
Advertising	1,629	3,809
Promotional expenses	353	697
Total sponsorship and media costs	**19,913**	**18,685**

The account "sponsorship" refers to communication investments incurred directly to which the Group contributes, described in detail in the Directors' Report. The increase on 2019 is mainly due to contracts taken on in the second half of the year, as well as contributions paid for communication and endorsement activities on overseas markets.

"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 2020	H1 2019
Wages and salaries	10,179	11,509
Social security charges	3,269	3,788
Post-employment benefits	570	578
Total	**14,018**	**15,876**

The decrease in personnel costs refers for 2.7 million Euro to the forms of social security to which the Group had access.

13. SELLING, GENERAL AND ADMINISTRATIVE COSTS AND ROYALTIES EXPENSES

	H1 2020	H1 2019
Selling and royalty service expenses	6,296	6,974
Rental, accessory and utility expenses	3,540	3,315
Commercial expenses	3,553	4,148
Directors and Statutory Auditors emoluments	2,359	3,012
Doubtful debt provision	1,490	1,042
Professional consultants	1,939	1,904
Bank charges	651	788
Other general expenses	3,526	3,048
Total selling, general and administrative costs, and royalties expenses	**23,353**	**24,232**

"Selling and royalty service expenses" mainly includes commissions to agents and transport costs to customers, whose decrease is related to reduced revenues; the item also includes 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.

"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 19, 2019, 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 2020 section, to which reference should be made.

The higher "doubtful debt provision" accrued in the period is related to specific credit positions.

"Other general expenses" includes other taxes, consumption materials, hire charges, and corporate and other minor expenses.

14. AMORTISATION & DEPRECIATION

	H1 2020	H1 2019
Amortisation	1,471	1,474
Right-of-use	2,505	2,582
Depreciation	1,765	1,680
Total amortisation & depreciation	**5,742**	**5,736**

Amortisation on intangible assets includes Euro 178 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.

The recalculation of depreciation for rights-of-use following the concessions obtained by lessors produced a reduction in costs for the period of Euro 38 thousand.

15. NET FINANCIAL INCOME (CHARGES)

	H1 2020	H1 2019
Interest income	39	27
Bank interest charges	(109)	(178)
Interest on medium/long term loans	(252)	(346)
Property lease interest	(6)	(7)
Other	(338)	(832)
Total financial income and charges	***(665)***	***(1,336)***
Exchange gains	1,649	1,692
Exchange losses	(960)	(1,138)
Net exchange gains/(losses)	***688***	***555***
Total financial income/(charges)	**23**	**(782)**

Net currency gains amounted to Euro 688 thousand, against gains of Euro 555 thousand in the same period of the previous year; net financial charges in service of debt amounted to Euro 665 thousand, compared to Euro 1.3 million in the previous year.

“Others" includes approximately Euro 208 thousand for the interest effect from the accounting standard IFRS 16 and Euro 105 thousand for financial discounts and rebates mainly on the French and English markets. The balance for the previous year included the charges related to the early repayment of the Kappa Europe bond loan.

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

The account, introduced following the application of *IFRS 11 – Joint arrangements*, reflects the effect on the consolidated result for the period of the valuation at equity of the joint venture Fashion S.r.l..

17. INCOME TAXES

Income taxes (equal to Euro 562 thousand) is made up of current taxes for Euro 814 thousand (of which Euro 763 thousand for IRES, Euro 269 thousand for IRAP, Euro 184 thousand of taxes accounted for by overseas subsidiaries), the recognition of deferred taxes for Euro 34 thousand and tax charges of the Kappa Europe Group for Euro 129 thousand, net of Euro 415 thousand of positive effects related to the application of the "Patent Box".

18. EARNINGS PER SHARE

The basic earnings per share, for H1 2020, 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 2020	H1 2019
Net profit/(loss) attributable to owners of the Parent	(5,521,560)	11,205,308
Weighted average number of ordinary shares	53,130,347	53,779,980
Basic earnings per ordinary share	(0.1039)	0.2367

At June 30, 2020 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 H2 2019.

EXPLANATORY NOTES TO THE BALANCE SHEET
(IN EURO THOUSANDS UNLESS OTHERWISE STATED)

ASSETS

19. INTANGIBLE ASSETS

	June 30, 2020	December 31, 2019	June 30, 2019
Concessions, brands and similar rights	47,029	47,015	46,884
Software development	4,169	3,731	3,854
Other intangible assets	2,108	2,287	2,393
Industrial patents	154	151	62
Total intangible assets	**53,460**	**53,184**	**53,193**

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 01.01.2020	**58,896**	**45,395**	**10,689**	**775**	**115,755**
Investments	*106*	*1,318*	*111*	*32*	*1,567*
Disposals and other changes	-	-	*1*	-	*1*
Write-downs	-	-	-	-	-
Historic cost at 30.06.2020	**59,002**	**46,713**	**10,801**	**807**	**117,323**

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

	Concessions, brands & similar rights	Software development	Other intangible assets	Industrial patents	Total
Acc. Amort. at 01.01.2020	**(11,881)**	**(41,664)**	**(8,402)**	**(624)**	**(62,571)**
Amortisation	*(92)*	*(880)*	*(291)*	*(29)*	*(1,292)*
Disposals and other changes	-	-	-	-	-
Write-downs	-	-	-	-	-
Acc. Amort. at 30.06.2020	**(11,973)**	**(42,544)**	**(8,693)**	**(653)**	**(63,863)**

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 01.01.2020	**47,015**	**3,731**	**2,287**	**151**	**53,184**
Investments	*106*	*1,318*	*111*	*32*	*1,567*
Disposals and other changes	-	-	*1*	-	*1*
Amortisation	*(92)*	*(880)*	*(291)*	*(29)*	*(1,293)*
Write-downs	-	-	-	-	-
Closing net book value at 30.06.2020	**47,029**	**4,169**	**2,108**	**154**	**53,460**

The increase in "concessions, brands and similar rights" is due to the capitalisation of costs incurred for the registration of trademarks in new European countries, for renewals and extensions and for the purchase of software licenses. 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, 2020, the Kappa and Robe di Kappa brands report a book value of Euro 4.5 million (Euro 1.1 million net of fiscal amortisation), with the Superga brand reporting a book value of Euro 21.1 million (Euro 11.5 million net of fiscal amortisation), the K-Way brand was valued at Euro 8.2 million (Euro 2.6 million net of fiscal amortisation), the Sebago brand book value at approx. Euro 12 million (Euro 9.7 million net of fiscal amortisation) and the Briko brand at Euro 0.9 million (Euro 0.7 million net of fiscal amortisation). 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.

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.

As of June 30, identifying the effects on the global economy of the Covid-19 pandemic as an external impairment indicator, the Group has conducted all the checks on any permanent impairment of corporate brands and related CGU's. The sensitivity analyses carried out against this backdrop confirmed the full recoverability of the values even in the event of significant reductions in expected cash flows or a significant increase in discount rates.

The account "software development" increased approx. Euro 1.3 million for investments and decreased Euro 0.8 million for amortisation in the period.

The account "other intangible assets" principally includes improvements related to the franchising project and recorded investments of Euro 110 thousand and amortisation in the period of Euro 291 thousand.

20. RIGHT-OF-USE

The Group utilises the exceptions under the standard on leasing contracts which have a duration of equal to or less than 12 months and which do not contain a purchase option ("short-term leasing") and on leases whose underlying asset is of a low value ("low value asset").

In the face of the lockdown imposed by the Covid-19 pandemic, the Group renegotiated its point of sale lease contracts, obtaining concessions on rents of over Euro 600 thousand.

The contracts which are subject to IFRS 16, mainly concerning property leases, had the following effects on the financial statements:

	June 30, 2020	December 31, 2019	June 30, 2019
Right-of-use	18,595	18,066	17,115
Total rights-of-use	**18,595**	**18,066**	**17,115**

The changes in the original cost of the right-of-use were as follows:

	June 30, 2020	June 30, 2019
Historic cost at 01.01	**39,330**	**31,736**
Initial balance from acquisition	*-*	*3,223*
Investments	*4,163*	*1,679*
Disposals & other changes	*(1,786)*	*(533)*
Covid-19 concessions	*(602)*	*(602)*
Write-downs	*-*	*-*
Historic cost at 30.06	**41,106**	**36,105**

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

	June 30, 2020	June 30, 2019
Acc. Deprec. at 01.01	**(21,264)**	**(15,036)**
Initial balance from acquisition	*-*	*(1,664)*
Depreciation	*(2,505)*	*(2,582)*
Disposals and other changes	*1,258*	*292*
Acc. Deprec. at 30.06.	**(22,511)**	**(18,990)**

The movements in the net book value of the right-of-use is shown below:

	June 30, 2020	June 30, 2019
Net book value at 01.01	**18,066**	**16,700**
Initial balance from acquisition	-	1,558
Investments	4,163	1,679
Disposals and other changes	(528)	(241)
Depreciation	(2,505)	(2,582)
Covid-19 concessions	(602)	-
Net book value at 30.06	**18,595**	**17,115**

21. GOODWILL

	June 30, 2020	December 31, 2019	June 30, 2019
Goodwill	12,141	12,206	11,863
Goodwill	**12,141**	**12,206**	**11,863**

The account "goodwill" includes the goodwill arising on the business combination with a Spanish licensee (totalling Euro 6.7 million) and the French licensee (Euro 1.2 million), goodwill for Euro 3.4 million following the acquisition of the French Group Kappa Europe, and goodwill paid for the acquisition of retail outlets, known as key money (Euro 0.8 million).

The Group verifies the recovery of the goodwill at least on an annual basis or more frequently when there is an indication of a loss in value. For the purposes of the impairment test the goodwill is allocated to the lowest cash-generating unit. See Note 19 on the checks carried out as at June 30, 2020.

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 178 thousand was made (Note 14).

22. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2020	December 31, 2019	June 30, 2019
Property	34,158	20,692	21,136
Furniture and other assets	8,327	8,266	8,294
Plant & machinery	686	786	827
EDP	1,714	1,780	1,919
Industrial and commercial equipment	242	237	199
Total property, plant and equipment	**45,127**	**31,761**	**32,377**

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 1.1.2020	**37,383**	**22,588**	**2,636**	**15,814**	**1,194**	**79,615**
Investments	*190*	*778*	*27*	*302*	*40*	*1,337*
Disposals and other changes	-	*(44)*	-	*(6)*	-	*(50)*
Change in consolidation scope	*13,795*	-	-	-	-	*13,795*
Historic cost at 30.06.2020	**51,368**	**23,322**	**2,663**	**16,110**	**1,234**	**94,697**

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 1.1.2020	**(16,691)**	**(14,322)**	**(1,850)**	**(14,034)**	**(957)**	**(47,854)**
Depreciation	*(519)*	*(710)*	*(127)*	*(367)*	*(35)*	*(1,758)*
Disposals and other changes	*-*	*37*	*-*	*5*	*-*	*42*
Acc. Deprec. at 30.06.2020	**(17,210)**	**(14,995)**	**(1,977)**	**(14,396)**	**(992)**	**(49,570)**

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 01.01.2020	**20,692**	**8,266**	**786**	**1,780**	**237**	**31,761**
Investments	*190*	*778*	*27*	*302*	*40*	*1,337*
Depreciation	*(519)*	*(710)*	*(127)*	*(367)*	*(35)*	*(1,758)*
Disposals and other changes	*-*	*(7)*	*-*	*(1)*	*-*	*(8)*
Change in consolidation scope	*13,795*	*-*	*-*	*-*	*-*	*13,795*
Closing net book value at 30.06.2020	**34,158**	**8,327**	**686**	**1,714**	**242**	**45,127**

"Property" includes the value of the buildings at Strada della Cebrosa 106, Turin, headquarters of BasicItalia S.p.A. and at Largo Maurizio Vitale 1, Turin, headquarters of the Parent Company, adjacent buildings owned by Basic Village S.p.A. acquired in late 2016, and the property complexes owned by Aprica Costruzione S.r.l, Milan, a company which was acquired in January 2020.

Total gross investments in the period amounted to Euro 1.3 million, principally relating to the acquisition of furniture and EDP for the opening of new stores.

23. EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS

	June 30, 2020	December 31, 2019	June 30, 2019
Investments in:			
- Other companies	-	-	125
Total investments	***-***	***-***	***125***
Other receivables, guarantees	1,048	1,051	1,043
Total financial receivables	***1,048***	***1,051***	***1,043***
Total investments & other financial assets	**1,048**	**1,051**	**1,168**

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

24. INVESTMENTS IN JOINT VENTURES

	June 30, 2020	December 31, 2019	June 30, 2019
Investments in:			
- Joint ventures	204	217	230
Total investments in joint ventures	**204**	**217**	**230**

Investments in joint ventures concern the value of the investment in Fashion S.r.l., held 50%. The company owns the Sabelt brand.

25. DEFERRED TAX ASSETS

	June 30, 2020	December 31, 2019	June 30, 2019
Deferred tax assets	2,048	329	522
Total deferred tax assets	**2,048**	**329**	**522**

Reference should be made to the comment at Note 39 of the present Notes.

26. NET INVENTORIES

	June 30, 2020	December 31, 2019	June 30, 2019
Raw material, ancillaries and consumables	75	75	59
Finished products and goods	82,827	71,975	87,319
Inventory obsolescence provision	(6,485)	(5,293)	(5,528)
Total net inventories	**76,417**	**66,757**	**81,850**

Finished inventories include goods in transit at the balance sheet date which at June 30, 2020 amount to approx. Euro 7.8 million compared to Euro 7.4 million at December 31, 2019, goods held at Group brand stores for Euro 7.4 million, compared to Euro 9.1 million at December 31, 2019 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 7.3 million at December 31, 2019.

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

	June 30, 2020	June 30, 2019
Inventory obsolescence provision at 01.01	**5,293**	**4,467**
Initial balance from acquisition	-	480
Provisions in the year	2,254	1,647
Utilisations	(1,062)	(1,067)
Inventory obsolescence provision at 30.06	**6,485**	**5,528**

27. TRADE RECEIVABLES

	June 30, 2020	December 31, 2019	June 30, 2019
Gross value	71,851	78,265	89,429
Doubtful debt provision	(10,701)	(9,705)	(9,444)
Total trade receivables	**61,150**	**68,560**	**79,985**

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, 2020	June 30, 2019
Doubtful debt provision at 01.01	**9,705**	**7,638**
Initial balance from acquisition	-	1,685
Provisions in the year	1,490	1,042
Utilisations	(494)	(920)
Doubtful debt provision at 30.06	**10,701**	**9,444**

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.

28. OTHER CURRENT ASSETS

	June 30, 2020	December 31, 2019	June 30, 2019
Tax assets	11,545	8,515	11,223
Other receivables	2,410	2,372	1,151
Other current assets	**13,955**	**10,887**	**12,374**

"Tax receivables" principally relate to IRES and IRAP paid for Euro 0.6 million, VAT receivables for Euro 3.6 million and withholding taxes on royalties for Euro 7.3 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 and other minor items for the residual.

29. PREPAYMENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Expenses pertaining to future collections	4,518	5,166	5,291
Sponsorship and media	3,673	6,443	5,556
Other	1,891	2,908	3,263
Total prepayments	**10,082**	**14,517**	**14,111**

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.

30. CASH AND CASH EQUIVALENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Bank and postal deposits	19,746	15,062	12,848
Cash in hand and similar	180	173	135
Total cash and cash equivalents	**19,926**	**15,235**	**12,983**

“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 4.7 million), BasicItalia S.p.A. (Euro 8.8 million), BasicRetail S.r.l. (Euro 0.5 million), Basic Properties America Inc. (Euro 1.3 million), the Kappa Europe Group (Euro 3.6 million), and for the difference, the other Group companies (Euro 0.9 million).

31. FINANCIAL HEDGE INSTRUMENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Derivative financial instruments	257	465	651
Total	**257**	**465**	**651**

This item includes the adjustment to the market value at June 30, 2020 of the instruments to hedge the risk of US Dollar fluctuations (Note 45).

SHAREHOLDERS' EQUITY AND LIABILITIES

32. SHAREHOLDERS' EQUITY

	June 30, 2020	December 31, 2019	June 30, 2019
Share capital	31,717	31,717	31,717
Treasury shares	(22,225)	(22,225)	(19,107)
Other reserves	105,721	91,196	91,537
Net Profit/(loss)	(5,522)	21,053	10,408
Total Shareholders' Equity	**109,691**	**121,741**	**114,555**

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.

In the first half of 2020, no treasury shares were purchased as per authorising Shareholders' Meeting motions. At June 30, 2020, the company held 7,863,255 treasury shares, equal to 12.892% 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, 2020	June 30, 2019	Changes
Effective part of the Gains/(losses) on cash flow instruments generated in the period (currency hedges)	(192)	(846)	654
Effective part of the Gains/(losses) on cash flow instruments generated in the period (interest rate hedges)	63	78	(15)
Effective part of the Gains/losses on cash flow hedge instruments	***(128)***	***(767)***	***639***
Re-measurement of defined benefit plans (IAS 19)	(82)	36	(118)
Gains/(losses) from translation of accounts of foreign subsidiaries	6	46	(40)
Tax effect relating to the Other items of the comprehensive income statement	51	224	(172)
Total other gains/(losses), net of tax effect	**(153)**	**(461)**	**308**

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

	June 30, 2020			June 30, 2019		
	Gross value	Tax Charge/ Benefit	Net value	Gross value	Tax Charge/ Benefit	Net value
Effective part of Gains/losses on cash flow hedge instruments	(128)	32	(96)	(767)	233	(535)
Gains/losses for re-measurement of defined benefit plans (IAS 19)	(82)	19	(62)	36	(9)	28
Gains/(losses) from translation of accounts of foreign subsidiaries	6	-	6	46	-	46
Total other gains/(losses), net of tax effect	**(204)**	**51**	**(153)**	**(685)**	**224**	**(461)**

33. PROVISIONS FOR RISKS AND CHARGES

	June 30, 2020	December 31, 2019	June 30, 2019
Provisions for risks and charges	275	227	192
Total provisions for risks and charges	**275**	**227**	**192**

The provision for risks and charges relates to the Agents Termination Indemnity Provision (FIRR) in BasicItalia S.p.A. and the provisions for minor disputes related to the Kappa Europe Group.

34. LOANS

The changes in the loans during the year are shown below: It should be noted that following the Covid-19 pandemic, the Group benefited for Euro 2.8 million from the postponement of instalments due in the first half of the year.

	31/12/2019	Repayments	Hires	30/06/2020	Short-term portion	Medium/long-term portion
"Unicredit property loan Basic Village"	3,300	(600)	-	2,700	1,200	1,500
"Intesa mortgage financing BasicItalia"	1,526	-	-	1,526	407	1,119
"BNL Loan"	3,750	-	-	3,750	1,250	2,500
"MPS Loan"	12,188	-	-	12,188	3,250	8,938
"Banco BPM Loan"	626	-	-	626	500	126
"PPI Loan Basic Properties America"	-	-	38	38	-	38
KFF "Bank syndicate" loan	1,075	(1,075)	-	-	-	-
BPI KFF loan	338	(56)	-	281	169	113
BPI KE loan	1,832	(83)	-	1,750	250	1,500
UBS "Covid-19" subsidised loan	-	-	289	289	-	289
Santander KSI loans	218	(62)	620	776	142	633
Intesa KFF loan	3,600	(400)	-	3,200	800	2,400
Balance	**28,457**	**(2,277)**	**947**	**27,124**	**7,968**	**19,156**

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

	June 30, 2020	**December 31, 2019**	**June 30, 2019**
MEDIUM/LONG TERM LOANS:			
- due within 5 years	19,156	19,121	24,781
- due beyond 5 years	-	167	333
Total medium/long-term loans	***19,156***	***19,288***	***25,114***
Leasing payables	490	651	720
Total leasing payables (maturity within 5 years)	***490***	***651***	***720***
Total loans	**19,645**	**19,939**	**25,834**

The medium/long-term loans are comprised for Euro 1.5 million of the residual value of the loan provided by the Unicredit Group, for the purchase of the "Basic Village" building located at Largo Maurizio Vitale, 1, Turin ("Basic Village Property Loan"), for Euro 1.1 million the residual loan from Mediocredito Italiano S.p.A. (Intesa Sanpaolo S.p.A.) for the purchase of the building of BasicItalia S.p.A. located at Strada Cebrosa, 106 ("BasicItalia Property Loan"), for Euro 2.5 million the medium/long-term loan issued by Banca Nazionale del Lavoro S.p.A. in November 2016 ("BNL Loan"), for Euro 8.9 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 0.1 million, to support investment activities in the retail sector ("Banco BPM Loan"), for Euro 1.5 million the BPI export loan to Kappa Europe SAS, and for Euro 2.4 million the unsecured Intesa Sanpaolo loan to Kappa France S.A.S. This was taken out in 2019, partly for bond repayment.
The additional portions of medium/long-term loans are made up of loans from the Kappa Europe Group to support working capital.

At June 30, 2020 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 281.5 million, broken down as follows:

(in Euro millions)	**June 30, 2020**	**December 31, 2019**	**June 30, 2019**
Cash facility	207.3	182.0	164.1
Factoring	14.2	14.2	14.2
Letters of credit and swaps	29.9	30.8	31.1
Medium/long term loans	29.1	30.5	33.0
Property leases	1.0	1.0	1.0
Total	**281.5**	**258.5**	**243.4**

The average interest paid for the BasicNet Group in the year is reported in the table at Note 35.

35. BANK PAYABLES

	June 30, 2020	December 31, 2019	June 30, 2019
Bank payables due within one year:			
- short-term portion of medium/long-term loans	7,972	9,169	8,414
- bank overdrafts and bills	26,314	17,094	24,261
- import advances	24,384	25,181	20,633
Total bank payables	**58,670**	**51,444**	**53,308**

The portion of medium/long-term loans due within one year is included under short-term bank debt as described in Note 34.

The changes in the financial position are commented upon in the Directors' Report. Interest due matured at the end of the period 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, 2020 is as follows:

	Interest Rate		
	Fixed	**Variable**	**Total**
Short-term	23,561	35,109	58,670
Medium/long term	6,473	13,172	19,645
Total	**30,034**	**48,281**	**78,315**

The average interest rate on medium/long term loans was 1.94%.

36. PAYABLES FOR RIGHTS-OF-USE

	June 30, 2020	December 31, 2019	June 30, 2019
Payables for rights-of-use	20,360	19,287	17,996
Total payables for right-of-use	**20,360**	**19,287**	**17,996**

Payables for right-of-use are recognised from 2020 in accordance with IFRS 16. In the current year, new contracts worth Euro 4.4 million have been signed, and payables for Euro 2.5 million settled. Following rent concessions obtained from lessors as a result of the Covid-19 lockdown, the Group recalculated right-of-use payables, reporting a reduction of Euro 0.5 million.

The effects are illustrated in Note 20 - Rights-of-use.

37. OTHER FINANCIAL PAYABLES

	June 30, 2020	December 31, 2019	June 30, 2019
Other financial payables	2,839	2,839	2,839
Total other financial payables	**2,839**	**2,839**	**2,839**

The account represents the fair value of the put/call cross option on the remaining 39% of the shares in Kappa Europe SAS (9,463 shares) held by third parties.

38. EMPLOYEE AND DIRECTOR BENEFITS

The account includes the post-employment benefits for employees of Euro 3.1 million and the termination indemnities of Directors of approx. Euro 600 thousand.

39. DEFERRED TAX LIABILITIES

	June 30, 2020	December 31, 2019	June 30, 2019
Deferred tax liabilities	5,140	-	-
Total deferred tax liabilities	**5,140**	**-**	**-**

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.

Where the company has a legal right to offsetting and income taxes are imposed by the same tax authority on the same or different taxable entities intending to simultaneously realise the asset and settle the liability, deferred tax assets and liabilities are offset.

The individual effects are reported in the table below:

	June 30, 2020			December 31, 2019			
	Amount of temporary differences	Rate % (*)	Tax effect	Amount of temporary differences	Rate % (*)	Tax effect	Changes 2020/2019
Deferred tax assets:							
- Excess doubtful debt provision not deductible	(7,417)	24.39%	(1,809)	(6,768)	24.00%	(1,627)	(183)
- Inventory obsolescence provision	(4,372)	25.57%	(1,118)	(4,253)	25.28%	(1,075)	(42)
- Misc. charges temporarily non-deductible	(3,786)	22.15%	(838)	(4,113)	26.47%	(1,089)	250
- Effect IAS 19 – Employee Benefits	(546)	25.80%	(141)	(467)	26.10%	(122)	(19)
- Effect IFRS 16 - lease payables	(1,857)	27.85%	(517)	(1,220)	27.90%	(340)	(177)
Total	**(17,977)**		**(4,423)**	**(16,821)**		**(4,253)**	**(170)**
Deferred tax liabilities:							
- Dividends not received	-	-	-	111	24.00%	27	(27)
- Prudent exchange differences, net	79	24.00%	19	142	24.00%	34	(15)
- Amortisation/Depreciation tax basis	16,965	28.27%	4,797	15,655	28.16%	4,408	388
- Statutory-tax difference on amortisation, depreciation, and valuations.	14,496	27.90%	4,178	3,311	27.90%	924	3,254
- Effect IAS 38 – plant costs	17	29.56%	5	16	31.48%	5	-
- Effect IFRS 9 – Financial instr.	18	1.09%	-	117	27.43%	32	(32)
- Effect IFRS 3 – goodwill amort.	2,023	27.90%	564	1,941	27.90%	542	23
Total	**34,078**		**9,564**	**21,293**		**5,972**	**3,592**
Losses carried forward	(8,100)	25.00%	(2,048)	(8,100)	25.00%	(2,048)	-
Net deferred tax liabilities	**16,101**		**5,140**	**-**		**-**	**5,140**
Deferred tax assets as per financial statements	**8,100**		**2,048**	**3,628**		**329**	**1,719**

(*) Average tax rate

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 1.8 million), non-deductible inventory obsolescence provisions (approx. Euro 1.1 million), temporarily non-deductible charges (Euro 0.8 million) and the effects deriving from the application of IFRS 16 (Euro 0.5 million), in addition to Euro 2.0 million of unlimited tax losses carried forward by the Kappa Europe Group.

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 4.8 million), differences between statutory and fiscal amortisation (Euro 1 million) and goodwill amortisation fiscally deductible (Euro 0.6 million).

Deferred tax liabilities increased by Euro 3.3 million in the period due to the initial consolidation of Aprica Costruzioni: see Note 47.

40. OTHER NON-CURRENT LIABILITIES

	June 30, 2020	December 31, 2019	June 30, 2019
Guarantee deposits	1,255	1,327	1,219
Medium/long term tax payables	467	610	-
Total other non-current liabilities	**1,722**	**1,937**	**1,219**

“Guarantee deposits" include guarantees received from licensees to cover minimum contractual royalties due; the "medium/long-term tax payables", amounting to Euro 0.6 million, refers to the agreement signed with the Tax Authorities in 2019, in connection with a tax audit of Group companies.

41. TRADE PAYABLES

“Trade payables” are payable in the short-term and decreased by approx. Euro 10 million compared to June 30, 2019. 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.

42. TAX PAYABLES

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

	June 30, 2020	December 31, 2019	June 30, 2019
Group VAT	4,199	1,941	5,252
Income taxes	5,135	4,613	4,821
Employee contributions	773	557	611
Other	574	474	88
Total tax payables	**10,680**	**7,585**	**10,771**

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 0.5 million and Euro 4.6 million as the 2019 balance.

43. OTHER CURRENT LIABILITIES

	June 30, 2020	December 31, 2019	June 30, 2019
Accrued expenses	27	794	29
Payables to employees and directors	4,752	3,807	5,292
Shareholder dividend account	6,376	-	-
Other payables	7,049	6,626	8,635
Total other current liabilities	**18,204**	**11,227**	**13,956**

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, 2020 principally include social security charges (Euro 2.9 million), royalty payments on account from licensees (Euro 0.2 million) and other miscellaneous amounts (Euro 3.9 million).

44. DEFERRED INCOME

	June 30, 2020	December 31, 2019	June 30, 2019
Royalties for period/subsequent period	1,705	3,655	2,029
Sponsored goods revenues	91	1,793	469
Other deferred income	1,232	1,313	1,284
Total deferred income	**3,028**	**6,761**	**3,784**

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.

45. DERIVATIVE FINANCIAL INSTRUMENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Derivative financial instruments	268	348	476
Total	**268**	**348**	**476**

The account includes for Euro 171 thousand the adjustments to market value of the interest rate hedging operations on the medium-term "BasicVillage property loan" (Note 34) and on the medium/long-term "Intesa Loan" of the company Kappa Europe SAS and signed with leading financial counterparties, which converted the variable interest rates into fixed interest rates, respectively at 6.4% and 1.65% (cash flow hedge) and for Euro 84 thousand the market value at June 30 of the US Dollar currency hedge instruments. A negative equity reserve was recorded, net of the tax effect.

46. GUARANTEES GIVEN/COMMITMENTS

With reference to the guarantees and commitments of the Group with third parties, reference should be made to Note 34.

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 June 30, 2020, the bank deposits of BasicItalia were restricted for Euro 16 thousand; guarantees were also provided on leasing amounting to Euro 490 thousand.

In accordance with that outlined above guarantees were granted of Euro 668 thousand 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 17.2 million, 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.

Finally, 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.

47. BUSINESS COMBINATIONS

In January 2020, BasicVillage S.p.A. completed the acquisition of the entire share capital of Aprica Costruzioni S.r.l., a company that owns an industrial building covering approx. 4,000 square metres in Milan, via dell'Aprica 12, close to the Scalo Farini. The acquisition was completed for a cost of Euro 10.5 million.

The transaction forms part of the strategy to recreate the successful experience of Turin's BasicVillage as a strategic location for the sector globally.

The following table shows the consideration paid together with the value of the assets acquired and liabilities assumed at the acquisition date: The higher value allocated to property owned is supported by a third-party expert appraisal and led to the recognition of deferred tax liabilities on first-time consolidation.

	Book values	**PPA**	**Consolidated**
Consideration	10,500	-	10,500
Net assets acquired	**-**	-	-
Intangible assets	3	-	3
Building	1,929	11,866	13,795
Plant & machinery	5	-	5
Equity invest. & other financial assets	1	-	1
Trade receivables	22	-	22
Other current assets	3	-	3
Cash and cash equivalents	34	-	34
Provision for risks and charges	(203)	194	(9)
Deferred tax liabilities	-	(3,311)	(3,311)
Trade payables	(22)	-	(22)
Tax liabilities	(22)	-	(22)
Other current liabilities	(1,730)	1,730	-
Total net identifiable assets	**20**	**10,480**	**10,500**

The transaction does not provide for variable payment amounts or earn-out instruments for the selling party.

48. 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 30.06.2020**
	Income Statement	**Shareholders' Equity**			
Assets:					
Equity invest. & other financial assets	-	-	-	1,048	**1,048**
Interests in joint ventures	-	-	-	204	**204**
Trade receivables	-	-	61,150	-	**61,150**
Other current assets	-	-	13,955	-	**13,955**
Derivative financial instruments	-	257	-	-	**257**
Liabilities:					
Bank payables	-	-	58,670	-	**58,670**
Medium/long term debt	-	-	19,645	-	**19,645**
Trade payables	-	-	60,191	-	**60,191**
Other current liabilities	-	-	18,204	-	**18,204**
Derivative financial instruments	-	268	-	-	**268**

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., Kappa France S.A.S and Preppy Cotton S.A. acquire 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, 2020, unrealised exchange gains were recorded of Euro 136 thousand, while unrealised exchange losses were recorded of Euro 57 thousand, for a net unrealised exchange gain of Euro 79 thousand.

At the interim reporting date, 35 currency hedging operations were in place for a total of USD 51.7 million. The relative effects are illustrated in the account Derivative financial instruments, outlined in Note 31.

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, 2020 is shown below:

	June 30, 2020	**%**	**June 30, 2019**	**%**
Fixed rate	30,034	38.4%	22,580	28.5%
Variable rate	48,281	61.6%	56,561	71.5%
Gross debt	**78,315**	**100.0%**	**79,141**	**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 45.
On the remaining part of the debt, the Group is exposed to fluctuation risks.

Where at June 30, 2020 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 101 thousand and Euro -101 thousand.

Credit risk

The doubtful debt provision (Note 27) which includes provisions against specific credit positions and a general provision on an historical analysis of receivables, represents approx. 14.9% of trade receivables at June 30, 2020.

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 35).

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"	2,700	196	2,896	1,330	1,566	-
"BasicItalia property loan"	1,526	71	1,598	439	1,159	-
"BNL Loan"	3,750	52	3,802	965	2,837	-
"Banco BPM Loan"	626	4	631	508	123	-
"MPS Loan"	12,188	409	12,597	3,439	9,158	
BPI KFF loan	281	8	289	289	-	-
BPI KE loan	1,750	173	1,923	313	1,610	-
Kappa Europe bank syndicate loan	-	-	-	-	-	-
Santander KSI Loan	776	32	808	146	662	-
Intesa KFF Loan	3,200	119	3,319	1,269	2,050	-
UBS "Covid-19" subsidised loan	289	-	289	-	-	289
PPI Loan Basic Properties America	38	-	38	-	-	38
Lease payables	490	9	498	278	220	-
Right-of-use	20,360	1,191	21,551	5,473	14,810	1,269
Total financial liabilities	**47,974**	**2,264**	**50,239**	**14,449**	**34,194**	**1,596**

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.

49. 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., Basic Village S.p.A., Jesus Jeans S.r.l., Basic Trademark S.r.l., TOS S.r.l. and BasicAir S.r.l. have adhered to the national fiscal regime as per Article 177/129 of the CFA.

Kappa Europe SAS and, as subsidiaries, Kappa France S.A.S., Sport Fashion Distribution S.A.S.U., SFD France S.A.S.U., Sport Fashion Licensing S.A.S.U. and Sport Fashion Retail S.A.R.L. have joined the French tax consolidation scheme pursuant to Articles 223-A/223-U of the General Tax Code (CGI).

The transactions with related parties for the period ended June 30, 2020 are reported below:

	Equity Investments	**Trade receivables**	**Trade Payables**	**Other Income**	**Costs**
Interests in joint ventures:					
- Fashion S.r.l.	229	-	2	-	-
Remuneration of Boards and Senior Executives and other related parties	-	-	-	-	4,046

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, (at June 30, 2020, strategic executive at BasicWorld S.r.l.) has a 35% holding. 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, 2023 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.

50. SUBSEQUENT EVENTS

These events are outlined in the Directors' Report, to which reference should be made.

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

In accordance with Communication DEM/6064293 of July 28, 2006, this document presents the information on the impact from the change to the consolidation scope following the acquisition of Kappa Europe Group and from the initial application of IFRS 16 on the balance sheet and financial position, on the result, and on the Group cash flow.

52. 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

BasicItalia has not yet reached an agreement with AS Roma regarding the mutual claims on the last sponsorship instalment, subsequent to the unilateral rescission in 2012 and of a similar amount of damages from early rescission, claimed by BasicItalia according to the contract.

Subsequent liabilities are not expected to arise for the BasicNet Group regarding the dispute.

It should be noted that, as regards the retraction of lawsuits relating to mutual claims for image damages and the unpaid balance on previous supplies, BasicItalia, Soccer S.a.s. and AS Roma reached a settlement agreement in 2019.

K-WAY disputes in China

As regards the dispute that began in 2018 with the Chinese company Taizhou Boyang, owner of various K-WEY brands and K-WAY in China, no conclusions have yet been reached and it is not currently possible to predict the outcome of the disputes.

Tax disputes

Post-employment benefit prov. deductibility

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 at BasicNet S.p.A.. 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. In March 2019, the Turin Provincial Tax Commission heard the appeal presented by BasicNet. The Tax Agency has appealed against the Tax Commission's decision. The hearing before the Regional Tax Commission is scheduled for September.

Alleged tax inversion Basic Properties America

On December 28, 2018, a tax assessment was received from the Tax Agency by the subsidiary Basic Properties America, Inc., with registered office in New York-USA, following checks on BasicNet by the Finance Police in 2017, on the basis of the alleged tax inversion claimed by the latter against the US subsidiary. The assessments concern financial years 2011, 2012 and 2013, alleging tax evasion in Italy for approx. Euro 3.6 million, in addition to interest and penalties. Tax assessments were also received by BasicTrademark S.A. and SupergaTrademark S.A. for the alleged evasion of VAT for approx. Euro 1 million, on the basis that the royalties paid by Basic Properties America, Inc., for tax purposes considered an Italian company, to these two companies should have been subject to VAT. At the beginning of the present month of July, similar tax assessments for financial year 2014 were received, with claims for additional taxes of approx. Euro 0.3 million and for VAT for approx. Euro 0.1 million.

As they did not consider the arguments put forward by the Agency to be well-founded, the companies lodged appeals against the tax assessments and requests for provisional suspension of the executive effects of the assessments. The Turin Provincial Tax Commission, which had already accepted the request for provisional suspension in October 2019, at the end of January 2020 fully accepted the combined appeals of Basic Properties America Inc., BasicTrademark S.A. (now S.r.l.) and Superga Trademark S.A. (now S.r.l., incorporated with BasicTrademark S.r.l.) and cancelled the tax assessments issued by the Tax Agency.

In June, the Tax Agency appealed against the Provincial Tax Commission's decision. The defence team is currently preparing counter-arguments for the appeal and, as such, no date has yet been set for the hearing.

On behalf of the Board of Directors

The Chairman

Marco Daniele Boglione

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

	Registered office	Corporate purpose	Share capital		Parent company holding (%)
<u>PARENT COMPANY</u>					
BasicNet S.p.A.					
<u>Directly held subsidiaries:</u>					
- BasicAir S.r.l. Single shareholder company	Turin (Italy)	Company owning the Cessna Citation VII aircraft	EURO	3,000,000	100
- BasicItalia S.p.A. single shareholder company	Turin (Italy)	Italian licensor, direct stores of BasicNet Group.	EURO	7,650,000	100
- Basic Trademark S.r.l.	Turin (Italy)	The Group's brand-owning company	EURO	1,250,000	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
- BasicNet Asia Ltd.	Hong Kong (China)	Control activity of the licensees and sourcing centre in Asia.	HKD	10,000	100
- BasicNet Asia Company Limited	Ho Chi Min City (Vietnam)	Control activity of the licensees and sourcing centre in Asia.	DONG	462,600,000	100
- Jesus Jeans S.r.l. single shareholder company	Turin (Italy)	Initially set up to manage the Jesus Jeans brand	EURO	10,000	100
- TOS S.r.l. single shareholder company	Turin (Italy)	Owner of the brand Sebago.	EURO	10,000	100 (1)
<u>Indirectly held subsidiaries</u>:					
- through Basic Trademark S.r.l.					
- Basic Properties America, Inc.	Richmond (Virginia – USA)	Sub-license of brands for the American market	USD	2,000	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
- BasicRetail SUISSE S.A.	Mendrisio (Switzerland)	Operation of retail outlets in Switzerland	CHF	100,000	100
- Kappa Europe SAS	Saint Herblain (France)	Holding company of a Group of Kappa brand licensees in European territories	EURO	2,426,400	61

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.

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 (%)
Indirect subsidiaries (continued):					
- through Kappa Europe SAS.					
- Kappa France .S.A.S	Saint Herblain (France)	Kappa licensees for the territories of France, Spain, Portugal and United Kingdom	EURO	2,060,000	100
- Sport Fashion Distribution S.A.S.U.	Saint Herblain (France	Licensee of the New York Yankees and Canterbury brands	EURO	5,000	100
- SFD France S.A.S.U.	Saint Herblain (France)	Kappa Europe Group company employing the salesforce for France	EURO	5,000	100
- Sport Fashion Distribution UK Ltd	Manchester (United Kingdom)	Manages the distribution of Kappa Europe Group products in United Kingdom	LIRE STERLING	1	100
- Sport Fashion Licensing S.A.S.U.	Saint Herblain (France)	Kappa Europe Group company distributing products from minor license contracts or related to specific events	EURO	5,000	100
- Sport Fashion Retail S.A.R.L.	Saint Herblain (France)	Company managing the outlet in Saint Herblain	EURO	5,000	100
- Preppy Cotton S.A.	Reidermoos (Switzerland)	Kappa licensee for Switzerland for the Kappa Europe Group	EURO	101,105	100
- Textiles D’Artois S.A.R.L.	Haute Avesnes (France)	Company dedicated to sublimation projects on behalf of the Kappa Europe Group licensees	EURO	3,000	100
- through Kappa France SAS.					
- Kappa Sport Iberia S.L.	Madrid (Spain)	Sub-licensee for the Spanish and Portuguese territory	EURO	505,588	100

COMPANIES INCLUDED IN THE CONSOLIDATION UNDER THE EQUITY METHOD

	Registered office	Corporate purpose	Share capital		Share capital Holding (%)
- through Basic Trademark S.r.l.					
- 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, Federico Trono as Chief Executive Officer of BasicNet S.p.A., and Paola Bruschi as Executive Officer for Financial Reporting of BasicNet S.p.A., affirm, and also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:

- the adequacy considering the company`s characteristics and
- the effective application of the administrative and accounting procedures for the Condensed Consolidated Half-Year Financial Statements for the period from 01/01/2020 to 30/06/2020.

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
Chairperson

Federico Trono
Chief Executive Officer

Paola Bruschi
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, the consolidated cash flow statement, the statement of changes in consolidated Shareholders' equity, and the related explanatory notes of BasicNet S.p.A. and its subsidiaries (the "BasicNet Group") as of 30 June 2020. 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, 2020 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, July 30, 2020

EY S.p.A.
Signed by: Stefania Boschetti, Statutory Auditor

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

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