

BasicNet S.p.A.

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PRESS RELEASE: BASICNET BOD APPROVES 2019 SEPARATE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS. PRELIMINARY RESULTS OF FEBRUARY 14 CONFIRMED:

- aggregate sales of Group Brands by the Global licensee Network exceeding Euro 1 billion, +17.1%;
- consolidated revenues Euro 305.7 million, +45.3%;
- EBITDA Euro 42.5 million, +28.7%;
- EBIT Euro 30.6 million, +15.0%;
- consolidated net profit Euro 21.05 million, in line with Euro 21.01 million for the previous year, while up 13.6% on the 2018 profit excluding the one-off Patent Box tax benefits for financial years 2015 to 2017.
- proposed dividend of Euro 0.12 per share;
- Shareholders' AGM called for April 9 in single call.

Turin, March 4, 2020. The Board of Directors of BasicNet S.p.A., in a meeting today chaired by Marco Boglione, approved the 2019 Consolidated Financial Statements and the 2019 Separate Financial Statements.

Consolidated highlights:

- aggregate sales of Group Brands by the Global licensee Network exceeding Euro 1 billion, up 17.1% on 2018;
- consolidated revenues, including royalties, sourcing commissions and direct sales of Euro 305.7 million, +45.3% on the previous year; this growth was supported by the entry of the French Group Kappa Europe into the consolidation, net of which consolidated revenues grew 11.8% over 2018.
- EBITDA of Euro 42.5 million (Euro 33.0 million in 2018), up 28.7%, including the effects from applying IFRS 16 for the reclassification of Euro 5.5 million of lease charges to amortisation and interest charges;
- EBIT of Euro 30.6 million (Euro 26.6 million in 2018), +15.0%;
- the 2019 tax charge of Euro 8.3 million rose significantly on 2018, which reflected the one-off Patent Box tax benefits for financial years 2015 to 2017 (for Euro 2.5 million);
- consolidated net profit Euro 21.05 million, in line with Euro 21.01 million for the previous year, while up 13.6% on the 2018 profit excluding the one-off Patent Box tax benefits;
- net financial debt of Euro 78.3 million (Euro 59.0 million excluding the effects of IFRS 16 compared to Euro 51.7 million at December 31, 2018). The balance includes the effects of the first-time adoption of IFRS 16 which resulted in the recognition of a debt of Euro 19.3 million and the debt of Kappa Europe Group of approx. Euro 15 million. The debt/equity ratio in 2019 (net of the application of IFRS 16) is substantially in line with 2018 (0.46).

FINANCIAL STATEMENTS OF THE PARENT COMPANY BASICNET S.p.A.

The Board of Directors also approved the 2019 separate financial statements of BasicNet S.p.A.

Royalties and sourcing commissions of approx. Euro 38.0 million grew 12.6% on 2018.

EBIT amounted to Euro 12.1 million (Euro 11.1 million in 2018), following amortisation and depreciation of tangible and intangible assets of approx. Euro 3.9 million.

The net profit was Euro 14.5 million (Euro 13.0 million in 2018), up 11.5%.

Shareholders' Equity at December 31, 2019 was Euro 95.3 million (Euro 91.8 million in 2018), following the distribution in 2019 of dividends for Euro 6.5 million and the acquisition of treasury shares for approx. Euro 4.4 million.

DIVIDEND PROPOSED

The Board of Directors proposes to the Shareholders' AGM to distribute a dividend of Euro 0.12 per share in circulation, for a total value of approx. Euro 6.4 million.

The proposed dividend reflects a pay-out ratio of 30.3% (30.8% in 2018) on the consolidated net profit of Euro 21.05 million.

The dividend will be paid from April 29, 2020, with record date of April 28, 2020 and coupon date (No. 13) of April 27, 2020.

OUTLOOK

In general, Group operating results are expected to be positive in the first half of the year based on the order book and expected royalties and sourcing commissions.

This forecast is subject to the general market performance, which is shrouded by a degree of economic and political uncertainty, as reflected in consumption figures and by currency price fluctuations. As previously indicated, the unforeseeable duration of the "corona virus" emergency (which, as noted, during the period spread beyond China) does not allow us to forecast its impact on operating results.

As previously announced in the press release of February 14, the BasicNet Group continues to closely monitor the impact from the ongoing health crisis on the commercial and production activities of the licensee network. In terms of distribution, the contribution of the Chinese market to licensee aggregate sales is extremely limited. Production activities in China are also being normalised.

BasicNet's business model, based on the flexibility and financial independence of the licensees' network, all over the world, combined with the fully integrated management through the web of all the key processes of the value chain, allows to be natively reactive to the evolution of the crisis scenarios and to mitigate its impact.

SHAREHOLDERS' AGM CALL

The Board of Directors called the Shareholders' AGM for April 9, 2020 in single call to consider the following:

- approval of the 2019 Separate Financial Statements and proposal for the allocation of the net profit;
- resolutions relating to the First Section of the Remuneration Report as per Article 123-ter, paragraph 3-bis, of Legislative Decree No. 58/1998
- resolutions relating to the Second Section of the Remuneration Report as per Article 123-ter, paragraph 6, of Legislative Decree No. 58/1998
- proposal to purchase and utilise treasury shares.

TREASURY SHARES

The proposal to purchase and utilise treasury shares is submitted so as to:

- provide the company with an instrument to support projects matching the strategic guidelines, under which share swap opportunities are presented or as a guarantee for funding operations.
- permit the company to invest in treasury shares.

Shares shall be purchased and utilised in compliance with Article 2357 and subsequent of the Civil Code and Article 132 of Legislative Decree 58/1998: in such an amount so that at any given time these shares do not exceed overall 20% of the share capital, while also within the limits of the retained earnings and available reserves of the last approved financial statements, with the consequent setting up, in accordance with Article 2357-ter, paragraph 3 of the Civil Code, of a non-distributable reserve of an amount of the treasury shares from time to time acquired. The authorisation is requested for the period until the Shareholders' AGM called to approve the 2020 Annual Accounts and for a maximum financial commitment of Euro 10 million. Any purchases shall be made on the regulated markets in accordance with the regulations in force and, where applicable, as per the market practices permitted by the oversight authority, in accordance with Article 13 of Regulation (EC) No. 596/2014 ("MAR").

As part of the treasury share buy-back programme authorised by the Shareholders' AGM of April 19, 2019 and concluding last December 13 with the reaching of the maximum spending limited of Euro 4 million, BasicNet S.p.A. acquired 820,633 shares (equal to 1.345% of the Share Capital) at an average price of Euro 4.87 for a total payment of Euro 3,999,839. BasicNet today holds a total of 7,863,255 treasury shares (equal to 12.892% of the Share Capital), for an investment of Euro 22 million.

The Shareholders' AGM documentation, including the illustrative reports of the Board of Directors on matters on the Agenda and the relative proposals, in addition to the Annual Financial Report, together with the related documentation, the Annual Corporate Governance Report and the report on the remuneration policy and the related compensation settled, will be made available at the registered office, on the 1info authorised storage mechanism (www.1info.it) and on the Company's website (www.basicnet.com) according to the legal deadline, i.e. by March 19, 2020.

The Chief Executive Officer Federico Trono will present to the market the 2019 results during a video conference call **this afternoon at 5.30 PM**. To join the video conference call (to be held in English), click on:

[Join Skype Meeting](#)

or telephone: +390200624808
(ID conference: 135049679 and PIN conference: 40804)

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

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

In relation to the "alternative performance indicators", as defined by the ESMA/2015/1415 guidelines, we provide below a definition of the indicators used in the present press release, as well as their reconciliation with the financial statement items:

- **Commercial licensee aggregate sales:** sales by commercial licensees, recognised by the BasicNet Group to the "royalties" account of the income statement;
- **Productive licensee aggregate sales:** sales by productive licensees, recognised by the BasicNet Group to the "sourcing commissions" account of the income statement;
- **EBITDA:** "operating result" before "amortisation and depreciation" and "write-downs and other provisions";
- **EBIT:** "operating result";
- **Net debt:** total of current and medium/long-term financial payables, less cash and cash equivalents and other current financial assets.
- **Pay-out ratio** percentage of consolidated net profit distributed as dividend
- **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.

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

The financial statements are attached

Financial statements (audit not yet complete)

CONSOLIDATED FINANCIAL STATEMENTS

BASICNET GROUP CONSOLIDATED INCOME STATEMENT

(Euro thousands)

| | FY 2019 | | FY 2018 | | Changes | |
|---|----------------|--------------|---------------|--------------|---------------|--------------|
| | | % | | % | | % |
| Consolidated direct sales | 250,148 | 100.00 | 155,615 | 100.00 | 94,533 | 60.75 |
| Cost of sales | (142,954) | (57.15) | (91,542) | (58.83) | (51,412) | (56.16) |
| GROSS MARGIN | 107,195 | 42.85 | 64,073 | 41.18 | 43,121 | 67.30 |
| Royalties and sourcing commissions | 55,551 | 22.21 | 54,832 | 35.24 | 719 | 1.31 |
| Other income | 6,616 | 2.64 | 3,053 | 1.96 | 3,563 | 116.72 |
| Sponsorship and media costs | (42,186) | (16.86) | (25,650) | (16.48) | (16,537) | (64.47) |
| Personnel costs | (32,161) | (12.86) | (23,074) | (14.83) | (9,087) | (39.38) |
| Selling, general and administrative costs, royalties expenses | (52,493) | (20.98) | (40,205) | (25.84) | (12,288) | (30.56) |
| Amortisation & Depreciation | (11,964) | (4.78) | (6,448) | (4.14) | (5,516) | (85.56) |
| EBIT | 30,557 | 12.22 | 26,581 | 17.08 | 3,975 | 14.96 |
| Net financial income (charges) | (1,160) | (0.46) | (1,157) | (0.74) | (3) | (0.22) |
| Share of profit/(loss) of investments valued at equity | (25) | (0.01) | (23) | (0.02) | (2) | (6.93) |
| PROFIT BEFORE TAXES | 29,372 | 11.74 | 25,401 | 16.32 | 3,971 | 15.63 |
| Income taxes | (8,319) | (3.33) | (4,387) | (2.82) | (3,932) | (89.63) |
| NET PROFIT FOR THE YEAR | 21,053 | 8.42 | 21,014 | 13.51 | 39 | 0.19 |
| Earnings per share | | | | | | |
| - basic | 0.3919 | | 0.3860 | | 0.006 | 1.53 |
| - diluted | 0.3919 | | 0.3860 | | 0.006 | 1.53 |

BASICNET GROUP CONSOLIDATED BALANCE SHEET

(Euro thousands)

| ASSETS | December 31, 2019 | December 31, 2018 |
|---|--------------------------|--------------------------|
| Intangible assets | 53,184 | 53,225 |
| Rights-of-use | 18,066 | - |
| Goodwill | 12,206 | 9,232 |
| Property, plant and equipment | 31,761 | 29,397 |
| Equity invest. & other financial assets | 1,051 | 1,048 |
| Interests in joint ventures | 217 | 243 |
| Deferred tax assets | 329 | - |
| Total non-current assets | 116,814 | 93,145 |
| Net inventories | 66,758 | 44,379 |
| Trade receivables | 68,560 | 69,880 |
| Other current assets | 10,887 | 8,820 |
| Prepayments | 14,517 | 9,368 |
| Cash and cash equivalents | 15,235 | 9,616 |
| Derivative financial instruments | 465 | 305 |
| Total current assets | 176,422 | 142,368 |
| TOTAL ASSETS | 293,235 | 235,513 |
| LIABILITIES | December 31, 2019 | December 31, 2018 |
| Share capital | 31,717 | 31,717 |
| Reserve for treasury shares in portfolio | (22,225) | (17,827) |
| Other reserves | 91,196 | 78,033 |
| Net Profit | 21,053 | 21,014 |
| TOTAL SHAREHOLDERS' EQUITY | 121,741 | 112,937 |
| Provisions for risks and charges | 227 | 50 |
| Loans | 19,939 | 22,217 |
| Payables for rights-of-use | 19,287 | - |
| Other financial payables | 2,839 | - |
| Employee and Director benefits | 3,408 | 4,040 |
| Deferred tax liabilities | - | 1,949 |
| Other non-current liabilities | 1,937 | 1,136 |
| Total non-current liabilities | 47,637 | 29,392 |
| Bank payables | 51,444 | 39,080 |
| Trade payables | 46,492 | 38,280 |
| Tax payables | 7,585 | 2,133 |
| Other current liabilities | 11,227 | 9,624 |
| Accrued expenses | 6,761 | 3,631 |
| Derivative financial instruments | 348 | 436 |
| Total current liabilities | 123,857 | 93,184 |
| TOTAL LIABILITIES | 171,495 | 122,576 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 293,235 | 235,513 |

CONSOLIDATED CASH FLOW STATEMENT

(Euro thousands)

| | December 31, 2019 | December 31, 2018 |
|--|-------------------|-------------------|
| A) OPENING SHORT-TERM BANK DEBT | (23,419) | (25,946) |
| B) CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net profit for the year | 21,053 | 21,014 |
| Amortisation & Depreciation | 11,964 | 6,448 |
| Result of companies valued under the equity method | (25) | 23 |
| Changes in working capital: | | |
| · (Increase) decrease in trade receivables | 13,874 | (11,302) |
| · (Increase) decrease in inventories | (7,626) | 2,138 |
| · (Increase) decrease in other receivables | 1,314 | (3,677) |
| · Increase (decrease) in trade payables | (7,204) | 4,412 |
| · Increase (decrease) in other payables | (59) | 2,300 |
| Net change Employee and Director benefits | 137 | 505 |
| Others, net | 384 | 49 |
| | 32,812 | 21,910 |
| C) CASH FLOW FROM INVESTING ACTIVITIES | | |
| Investments in fixed assets: | | |
| - tangible assets | (5,478) | (2,801) |
| - intangible assets | (3,171) | (2,613) |
| - financial assets | 4 | (386) |
| - change in consolidation scope | (4,586) | - |
| Realisable value for fixed asset disposals: | | |
| - tangible assets | 31 | 255 |
| - intangible assets | 11 | 39 |
| - financial assets | - | - |
| | (13,189) | (5,506) |
| D) CASH FLOW FROM FINANCING ACTIVITIES | | |
| Finance lease contracts (repayments) | (172) | (168) |
| New medium/long term loans | 4,200 | - |
| Loan repayments | (8,967) | (7,104) |
| Repayment of loans for rights-of-use | (5,162) | - |
| Repayment of Kappa Europe Group bond loan | (2,276) | - |
| Acquisition of treasury shares | (4,398) | (3,332) |
| Dividend payments | (6,468) | (3,273) |
| | (23,244) | (13,877) |
| E) CASH FLOW IN THE YEAR | (3,621) | 2,527 |
| F) CLOSING SHORT-TERM BANK DEBT | (27,040) | (23,419) |

BASICNET GROUP SUMMARY NET FINANCIAL POSITION

| <i>(Euro thousands)</i> | December 31, 2019 | December 31, 2018 | Changes |
|---|-------------------|-------------------|-----------------|
| Net financial position – Short-term | (36,209) | (29,464) | (6,745) |
| Financial payables – Medium-term | (19,289) | (21,394) | 2,105 |
| Finance leases | (651) | (823) | 172 |
| Net financial position with banks | (56,148) | (51,681) | (4,468) |
| Other financial liabilities | (2,839) | - | (2,839) |
| Payables for rights-of-use | (19,287) | - | (19,287) |
| Total net financial position | (78,274) | (51,681) | (26,594) |
| Net Debt/Equity ratio (Net financial position/Shareholders' equity) | 0.64 | 0.46 | 0.18 |

BASICNET S.P.A. FINANCIAL STATEMENTS

BASICNET S.p.A. – INCOME STATEMENT

(in Euro)

| | FY 2019 | FY 2018 | Changes |
|---|-------------------|-------------------|------------------|
| Direct sales | 4,202,003 | 4,438,321 | (236,318) |
| Cost of sales | (4,067,201) | (4,287,824) | 220,623 |
| GROSS MARGIN | 134,802 | 150,497 | (15,695) |
| Royalties and sourcing commissions | 37,973,599 | 33,730,201 | 4,243,398 |
| Other income | 6,886,862 | 6,401,251 | 485,611 |
| Sponsorship and media costs | (1,524,331) | (1,381,038) | (143,293) |
| Personnel costs | (10,448,707) | (9,788,158) | (660,549) |
| Selling, general and administrative costs, royalties expenses | (17,029,868) | (15,628,094) | (1,401,773) |
| Amortisation & Depreciation | (3,926,467) | (2,380,087) | (1,546,381) |
| EBIT | 12,065,890 | 11,104,572 | 961,319 |
| Net financial income (charges) | 286,177 | (23,964) | 310,140 |
| Dividends | 4,800,000 | 2,150,000 | 2,650,000 |
| PROFIT BEFORE TAXES | 17,152,067 | 13,230,608 | 3,921,460 |
| Income taxes | (2,665,499) | (276,194) | (2,389,305) |
| NET PROFIT FOR THE YEAR | 14,486,568 | 12,954,414 | 1,532,155 |

BASICNET S.p.A. – BALANCE SHEET

(in Euro)

| ASSETS | December 31, 2019 | December 31, 2018 |
|---|--------------------------|--------------------------|
| Intangible assets | 12,387,382 | 12,738,924 |
| Rights-of-use | 9,239,766 | - |
| Plant, machinery and other assets | 3,130,236 | 3,015,848 |
| Equity invest. & other financial assets | 36,296,599 | 33,656,409 |
| Total non-current assets | 61,053,983 | 49,411,181 |
| Net inventories | 491,611 | 279,259 |
| Trade receivables | 15,982,713 | 17,348,486 |
| Other current assets | 65,875,339 | 64,145,043 |
| Prepayments | 4,802,398 | 4,850,553 |
| Cash and cash equivalents | 1,518,777 | 1,623,317 |
| Derivative financial instruments | - | - |
| Total current assets | 88,670,838 | 88,246,658 |
| TOTAL ASSETS | 149,724,821 | 137,657,839 |
| LIABILITIES | December 31, 2019 | December 31, 2018 |
| Share capital | 31,716,673 | 31,716,673 |
| Treasury shares | (22,225,090) | (17,827,079) |
| Other reserves | 71,279,414 | 64,926,726 |
| Net Profit | 14,486,568 | 12,954,414 |
| TOTAL SHAREHOLDERS' EQUITY | 95,257,565 | 91,770,734 |
| Provisions for risks and charges | - | - |
| Loans | 11,538,558 | 16,041,058 |
| Payables for rights-of-use | 9,244,914 | - |
| Employee and Director benefits | 1,567,150 | 2,586,331 |
| Deferred tax liabilities | 687,282 | 598,845 |
| Other non-current liabilities | 980,887 | 862,791 |
| Total non-current liabilities | 24,018,791 | 20,089,025 |
| Bank payables | 12,500,983 | 11,947,348 |
| Trade payables | 6,556,268 | 7,008,962 |
| Tax payables | 5,139,994 | 1,254,770 |
| Other current liabilities | 5,969,992 | 5,209,323 |
| Accrued expenses | 281,228 | 373,796 |
| Derivative financial instruments | - | 3,881 |
| Total current liabilities | 30,448,465 | 25,798,080 |
| TOTAL LIABILITIES | 54,467,256 | 45,887,105 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 149,724,821 | 137,657,839 |

BASICNET S.p.A. – CASH FLOW STATEMENT

(in Euro)

| | December 31, 2019 | December 31, 2018 |
|---|---------------------|---------------------|
| A) OPENING SHORT-TERM BANK DEBT | (6,386,531) | (3,467,981) |
| B) CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit | 14,486,568 | 12,954,414 |
| Amortisation & Depreciation | 3,926,467 | 2,380,087 |
| Write-down of investments | - | - |
| Gains on sale of equity investments | - | - |
| Changes in working capital: | | |
| - (increase) decrease in trade receivables | 1,365,774 | (5,292,168) |
| - (increase) decrease in inventories | (212,352) | 487,893 |
| - (increase) decrease in other receivables | (2,682,142) | 751,518 |
| - increase (decrease) in trade payables | 247,306 | 969,888 |
| - increase (decrease) in other payables | 4,759,858 | (1,330,752) |
| Net change in Employee and Director benefits | (19,181) | 433,710 |
| Others, net | (156,459) | 17,139 |
| | 21,715,839 | 11,371,729 |
| C) CASH FLOW FROM INVESTING ACTIVITIES | | |
| Investments in fixed assets: | | |
| - tangible assets | (916,113) | (954,215) |
| - intangible assets | (1,800,778) | (1,326,587) |
| - financial assets | (2,640,190) | (381,543) |
| Realizable value for fixed asset disposals: | | |
| - tangible assets | 55 | 149 |
| - intangible assets | - | - |
| - financial assets | - | - |
| | (5,357,026) | (2,662,196) |
| D) CASH FLOW FROM FINANCING ACTIVITIES | | |
| Finance lease contracts (repayments) | (2,499) | (22,730) |
| Repayments of medium/long term loans | (3,937,500) | (5,000,000) |
| Undertaking of medium/long term loans | - | - |
| Repayment of loans for rights-of-use | (1,648,539) | - |
| Acquisition of treasury shares | (4,398,012) | (3,332,087) |
| Distribution of dividends | (6,467,938) | (3,273,266) |
| | (16,454,488) | (11,628,083) |
| E) CASH FLOW IN THE YEAR | (95,674) | (2,918,550) |
| F) CLOSING SHORT-TERM BANK DEBT | (6,482,206) | (6,386,531) |

BASICNET S.P.A. SUMMARY NET FINANCIAL POSITION

| <i>(Euro thousands)</i> | December 31, 2019 | December 31, 2018 | Changes |
|--|-------------------|-------------------|-----------------|
| Net financial position – Short-term | (10,982) | (10,324) | (658) |
| Financial payables – Medium-term | (11,438) | (15,938) | 4,500 |
| Finance leases | (101) | (104) | 3 |
| Financial position with banks | (22,521) | (26,365) | 3,844 |
| Group financial receivables/(payables) | 54,554 | 55,484 | (929) |
| Payables for rights-of-use | (9,245) | - | (9,245) |
| Financial position with the Group | 45,310 | 55,484 | (10,174) |
| Total net financial position | 22,789 | 29,119 | (6,330) |