HALF-YEAR REPORT

AT JUNE 30, 2021

DIRECTORS' REPORT

BASICNET GROUP CONDENSED HALF-YEAR FINANCIAL STATEMENTS AND EXPLANATORY NOTES

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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 Hendlmeier (1) Adriano Marconetto (1) (2) Carlo Pavesio	**Directors**

(1) Independent Directors

(2) Lead Independent Director

REMUNERATION COMMITTEE

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

CONTROL AND RISKS AND RELATED PARTIES COMMITTEE

Renate Hendlmeier	**Chairperson**
Elisa Corghi Cristiano Fiorio Adriano Marconetto	

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.

DIRECTORS' REPORT

Key Performance Indicators:

- aggregate sales of Group products by the Global licensee Network of Euro 443.0 million, up 20.5% as follows:

(in Euro millions)	**H1 2021**	**H1 2020**	**% Change**
Commercial licensee sales	334.0	259.6	28.6%
Productive licensee sales	109.1	108.0	1.0%
Licensee aggregate sales	**443.0**	**367.6**	**20.5%**

  Commercial licensee sales saw a major recovery compared to the first half of the previous year. Overall, Europe - which accounts for over 69% of sales - saw a significant recovery (+30.8%) on 2020 and was up 3.7% on the record year of 2019, despite the government restrictions in the period to limit the spread of COVID. Sales in the Americas rose 57.3% (+10% on 2019) and 64.2% in the Middle East and Africa. Asia and Oceania, which represents 7% of sales, reported a decline of 29.9% on the same period of the previous year, mainly due to the replacement of a licensee. Productive licensee sales recovered at a slower pace due to a general delay in shipments as a result of the current temporary slowdown of commercial marine transport;

- consolidated sales of Euro 128.5 million (Euro 109.1 million in H1 2020, +17.7%), as follows:
  - royalties from commercial and productive licensees: Euro 25.8 million (Euro 22.4 million in H1 2020, +15.5%);
  - direct sales: Euro 102.6 million (Euro 86.8 million in 2020, +18.3%); this result is even more exceptional in view of the prolonged closure of plug@sell stores in Italy (from March to May in 2020, compared to the closures in 2021 which, although on a discontinued basis, extended from January until mid-May) and in France (seven consecutive weeks);
- EBITDA: Euro 14.5 million (Euro 0.8 million in H1 2020);
- EBIT: Euro 8.5 million (Euro -5 million in 2020);
- net profit of Euro 4.1 million (Euro -5.5 million in 2020);
- net financial position of Euro -84.1 million, with a contained increase on Euro -81.6 million at June 30, 2020 and Euro -82.2 million at December 31, 2020. Dividends of Euro 3.1 million were distributed in the period and treasury shares acquired for Euro 1.6 million.

In relation to the "alternative performance indicators", as defined by CESR/05-178b recommendation and Consob Communication DEM/6064293 of July 28, 2006, we provide below a definition of the indicators used in the present Directors' Report, as well as their reconciliation with the financial statement items:

- ***Commercial licensees or licensees:*** independent business owners, granted licenses to distribute Group brand products in their respective regions.
- ***Productive licensees or sourcing centers:*** third-party firms to the Group. Their function is to manufacture and market merchandise and are located in various countries worldwide, depending on what type of goods they produce.
- ***Commercial licensee aggregate sales:*** sales by commercial licensees, recognised by the BasicNet Group to the "royalties and sourcing commissions" account of the income statement.
- ***Productive licensee aggregate sales:*** sales by productive licensees, recognised by the BasicNet Group to the "royalties and sourcing commissions" account of the income statement.
- ***Consolidated Revenues*** the sum of royalties, sourcing commissions and sales of the licensee company BasicItalia S.p.A. and its subsidiaries BasicRetail S.r.l., BasicRetail Suisse S.A. and the companies of the Kappa Europe S.A.S. French Group, in addition to the parent company BasicNet S.p.A..
- ***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 AND ITS ACTIVITIES

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.*

REGIONAL COMMERCIAL PERFORMANCES

The breakdown of Brand sales and production revenues by the Global Group licensees, and generator of royalties and sourcing commissions, was as follows:

(In Euro thousands) **Group Brand Licensee Aggregate Sales ***	**H1 2021** Total	**H1 2020** Total	**Changes** Total	%
Commercial Licensees	333,998	259,629	74,369	*28.6%*
Productive Licensees (sourcing centers)	109,056	107,982	1,074	*1.0%*
Total	**443,054**	**367,611**	**75,443**	***20.5%***

(*) Data not audited

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

(In Euro thousands) **Aggregate Sales of Group Commercial Licensees (*)**	**H1 2021** Total	%	**H1 2020** Total	%	**Changes** Total	%
Europe	232,053	*69.5%*	177,378	*68.3%*	54,675	*30.8%*
The Americas	43,605	*13.1%*	27,712	*10.7%*	15,893	*57.3%*
Asia and Oceania	23,236	*6.9%*	33,155	*12.8%*	(9,918)	*(29.9%)*
Middle East and Africa	35,104	*10.5%*	21,384	*8.2%*	13,719	*64.2%*
Total	**333,998**	***100.0%***	**259,629**	***100.0%***	**74,369**	***28.6%***

(*) Data not audited

and of the productive licensees:

(In Euro thousands) **Aggregate Sales of Group Productive Licensees (*)**	**H1 2021** Total	%	**H1 2020** Total	%	**Changes** Total	%
Europe	9,623	*8.8%*	7,998	*7.4%*	1,625	*20.3%*
The Americas	8,120	*7.4%*	10,078	*9.3%*	(1,959)	*(19.4%)*
Asia and Oceania	90,149	*82.7%*	89,332	*82.7%*	817	*0.9%*
Middle East and Africa	1,165	*1.1%*	574	*0.5%*	591	*102.9%*
Total	**109,056**	***100.0%***	**107,982**	***100.0%***	**1,074**	***1.0%***

(*) Data not audited

Commercial operations focused mainly on the renewal of expiring licensing contracts.

As regards sponsorship initiatives on the **European market**, we highlight for the Kappa® brand the new contracts with the French "Red Star Football Club", with the Spanish "Real Club Deportivo de La Coruña" football club and with "Venezia Football Club".

Kappa® in February became the sponsor of the e-sport team Triplo7Klan, owned by 777 ENT, the record label of the Dark Polo Gang.

Briko® was partner of the "Tour de Fans" organised by Radio DeeJay and, for the seventh consecutive year, sponsored the Bardiani CSF Faizanè team in the 104th Giro d'Italia.

The Italian surf champion Leonardo Fioravanti became the Sebago® representative for the Docksides spring-summer digital campaign.

The global digital campaign of the Kappa® brand #KeepPerforming in Europe was represented in Italy by Hell Raton, a group of "Fiorentina Femminile" athletes and the Italian rapper Emis Killa, featuring also in the maxi-billboard campaign in Milan; in France by the rapper Seb la Frit and the YouTuber Brisco; while in Spain the rapper Kidd Keo was the representative.

Chiara Ferragni returned to represent the Superga® brand on Instagram, while on the German market the TV model and presenter Lena Gercke became a Superga® Ambassador for the spring-summer collection. In Milan, the tricolour K-Way® tape wrapped a nerve centre of the city with a mega-billboard of 1 square kilometre.

With regards to co-branding:

- for Superga®, a three-year agreement was signed with Miniconf, a kids and teenagers (0-16) clothing specialist, with the co-lab with the London fashion designer Mira Mikati renewed and the first co-branding with Dsquared2 signed for the spring-summer 2021 collection. In April, the first partnership with the Throwback brand was presented and a limited edition exclusively created for the "10 Corso Como" Milan concept store;
- for Sebago®, whose spring-summer 2021 campaign was created by the Anglo-Chinese illustrator Fai Wang, known by his stage name Mr. SlowBoy, with the co-branding with the Dutch concept store Patta launched, in addition to that with the French "Summer". The third capsule collection with the English brand Universal Works was presented, in addition to the initial collaboration with the Alanui Italian luxury brand;
- Robe di Kappa® and the AS Monaco football club presented their second lifestyle collection;
- for K-Way®, which in May signed its first 100% recycled and recyclable nylon collection, launched a co-branding with the top model Mariacarla Boscono, and in June added the Ice Jacket Veuve Clicquot x K-WAY®, Limited Edition: a K-WAY® mini-jacket, tailor-made to wrap the bottle of the iconic Veuve Clicquot Yellow Label champagne;
- the initial co-brandings with Patta and Zara were signed by Kappa®

In terms of communication and sponsorship on the **American market**, the model and influencer Hailey Bieber became the new ambassador for the spring-summer 2021 campaign. There were numerous #KeepPerforming global digital campaign testimonials: the model and athlete Lauren Wasser, the creative director Bloody Osiris, the model and lawyer Yaris Sanchez, the artist Kailand Morris and the DJ's Esta and Millie.

With regards to co-branding:

- for Sebago® an agreement was signed with the Engineered Garments brand;
- Superga® extended for the third time its collaboration with the LoveShackFancy brand;

- K-Way® launched a new co-lab with Marc Jacobs (Kids) and the first co-branding with Engineered Garments;
- Kappa® and FaZe Clan, the leading global e-gaming organisation, presented their second collection.

As regards communications, co-branding initiatives were also launched for the **Asian market**: Superga Singapore with the "Moment" line for the luxury hotel Llyd's Inn, Superga Japan with Kaptain Sunshine, the Japanese designer brand Shinsuke Kojima. In Australia, in Sydney, Superga® presented the first organic and vegan co-lab with the fashion entrepreneur and style icon Tash Sefton.

Group brand sales points

At June 30, Kappa® and Robe di Kappa® mono-brand stores and shop in shops opened by licensees globally numbered 928 (of which 115 in Italy), with Superga® mono-brand stores and shop-in-shops totalled 226 (of which 62 in Italy), and there were 60 K-Way® sales points (of which 29 in Italy) and 52 Sebago® sales points (of which 2 in Italy, in Rome and Turin).

H1 2021 FINANCIAL PERFORMANCE OVERVIEW

BasicNet Group Key Financial Highlights

The condensed income statement for the year is reported below:

(Euro thousands)	**H1 2021**	**H1 2020**	**Changes**	**%**
Group Brand Aggregate Sales by the Network of commercial and productive licensees (*)	**443,054**	**367,611**	**75,443**	**20.5%**
Royalties and sourcing commissions	25,847	22,382	3,464	15.5%
Consolidated direct sales	102,632	86,765	15,867	18.3%
EBITDA (**)	14,546	772	13,774	n.a.
EBIT (**)	8,535	(4,970)	13,505	n.a.
Net profit/(loss)	4,140	(5,522)	9,661	n.a.
Basic earnings per share (**)	0.0794	(0.1039)	0.1833	n.a.

(*) Data not audited
(**) For the definition of the performance indicators, reference should be made to page 4 of the present Report

Commercial and financial analysis

As well as reflecting the extension of the pandemic containment measures 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 temporary lay-off contribution totalling Euro 1.6 million across the various countries in which the Group operates (Euro 2.7 million in the comparative period);

- overheads include non-recurring charges of Euro 43 thousand, of which Euro 31 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 2.6 million;
- other income includes the reversal of payables for rights-of-use following post-lockdown negotiations amounting to Euro 0.5 million, in application of the practical expedient (not applicable in the comparable period due to the endorsement by the European Union subsequent to the publication of the half-year report);
- other income includes operating grants of Euro 60 thousand paid out to the Group's Swiss companies.

These factors together contributed for a positive impact of Euro 4.4 million on EBITDA.

Commercial licensee aggregate sales of Euro 334.0 million were up 28.6%, from Euro 259.6 million in the previous year; continental level growth is 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. Productive licensees sales were up 1.0%: the slower recovery compared to commercial licensee sales is due to a general delay in shipments as a result of the current commercial marine transport situation;

Overall, ***consolidated direct sales*** were Euro 102.6 million (Euro 86.8 million, up 18.3% on 2020)

The ***contribution margin on sales*** fell from Euro 33.8 million in 2020 (constituting 38.9% of revenues) to Euro 42.5 million in 2021 (41.4% of revenues).

Other income of approx. Euro 3 million includes in addition Euro 0.5 million from the reversal to income of payables for rights-of-use resulting from the renegotiation of store rentals and approx. Euro 490 thousand for the share of the signing fees paid to the commercial licensees (Euro 130 thousand in the comparative period).

Sponsorship and media spend of Euro 18.9 million compares to Euro 19.9 million in the same period of the previous year. The decrease in the period is substantially attributable to the renegotiation of technical sponsorship contracts for the 2020/21 sports season, net of new sponsorship contracts initiated in H2 2020.

Personnel costs decreased from Euro 14 million in 2020 to Euro 14.5 million in 2021. Recourse to the Extraordinary Temporary Lay-off Scheme (CIGD) 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 1.6 million (Euro 2.7 million in H1 2020).

Overhead costs, i.e. ***Selling*** and ***general and administrative costs*** and ***royalties expenses*** amounted to Euro 23.4 million, substantially in line with 2020.

EBITDA stood at Euro 14.5 million (Euro 0.8 million in H1 2020).

EBIT was Euro 8.5 million after amortisation and depreciation of Euro 3.3 million and the depreciation of rights-of-use for Euro 2.7 million.

Consolidated net financial charges/income, including exchange gains and losses, reported a charge of Euro 1.2 million, compared to income of Euro 23 thousand in the previous year.

The ***pre-tax profit*** was Euro 7.4 million, compared to a loss of Euro 4.9 million in H1 2020.

Net of current and positive deferred taxes provisioned for Euro 3.2 million, the ***net profit*** was Euro 4.1 million, compared to a loss of Euro 5.5 million in 2019.

Balance sheet overview

The changes in the balance sheet are reported below:

(Euro thousands)	**June 30, 2021**	**December 31, 2020**	**June 30, 2020**
Property	32,755	33,386	34,120
Brands	58,972	58,917	46,834
Non-current assets	35,053	35,050	33,075
Rights-of-use	21,781	22,082	18,595
Current assets	169,659	172,592	181,787
Total assets	**318,221**	**322,027**	**314,411**
Group shareholders' equity	120,889	119,277	109,691
Non-current liabilities	69,314	73,156	53,678
Current liabilities	128,019	129,594	151,042
Total liabilities and shareholders' equity	**318,221**	**322,027**	**314,411**

As regards changes in fixed assets, during the year tangible assets increased due to the advancement of restructuring works on the Milan BasicVillage property complex located at the "Scalo Farini" (Euro 1.2 million). Brands were substantially unchanged, net of the renewal of expiring registrations and amortisation in the period. Investments were also made for the development of computer programs (Euro 1.1 million) and for the purchase of electronic machinery and furniture and fittings (Euro 0.9 million).

The reduction in current assets and liabilities compared to June 30 of the previous year indicates an improvement in average collection days, average payment days and average inventory days.

Financial position

(Euro thousands)	June 30, 2021	December 31, 2020	June 30, 2020	Changes 30/06/2021 31/12/2020	Changes 30/06/2021 30/06/2020
Net financial position – Short-term	(21,175)	(14,678)	(38,744)	(6,497)	17,569
Financial payables – Medium-term	(39,546)	(43,709)	(19,155)	4,163	(20,391)
Finance leases	(624)	(678)	(490)	54	(134)
Net financial position with banks	**(61,344)**	**(59,065)**	**(58,389)**	**(2,279)**	**(2,956)**
Other financial liabilities	-	-	(2,839)	-	2,839
Payables for rights-of-use	(22,782)	(23,097)	(20,360)	315	(2,422)
Total net financial position	**(84,126)**	**(82,162)**	**(81,588)**	**(1,964)**	**(2,539)**
Debt/Equity ratio (Net financial position/Shareholders' equity)	0.70	0.69	0.74	0.01	(0.05)

Net debt to the banking system increased from Euro 59.1 million at December 31, 2020 to Euro 61.3 million at June 30, 2021, mainly due to the loans obtained in H2 2020.

The payables for rights-of-use decreased by approx. Euro 0.3 million compared to December 31, 2020, as a combined effect of the payments made in the period (Euro 2.2 million), proceeds from renegotiated payables and new contracts against the opening of sales points in Italy and France (Euro 2.5 million).

Other financial liabilities at June 2020 included 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.

The key stock market figures for the years 2021 and 2020 are reported in the following table:

	30/06/2021	31/12/2020	30/06/2020
SHARE PRICE INFORMATION			
Earnings/(loss) per share	0.0791	0.1635	(0.1039)
Price at period end	4.72	4.16	4.01
Maximum price in the period	4.74	4.45	5.55
Minimum price in the period	4.43	3.55	3.00
Market capitalisation	287,890	253,733	244,584
Total number of shares	60,993,602	60,993,602	60,993,602
No. Shares outstanding	52,353,767	52,493,602	53,130,347

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, other information held by the Company, and other communications as per Consob Resolution No. 21326 of April 9, 2020, is as follows:

Shareholders	Holding
Marco Daniele Boglione (*)	33.639%
BasicNet S.p.A.	14.529%
Helikon Investments Limited	10.500%
Francesco Boglione (**)	6.275%

(*) held indirectly through BasicWorld S.r.l. for 33.128% and for the residual 0.511% directly.

(**) held indirectly through Francesco Boglione S.r.l. for 1.719%, with the residual 4.556% held directly.

TREASURY SHARES

The Shareholders' AGM of April 8, 2021 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.

At June 30, 2021, the Company held 8,862,040 treasury shares (14.529% of the share capital), for a total investment of Euro 26.3 million.

HUMAN RESOURCES

At June 30, 2021, the Group headcount was 815, as follows:

Category	Human Resources at June 30, 2021	Human Resources at June 30, 2020
Executives	38	38
Middle management	26	27
Clerks	718	690
Workers	33	33
Total	**815**	**778**

PRINCIPAL RISKS AND UNCERTAINTIES

The BasicNet Group is subject to a variety of strategic, market and financial risks, as well as general business operational risks.

Strategic risks

These risks arise from factors that may comprise the value of the trademarks that the Group implements through its Business System. The Group requires the capacity to identify new business opportunities and markets and appropriate licensees for each market. The Group monitors the activities of its licensees and detects any problems on-line in the management of the brands in the various regions. However, as the commercial license contracts usually establish the advance payment of guaranteed minimum royalties, economic conditions on certain markets may impact the financial capacity of certain licensees, temporarily reducing royalties, particularly where such licensees had previously exceeded the guaranteed minimums.

Risks associated with economic conditions

The Group retains that its Business System has the flexibility needed to swiftly respond to changes in customers' tastes and to limited and localised consumer slowdown. However, the Group may be exposed to economic crises and social and general unrest, which may impact on consumer trends and the general economic outlook.

Risks associated with the COVID-19 pandemic

The spread of COVID-19 generated an unprecedented emergency on a global scale, with major health, social, and economic repercussions. The return of the health emergency in 2021 forced all countries to implement new restrictions, with the consequent closure of sales points and operations. As in 2020, every possible strategy to protect the economic and financial sustainability of the Group was adopted.

The duration and development of the pandemic are still difficult to predict: this uncertainty could therefore have a negative impact on future years' results. The Group's solid balance sheet and its financial autonomy, together with the proven flexibility of its business model, mean that business continuity can be fully guaranteed.

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 sustainability 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 (if possible in differing regions). 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 environmental regulations and the signing of a commitment to comply with the Code of Conduct, based on the key conventions of the International Labour Organisation (ILO) and the Universal Declaration of Human Rights 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 Swiss Francs.
The risks on fluctuations of the US Dollar on purchases are measured, preliminary, in the preparation of the budgets and finished products price lists, so as to adequately cover the impact of these fluctuations on sales margins.
Subsequently, royalty income and sourcing commissions from sales are utilised to cover purchases in foreign currencies, within the normal activities of the Group centralised treasury management.
For the foreign currency purchases not covered by foreign currency receipts, or in the case of significant time differences between receipts and payments, forward purchase and sales contracts (flexi-term) are underwritten.
The Group does not undertake derivative financial instruments for speculative purposes.

Credit risk
Royalty trade receivables are largely secured by bank guarantees, corporate sureties, letters of credit, guarantee deposits, or advance payment, provided by licensees.
Royalty trade receivables are largely secured by bank guarantees, corporate sureties, letters of credit, guarantee deposits, or advance payment, provided by licensees.
Souring commission receivables are covered by the payables of the subsidiaries BasicItalia S.p.A. and of the Kappa Europe Group to the 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.

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 factors also have seasonal effects on the financial cycle of the Group's commercial companies.
Short-term debt to finance working capital needs comprises "import financing" and "self-liquidating bank advances" secured by the order backlog. The Group manages the liquidity risk through close control on operating working capital with specific attention on inventories, receivables, trade payables and treasury management, with real-time operational reporting indicators or, for some information, at least on a monthly basis, reporting to Senior Management.

Interest rate risk
The interest fluctuation risks of some medium-term loans were hedged with conversion of the variable rate into fixed rates (swaps).

Risks relating to legal and tax disputes
The Group may be involved in legal and tax disputes, concerning specific issues and in various jurisdictions. Considering the uncertainties relating to these issues, it is difficult to predict with precision any future payments required. In addition, the Group has instigated legal action for the protection of its Trademarks, and of its products, against counterfeit products. The cases and disputes against the Group often derive from complex legal issues, which are often subject to varying degrees of uncertainty, including the facts and circumstances relating to each case, jurisprudence and different applicable laws.
In the normal course of business, management consults with its legal consultants and experts in fiscal matters. The Group accrues a liability against disputes when it considers it is probable that there will be a financial payment made and when the amount of the losses arising can be reasonably estimated.
The main disputes in which the Group is involved are summarised below.

<u>*Tax disputes*</u>

End-of-mandate 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 held in September 2020 confirmed the Turin Provincial Tax Commission's verdict, finding in favour of BasicNet.

In April, the Supreme Court of Cassation notified BasicNet of the challenge made by the Tax Agency. The company was requested to respond in court and the date for the first hearing is awaited.

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. In July 2019, 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 2020, the Tax Agency appealed against the Provincial Tax Commission's decision. The defence panel submitted their counter-arguments to the appeal: the first hearing at the Regional Tax Commission, initially scheduled for July 2021, has been postponed until a date to be decided.

Finally, in the current months of May and June, assessment notices relating to 2015 were received, with further demands of approx. Euro 0.2 million for direct taxes and Euro 0.3 million for VAT: the companies are preparing their respective appeals, as well as the requests for provisional suspension of the effects.

Bankruptcy dispute

Giacomelli Procedure

In May, the Supreme Court of Cassation filed its judgement of inadmissibility of the appeal lodged by BasicItalia S.p.A. against the decision of the Bologna Court of Appeal ordering the revocation of payments made by Giacomelli Sport S.p.A. for a total of Euro 1.6 million.

The Group, whilst firmly convinced of its good faith and the correctness of its actions, as, moreover, initially asserted by the first-degree decision of the Court of Rimini, promptly initiated contacts with the lawyers of the third party assignee of the various bankruptcy arrangements of the Giacomelli procedures in order to ensure settlement of the balance due.

The amount subject to revocation, including the most reasonable estimate of interest, legal costs and taxes, had already been adequately and appropriately assessed in previous years: the judgement will therefore have no effect on the Group's operating results.

SUBSEQUENT EVENTS TO THE YEAR-END AND OUTLOOK

COVID-19 Health Crisis

As noted, the COVID-19 health emergency continued also in 2021 and forced the Governments of the affected countries to adopt new restrictions from December 2020 and for the entire first half of 2021, particularly in terms of commercial activities. Limited to the countries in which the Group operates directly, shopping centers in Italy closed on weekends until the end of May and for 7 consecutive weeks non-essential stores were closed in France.

The Group continues to be on the frontline in the fight against COVID. On April 27, at the BasicVillage, BasicNet's Turin headquarters, the "Humanitas Gradenigo" vaccination centre opened. The facility, which is also open to BasicNet staff and their families, has to-date administered an average of 800 vaccines per day.

Incorporation of K-Way S.p.A.

In February 2021, the company K-Way S.p.A. was established in Milan, with the objective of consolidating all the Group's activities related to the brand. BasicNet therefore contributed to the company, with effect from the 1st of July, the business unit including the brand, the models and the business system related activities and BasicItalia approved the spin-off in favour of K-Way S.p.A. of the business unit concerning the commercial license, represented by the activities and sales personnel of the K-Way brand products.

The transaction, which does not entail any change in the Group's ownership structure or equity structure, is designed to enable better focus on the brand.

Outlook

On the basis of the order portfolio and forecast royalties and sourcing commissions, the strong core operating results are expected to continue in the second half of the year. These results however remain subject to the developing health emergency.

* * *

Turin, July 29, 2021

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 50.

BASICNET GROUP CONSOLIDATED INCOME STATEMENT

(Euro thousands)

	Note	**H1 2021**		**H1 2020**		**Changes**	
			%		**%**		**%**
Consolidated direct sales	*(8)*	102,632	*100.00*	86,765	*100.00*	15,867	*18.29*
Cost of sales	*(9)*	(60,170)	*(58.63)*	(52,976)	*(61.06)*	(7,194)	*(13.58)*
GROSS MARGIN		**42,462**	***41.37***	**33,789**	***38.94***	**8,673**	***25.67***
Royalties and sourcing commissions	*(10)*	25,847	*25.18*	22,382	*25.80*	3,464	*15.48*
Other income	*(11)*	2,951	*2.88*	1,884	*2.17*	1,067	*56.52*
Sponsorship and media costs	*(12)*	(18,873)	*(18.39)*	(19,913)	*(22.95)*	1,040	*5.22*
Personnel costs	*(13)*	(14,490)	*(14.12)*	(14,018)	*(16.16)*	(473)	*(3.37)*
Selling, general and administrative costs, royalties expenses	*(14)*	(23,351)	*(22.75)*	(23,353)	*(26.92)*	3	*0.01*
Amortisation & depreciation	*(15)*	(6,010)	*(5.86)*	(5,742)	*(6.62)*	(269)	*(4.68)*
EBIT		**8,535**	***8.32***	**(4,970)**	***(5.73)***	**13,505**	***n.a.***
Net financial income (charges)	*(16)*	(1,155)	*(1.13)*	23	*0.03*	(1,178)	*n.a.*
Management of equity investments	*(17)*	(3)	*(0.00)*	(13)	*(0.02)*	10	*74.61*
PROFIT/LOSS BEFORE TAXES		**7,377**	***7.19***	**(4,960)**	***(5.72)***	**12,337**	***n.a.***
Income taxes	*(18)*	(3,238)	*(3.15)*	(562)	*(0.65)*	(2,676)	*n.a.*
NET PROFIT/(LOSS)		**4,140**	***4.03***	**(5,522)**	***(6.36)***	**9,661**	***n.a.***
Earnings per share	*(19)*						
Basic		0.0791		(0.1039)		0.183	*n.a.*
Diluted		0.0791		(0.1039)		0.183	*n.a.*

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(Euro thousands)

	Note	H1 2021	H1 2020	Changes
Profit for the period (A)		***4,140***	***(5,522)***	***9,661***
Effective portion of the Gains/(losses) on cash flow hedges		2,697	(128)	2,826
Re-measurement of post-employment benefits (IAS 19) (*)		3	(82)	85
Gains/(losses) from translation of accounts of foreign subsidiaries		251	6	245
Tax effect on other profits/(losses)		(669)	51	(721)
Total other gains/(losses), net of tax effect (B)	*(33)*	***2,238***	***(153)***	***2,435***
Total Comprehensive Profit/(loss) (A)+(B)		**6,378**	**(5,674)**	**12,097**

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

BASICNET GROUP CONSOLIDATED BALANCE SHEET

(Euro thousands)

ASSETS	Note	June 30, 2021	December 31, 2020	June 30, 2020
Intangible assets	*(20)*	65,470	65,380	53,460
Rights-of-use	*(21)*	21,781	22,082	18,595
Goodwill	*(22)*	11,873	11,907	12,141
Property, plant and equipment	*(23)*	46,184	45,690	45,127
Equity invest. & other financial assets	*(24)*	755	765	1,048
Interests in joint ventures	*(25)*	188	192	204
Deferred tax assets	*(26)*	2,309	3,419	2,048
Total non-current assets		**148,561**	**149,435**	**132,624**
Net inventories	*(27)*	69,617	62,194	76,417
Trade receivables	*(28)*	51,981	53,050	61,150
Other current assets	*(29)*	13,413	10,263	13,955
Prepayments	*(30)*	11,146	13,433	10,082
Cash and cash equivalents	*(31)*	22,285	33,652	19,926
Derivative financial instruments	*(32)*	1,217	-	257
Total current assets		**169,659**	**172,592**	**181,787**
TOTAL ASSETS		**318,221**	**322,027**	**314,411**

LIABILITIES	Note	June 30, 2021	December 31, 2020	June 30, 2020
Share capital		31,717	31,717	31,717
Reserve for treasury shares in portfolio		(26,298)	(24,679)	(22,225)
Other reserves		111,330	103,658	105,721
Net Profit		4,140	8,581	(5,522)
TOTAL GROUP SHAREHOLDERS' EQUITY	*(33)*	**120,889**	**119,277**	**109,691**
Provisions for risks and charges	*(34)*	184	229	275
Loans	*(35)*	40,170	44,387	19,645
Payables for rights-of-use	*(37)*	22,782	23,097	20,360
Other financial payables	*(38)*	-	-	2,839
Employee and Director benefits	*(39)*	4,315	4,062	3,697
Deferred tax liabilities	*(40)*	366	-	5,140
Other non-current liabilities	*(41)*	1,496	1,381	1,722
Total non-current liabilities		**69,314**	**73,156**	**53,678**
Bank payables	*(36)*	43,460	48,330	58,670
Trade payables	*(42)*	57,413	55,925	60,191
Tax payables	*(43)*	9,645	5,805	10,680
Other current liabilities	*(44)*	12,508	12,020	18,204
Accrued expenses	*(45)*	4,233	5,274	3,028
Derivative financial instruments	*(46)*	760	2,240	268
Total current liabilities		**128,019**	**129,594**	**151,042**
TOTAL LIABILITIES		**197,332**	**202,750**	**204,720**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**318,221**	**322,027**	**314,411**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(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, 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/(losses) 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**

	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, 2021	**31,717**	**(24,679)**	**105,803**	**539**	**(270)**	**(733)**	**(1,682)**	**8,581**	**119,277**
Allocation of 2020 result as per Shareholders' AGM resolution of April 8, 2021:									
- Reserves & Retained earnings		-	5,437	-	-	-	-	(5,437)	**-**
- Dividends distributed		-	-	-	-	-	-	(3,143)	**(3,143)**
Acquisition of treasury shares		(1,620)	-	-	-	-	-	-	**(1,620)**
H1 2021 Result		-	-	-	-	-	-	4,140	**4,140**
Other comprehensive income statement items:									
- Gains/(losses) recorded directly to translation reserve		-	-	252	-	-	-	-	**252**
- Gains/(losses) recorded directly to the change in scope of consolidation difference reserve		-	-	(44)	-	-	-	-	**(44)**
- Gains/(losses) recorded directly to equity for IAS 19 remeasurement		-	-	-	3	-	-	-	**3**
- Gains/(losses) recorded directly to cash flow hedge reserve		-	-	-	-	-	2,027	-	**2,027**
Total comprehensive income		*-*	*-*	*208*	*3*	*-*	*2,027*	*4,140*	***6,378***
Balance at June 30, 2021	**31,717**	**(26,298)**	**111,238**	**747**	**(267)**	**(733)**	**346**	**4,140**	**120,889**

CONSOLIDATED NET FINANCIAL POSITION

(Euro thousands)

	June 30, 2021	December 31, 2020	June 30, 2020
Cash and cash equivalents	22,285	33,652	19,926
Bank overdrafts and bills	(12,735)	(19,929)	(26,314)
Import advances	(22,197)	(19,989)	(24,384)
Sub-total net liquidity available	*(12,647)*	*(6,266)*	*(30,772)*
Short-term portion of medium/long-term loans	(8,528)	(8,412)	(7,972)
Short-term net financial position	**(21,175)**	**(14,678)**	**(38,744)**
Medium/long term loans	(39,546)	(43,709)	(19,156)
Payables for exercise future share acquisitions	-	-	(2,839)
Payables for rights-of-use	(22,782)	(23,097)	(20,360)
Finance lease payables	(624)	(678)	(490)
Sub-total loans and leasing	*(62,951)*	*(67,484)*	*(42,845)*
Consolidated Net Financial Position	**(84,126)**	**(82,162)**	**(81,588)**

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

		June 30, 2021	December 31, 2020	June 30, 2020
A.	Cash	83	87	180
B.	Other cash equivalents	22,202	33,565	19,746
C.	Securities held for trading	-	-	-
D.	**Cash & cash equivalents (A)+(B)+(C)**	**22,285**	**33,652**	**19,926**
E.	**Current financial receivables**	-	-	-
F.	Current bank payables	(34,932)	(39,918)	(50,698)
G.	Current portion of non-current debt	(8,528)	(8,412)	(7,972)
H.	Other current financial payables	-	-	-
I.	**Current financial debt (F)+(G)+(H)**	**(43,460)**	**(48,330)**	**(58,670)**
J.	**Net current financial debt (I)-(E)-(D)**	**(21,175)**	**(14,678)**	**(38,744)**
K.	Non-current bank payables	(62,951)	(67,484)	(22,484)
L.	Bonds issued	-	-	-
M.	Other non-current liabilities	457	(2,240)	(20,371)
N.	**Non-current financial debt (K)+(L)+(M)**	**(62,494)**	**(69,724)**	**(42,855)**
O.	**Net financial debt (J)+(N)**	**(83,669)**	**(84,402)**	**(81,599)**

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 (Note 46).

CHANGES IN NET FINANCIAL POSITION

(Euro thousands)

	June 30, 2021	June 30, 2020
A) OPENING NET FINANCIAL POSITION	**(82,162)**	**(78,274)**
Effects first-time application IFRS 16	**-**	**-**
B) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit (loss)	4,140	(5,522)
Amortisation & depreciation	6,010	5,742
Management of equity investments	-	-
Changes in working capital:	(689)	12,879
Net changes in employee and Director benefits	254	290
Others, net	(233)	202
	9,482	**13,591**
C) CASH FLOW FROM INVESTING ACTIVITIES		
Investments in fixed assets	(3,880)	(2,901)
Acquisition Kappa China brand	(900)	-
Aprica acquisition	-	(10,466)
Change in consolidation scope	-	-
Realisable value for fixed asset disposals	13	50
	(4,768)	**(13,317)**
D) CASH FLOW FROM FINANCING ACTIVITIES		
Registration payables for Right-of-use	(2,460)	(4,151)
Income from right-of-use	545	564
Acquisition of treasury shares	(1,620)	-
Dividend payments	(3,144)	-
	(6,678)	**(3,587)**
E) CASH FLOW IN THE PERIOD	**(1,964)**	**(3,314)**
F) CLOSING NET FINANCIAL POSITION	**(84,126)**	**(81,588)**

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 29, 2021. The present document is subject to limited audit.

2. FORM AND CONTENT

The main accounting principles adopted in the preparation of the interim consolidated financial statements and Group financial reporting are described below.

This document has been prepared in accordance with IFRS issued by the International Accounting Standards Board (IASB) and approved by the European Union. IFRS refers to all the revised International Accounting Standards (IAS) and all of the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) - previously known as the Standing Interpretations Committee (“SIC”).

The interim consolidated 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, 2021 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, Spanish, English, Swiss and French subsidiaries, which utilise local accounting standards, as not obliged to adopt IAS/IFRS, the appropriate adjustments were made for the preparation of the consolidated 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, 2021 are the same as those used for the previous year’s Consolidated Financial Statements. The Group has not adopted in advance any accounting standard, interpretation or amendment issued but not yet in effect.

Various amendments are applied for the first time in 2021, but did not impact the condensed consolidated half-year financial statements of the Group.

Accounting standards, amendments and interpretations applied from January 1, 2021

Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 *Reform of the interest rates benchmark*

The changes include the temporary easing of requirements with respect to the effects on the financial statements when the interest rate offered on the interbank market (IBOR) is replaced by an alternative rate that is substantially risk free (Risk Free Rate- RFR):

The changes include the following practical expedients:

- a practical expedient that allows contractual changes, or changes in cash flows that are directly required by the reform, to be treated as changes in a variable interest rate, equivalent to a movement of an interest rate in the market;
- allow changes required by the IBOR reform to be made within the coverage designation and coverage documentation without requiring the coverage report to be discontinued;
- provides temporary relief to entities in having to comply with separate identification requirements when an RFR is designated as a hedge of a risk component.

These amendments do not have an impact on the Group's interim financial statements. The Group intends to use such practical expedients in future periods in which they are applicable.

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 statement of cash flows was prepared applying the indirect method. The format of the interim 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 Consob Motion No. 15519 of July 27, 2006, transactions with related parties are described in Note 50 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, 2021 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 and the exchange rate at the date of the operation in the case of significant non-recurring transactions. 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, 2021		December 31, 2020		June 30, 2020	
	Average	At year end	Average	At year end	Average	At year end
US Dollar	1.2023	1.1884	1.1451	1.2271	1.1031	1.1198
HK Dollar	9.3326	9.2293	8.8825	9.5142	8.5621	8.6788
Japanese Yen	130.4026	131.4300	121.8002	126.4900	119.0510	120.6600
UK Sterling	0.8654	0.8581	0.8888	0.8990	0.8766	0.9124
Swiss Franc	1.0968	1.0980	1.0708	1.0802	1.0637	1.0651
Vietnamese Dong	27,711	27,358	26,655	28,331	23,326	23,203

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.

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, 2021 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.

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 subsequently 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 February 2021, K-Way S.p.A. was incorporated and in April 2021, K-WayRetail S.r.l. was incorporated. 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 direct 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 Directors' Report.

5. OTHER INFORMATION

The subsequent events to the end of the year and the outlook for the current year are reported in the 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.

Grants obtained as part of the measures to contain the effects of Covid-19 in support of businesses were provided under provisions of a general nature and therefore do not fall within the scope of these regulations. The related effects are summarized in Note 7 below.

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 Company Limited (Vietnam) Ltd, Basic Trademark S.r.l, Jesus Jeans S.r.l., Fashion S.r.l., TOS S.r.l., BasicAir S.r.l. and the newly-incorporated K-Way S.p.A.;
- "Proprietary licensees", which involves the direct management of the sales channels, both in terms of sales to retailers and consumers, through the subsidiaries BasicRetail S.r.l., K-WayRetail S.r.l., BasicRetail SUISSE S.A. and the Kappa Europe Group;
- "Property", which includes the management of the Group's real estate properties.

The BasicNet Group launched a corporate reorganisation project, expected to conclude during the year, in order to concentrate in a single company all operations, both license management and of the direct sales channels, for the K-Way® brand: this operation shall facilitate a greater focus on the brand.

H1 2021	**Licenses and brands**	**Proprietary licensees**	**Property**	**Inter-segment eliminations**	**Consolidated**
Consolidated direct sales - third parties	550	102,082	-	-	102,632
Consolidated direct sales - inter-segment	*864*	*137*	-	*(1,001)*	-
(Cost of sales)	(1,627)	(59,380)	-	837	(60,170)
GROSS MARGIN	**(213)**	**42,838**	**-**	**(164)**	**42,462**
Royalties and sourcing commissions – third parties	25,845	2	-	-	25,847
Royalties and sourcing commissions – inter-segment	*8,860*	-	-	*(8,860)*	-
Other income - third parties	1,511	1,153	1,567	-	4,231
Other income – inter-segment	*313*	*7,662*	*420*	*(9,676)*	*(1,280)*
(Sponsorship and media costs)	(9,510)	(17,031)	-	7,669	(18,873)
(Personnel costs)	(5,549)	(8,921)	(21)	-	(14,490)
(Selling, general and administrative costs, royalties expenses – third parties)	(8,929)	(23,083)	(1,090)	9,751	(23,351)
Amortisation & depreciation	(2,172)	(4,193)	(856)	1,211	(6,010)
EBIT	**10,156**	**(1,573)**	**21**	**(69)**	**8,535**
Financial income	819	774	-	116	1,710
(Financial charges)	(1,012)	(1,782)	(70)	-	(2,865)
Share of profit/ (loss) of investments valued at equity	(3)	-	-	-	(3)
PROFIT/(LOSS) BEFORE TAXES	**9,960**	**(2,581)**	**(49)**	**48**	**7,377**
Income taxes	(3,002)	(218)	(19)	-	(3,239)
NET PROFIT/(LOSS)	**6,959**	**(2,799)**	**(69)**	**48**	**4,140**
Significant non-cash items:					
Income from right-of-use	-	545	-	-	545
Amortisation & depreciation	(2,172)	(4,193)	(856)	1,211	(6,010)
Write-downs	-	-	-	-	-
Total non-cash items	**(2,172)**	**(3,649)**	**(856)**	**1,211**	**(5,466)**
Segment assets and liabilities:					
Assets	**225,378**	**213,897**	**37,185**	**(158,240)**	**318,221**
Liabilities	**96,230**	**197375**	**27,134**	**(123,406)**	**197,333**

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**

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 34.7 million for H1 2021 compared to Euro 29.7 million in the previous year. EBIT was Euro 10.2 million, compared to Euro 4.5 million in H1 2020. The segment net profit totalled approx. Euro 7 million, compared to Euro 3.2 million in H1 2020.

- the "Proprietary Licensees" segment, comprising the subsidiaries BasicRetail S.r.l., K-WayRetail S.r.l., BasicRetail SUISSE S.A. and the Kappa Europe Group posted sales of Euro 102.2 million, compared with sales of Euro 86.4 million in the previous year. The contribution margin on sales was Euro 42.8 million, compared to Euro 33.9 million in 2020. The revenue margin was 46.9% (44.1% in 2020). The segment reports a loss of Euro 2.8 million, compared to a loss of Euro 8.7 million in the same period of the previous year;
- the "Property" segment reports a loss of Euro 69 thousand, compared to a loss of Euro 48 thousand in 2020.

7. COVID-19 EFFECTS

The figures and results commented on in these Explanatory Notes were significantly and extensively impacted by the effects of the pandemic during the year. Key extraordinary and non-recurring items associated with Covid-19 are summarized below:

- personnel costs benefitted from temporary lay-off contribution totalling Euro 1.6 million across the various countries in which the Group operates (Euro 2.7 million in the comparative period);
- overheads include non-recurring charges of Euro 43 thousand, of which Euro 31 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 2.6 million;
- other income includes the reversal of payables for rights-of-use following post-lockdown negotiations amounting to Euro 0.5 million, in application of the practical expedient as per Note 21 (not applicable in the comparable period due to the endorsement by the European Union subsequent to the publication of the half-year report);
- other income includes operating grants of Euro 60 thousand paid out to the Group's Swiss companies.

From a financial viewpoint, it should also be noted that during the period the Group obtained the deferral of instalments due in 2021 on medium/long-term loans totalling Euro 67 thousand.

8. CONSOLIDATED DIRECT SALES

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

	H1 2021	**H1 2020**
Italy	66,318	58,092
EU countries other than Italy	31,548	26,212
Rest of the World	4,766	2,461
Total consolidated direct sales	**102,632**	**86,765**

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 S.A.S. through both the wholesale and retail channels (Euro 102.1 million) and BasicNet S.p.A. for sample merchandise sales (Euro 0.5 million). Sales on the home market accounted for 64.6%, while approx. 30.7% of sales were in other EU countries, with the remaining approx. 4.6% outside the EU. The subsidiaries of Kappa Europe S.A.S. 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 2021	**H1 2020**
Multibrand sales	81,046	64,865
Franchising sales	16,105	15,703
Online sales	4,931	5,671
Sample sales	550	526
Total consolidated direct sales	**102,632**	**86,765**

9. COST OF SALES

	H1 2021	**H1 2020**
Goods purchased – Overseas	49,700	49,327
Freight charges and accessory purchasing cost	8,508	6,104
Cost of outsourced logistics	3,679	3,246
Goods purchased – Italy	3,017	1,396
Samples purchased	1,081	1,412
Packaging	407	365
Changes in inventory of raw materials, ancillary, consumables and goods	(7,423)	(9,659)
Others	1,201	784
Total cost of sales	**60,170**	**52,976**

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

10. 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.

	H1 2021	**H1 2020**
Europe (EU and non-EU)	10,931	9,354
The Americas	4,727	2,825
Asia and Oceania	7,946	8,736
Middle East, Africa	2,243	1,467
Total	**25,847**	**22,382**

11. OTHER INCOME

	H1 2021	H1 2020
Income for right-of-use	545	-
Income from promo sales	174	328
Rental income	192	270
Recovery of condominium expenses	51	58
Other income	1,989	1,228
Total other income	**2,951**	**1,884**

“Income for right-of-use" refers to income from the reversal of payables for right-of-use following the renegotiation of store lease instalments.

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.

12. SPONSORSHIP AND MEDIA COSTS

	H1 2021	H1 2020
Sponsorship and marketing	16,178	17,931
Advertising	2,107	1,629
Promotional expenses	587	353
Total sponsorship and media costs	**18,873**	**19,913**

The account “sponsorship” refers to communication investments incurred directly to which the Group contributes, described in detail in the Directors’ Report. The decrease in the period is mainly attributable to the renegotiation of technical sponsorship contracts for the 2020/2021 sports season.

“Advertising” refers to billboard advertising and press communication campaigns.

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

13. PERSONNEL COSTS

	H1 2021	H1 2020
Wages and salaries	10,426	10,179
Social security charges	3,440	3,269
Post-employment benefits	624	570
Total	**14,490**	**14,018**

The average number of employees in 2021 was 806.

14. SELLING, GENERAL AND ADMINISTRATIVE COSTS AND ROYALTIES EXPENSES

	H1 2021	H1 2020
Selling and royalty service expenses	6,977	6,296
Rental, accessory and utility expenses	3,772	3,540
Commercial expenses	3,068	3,553
Directors and Statutory Auditors emoluments	2,502	2,359
Doubtful debt provision	1,331	1,490
Professional consultants	2,053	1,939
Bank charges	605	651
Other general expenses	3,043	3,526
Total selling, general and administrative costs, and royalties expenses	**23,351**	**23,353**

“Selling and royalty service expenses" mainly includes commissions to agents and transport costs to customers; the item also includes royalties on sports team merchandising contracts and co-branding operations.

“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 2021 section, to which reference should be made.

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

15. AMORTISATION & DEPRECIATION

	H1 2021	H1 2020
Amortisation	1,304	1,471
Rights-of-use	2,695	2,505
Depreciation	2,012	1,765
Total amortisation & depreciation	**6,010**	**5,742**

Amortisation of intangible assets includes Euro 33 thousand of key-money write-down relating to some sales points 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 depreciation of right-of-use assets, essentially relating to the lease contracts for the Group’s stores, has been reclassified from the account “Rental" included under general expenses on the adoption of IFRS 16.

16. NET FINANCIAL INCOME/(CHARGES)

	H1 2021	H1 2020
Interest income	3	39
Bank interest charges	(45)	(109)
Interest on medium/long term loans	(346)	(252)
Property lease interest	(5)	(6)
Interest IFRS 16	(138)	(61)
Others	(313)	(277)
Total financial income and charges	***(844)***	***(665)***
Exchange gains	1,521	1,649
Exchange losses	(1,832)	(960)
Net exchange gains/(losses)	***(311)***	***688***
Total financial income/(charges)	**(1,155)**	**23**

Net currency losses amounted to Euro 311 thousand, against gains of Euro 688 thousand in the previous year, as a result of US Dollar movements; net financial charges servicing the debt amounted to Euro 844 thousand compared to Euro 665 thousand in the previous year.

“Others" includes approximately Euro 138 thousand financial discounts and rebates mainly on the French and English markets.

17. MANAGEMENT OF EQUITY INVESTMENTS

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

18. INCOME TAXES

The account balance refers to a net tax charge of Euro 3.2 million. This consists of:

- current income taxes of Euro 2.7 million, primarily Euro 0.7 million of IRAP (regional business tax), Euro 1.7 million of IRES (corporate income tax) and Euro 0.3 million of income taxes of the foreign subsidiaries;
- the assessment of deferred tax assets and the release of deferred tax liabilities totalling Euro 0.7 million;
- implementation of the benefits arising from the application of the "Patent Box" regulations (Euro 0.5 million);
- the declaration of other minor taxes for Euro 0.3 million.

The tax rate for the period is affected by the non-recognition of deferred tax assets on the loss for the period of the French subsidiaries.

19. EARNINGS PER SHARE

The basic earnings per share, for H1 2021, 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 2021**	**H1 2020**
Net profit attributable to owners of the Parent	4,139,802	(5,521,560)
Weighted average number of ordinary shares	52,353,767	53,130,347
Basic earnings per ordinary share	0.0791	(0.1039)

At June 30, 2021 there were no "potentially diluting" shares outstanding, therefore the diluted earnings per shares coincide with the earnings per share.

The change in the weighted average number of ordinary shares outstanding between 2021 and 2020 relates to the number of treasury shares acquired in the year.

EXPLANATORY NOTES TO THE BALANCE SHEET

(IN EURO THOUSANDS UNLESS OTHERWISE STATED)

ASSETS

20. INTANGIBLE ASSETS

	June 30, 2021	December 31, 2020	June 30, 2020
Concessions, brands and similar rights	59,286	59,159	47,029
Software development	4,245	4,052	4,169
Other intangible assets	1,764	1,971	2,108
Industrial patents	175	198	154
Total intangible assets	**65,470**	**65,380**	**53,460**

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	**71,252**	**47,669**	**11,119**	**887**	**130,926**
Investments	*240*	*1,065*	*48*	*3*	*1,356*
Disposals and other changes	-	-	-	-	-
Write-downs	-	-	-	-	-
Historic cost At 30.06.2021	**71,492**	**48,733**	**11,167**	**890**	**132,282**

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	**(12,093)**	**(43,616)**	**(9,148)**	**(688)**	**(65,545)**
Amortisation	*(113)*	*(872)*	*(255)*	*(26)*	*(1,266)*
Disposals and other changes	-	-	-	-	-
Write-downs	-	-	-	-	-
Acc. Amort. At 30.06.2021	**(12,206)**	**(44,488)**	**(9,403)**	**(715)**	**(66,812)**

The net book value of intangible assets is reported below:

	Concessions, brands & similar rights	Software development	Other intangible assets	Industrial patents	Total
Opening net book value at 1.1.2020	**59,159**	**4,052**	**1,971**	**198**	**65,381**
Investments	*240*	*1,065*	*48*	*3*	*1,356*
Disposals and other changes	-	-	-	-	-
Amortisation	*(113)*	*(872)*	*(255)*	*(26)*	*(1,266)*
Write-downs	-	-	-	-	-
Closing net book value at 30.06.2021	**59,286**	**4,245**	**1,764**	**175**	**65,470**

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

At June 30, 2021, the Kappa and Robe di Kappa brands report a book value of Euro 15.2 million, with the Superga brand reporting a book value of Euro 21.2 million; the K-Way brand was valued at Euro 9.4 million, the Sebago brand at Euro 12.1 million and the Briko brand at Euro 0.9 million. The Kappa, Robe di Kappa, Superga, K-Way, Briko and Sebago brands are considered intangible assets with indefinite useful life and as such are subject to an impairment test at least annually.

The book value of the Sabelt brand, for which the Group is worldwide licensee for the "fashion" classes, held through the two joint ventures, reflects the value of the investment.

At June 30, in application of the provisions of IAS 36 on at least annual impairment testing and in view of the fact that the profitability forecasts drawn up in the financial statements at December 31, 2020 for all the CGU's, in addition to the improved outlook for the remaining period of the plan, were exceeded during the first half of the year, the Group deemed that there were no indicators of any impairment losses.

For the purposes of the impairment test of the BasicNet Group at consolidated level, the CGU's were identified as the brands of the company.

The account "software development" increased approx. Euro 1.1 million for investments and decreased Euro 0.9 million for amortisation in the period.

The account "other intangible assets" principally includes improvements related to the franchising project and recorded investments of Euro 48 thousand and amortisation in the period of Euro 255 thousand.

21. 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").

The Group has applied the practical expenditures provided for lease reductions granted by landlords that are a direct result of the Covid-19 outbreak.

	June 30, 2021	December 31, 2020	June 30, 2020
Rights-of-use	21,781	22,082	18,595
Total right-of-use	**21,781**	**22,082**	**18,595**

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

	June 30, 2021	June 30, 2020
Historic cost at 01.01	**46,061**	**39,330**
Investments	*2,410*	*4,163*
Disposals and other changes	*(8,012)*	*(1,786)*
Covid-19 concessions	-	*(602)*
Historic cost at 30.06	**40,459**	**41,106**

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

	June 30, 2021	June 30, 2020
Acc. Deprec. at 01.01	**(23,979)**	**(21,264)**
Depreciation	*(2,695)*	*(2,505)*
Disposals and other changes	*7,995*	*1,258*
Acc. Deprec. at 30.06.	**(18,678)**	**(22,511)**

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

	June 30, 2021	June 30, 2020
Net book value at 01.01	**22,082**	**18,066**
Investments	2,410	4,163
Disposals and other changes	(16)	(528)
Depreciation	(2,695)	(2,505)
Covid-19 concessions	-	(602)
Net book value at 30.06	**21,781**	**18,595**

22. GOODWILL

	June 30, 2021	December 31, 2020	June 30, 2020
Goodwill	11,873	11,907	12,141
Goodwill	**11,873**	**11,907**	**12,141**

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 33 thousand).

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 20 on the checks carried out as at June 30, 2021.

23. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2021	December 31, 2020	June 30, 2020
Property	32,787	33,420	34,158
Furniture and other assets	10,611	9,569	8,327
Plant and machinery	804	789	686
EDP	1,792	1,690	1,714
Industrial and commercial equipment	190	222	242
Total property, plant and equipment	**46,184**	**45,690**	**45,127**

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 01.01.2020	**51,328**	**25,235**	**2,916**	**16,471**	**1,251**	**97,200**
Investments	*79*	*1,768*	*152*	*516*	*6*	*2,521*
Disposals and other changes	-	*(44)*	-	*(60)*	-	*(104)*
Change in consolidation scope	-	-	-	-	-	-
Historic cost At 30.06.2021	**51,407**	**26,958**	**3,068**	**16,926**	**1,257**	**99,617**

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 01.01.2020	**(17,907)**	**(15,666)**	**(2,127)**	**(14,780)**	**(1,030)**	**(51,509)**
Depreciation	*(713)*	*(720)*	*(139)*	*(408)*	*(36)*	*(2,015)*
Disposals and other changes	-	*37*	*1*	*53*	*(1)*	*91*
Acc. Deprec. At 30.06.2021	**(18,620)**	**(16,348)**	**(2,265)**	**(15,134)**	**(1,066)**	**(53,433)**

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 01.01.2021	**33,420**	**9,569**	**789**	**1,690**	**222**	**45,691**
Investments	*79*	*1,768*	*152*	*516*	*6*	*2,521*
Depreciation	*(713)*	*(720)*	*(139)*	*(408)*	*(36)*	*(2,015)*
Disposals and other changes	-	*(7)*	*1*	*(7)*	*(1)*	*(14)*
Change in consolidation scope	-	-	-	-	-	-
Closing net book value at 30.06.2021	**32,787**	**10,611**	**804**	**1,792**	**190**	**46,184**

"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 complex in Via dell'Aprica, 12 in Milan. Renovation work on the new BasicVillage in Milan continued during the period, resulting in the capitalisation of costs incurred totalling Euro 1.2 million.

Total additional 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.

24. EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS

	June 30, 2021	December 31, 2020	June 30, 2020
Other receivables, guarantees	755	765	1,048
Total investments & other financial assets	**755**	**765**	**1,048**

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

25. INVESTMENTS IN JOINT VENTURES

	June 30, 2021	December 31, 2020	June 30, 2020
Investments in:			
- Joint ventures	188	192	204
Total investments in joint ventures	**188**	**192**	**204**

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

26. DEFERRED TAX ASSETS

	June 30, 2021	December 31, 2020	June 30, 2020
Deferred tax assets	2,309	3,419	2,048
Total deferred tax assets	**2,309**	**3,419**	**2,048**

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, 2021			December 31, 2020			
	Amount of temporary differences	**Rate % (*)**	**Tax effect**	Amount of temporary differences	**Rate % (*)**	**Tax effect**	**Changes 2021/2020**
Deferred tax assets:							
- Excess doubtful debt provision not deductible	(12,277)	24.02%	(2,949)	(12,327)	24.01%	(2,960)	11
- Inventory obsolescence provision	(4,752)	24.70%	(1,174)	(4,559)	24.44%	(1,114)	(60)
- Prudent exchange differences, net	-	-	-	(941)	24.00%	(226)	226
- Misc. charges temporarily non-deductible	(2,913)	27.88%	(812)	(3,256)	27.61%	(899)	87
- Effect IAS 19 – Employee Benefits	(584)	24.56%	(143)	(574)	24.57%	(141)	(2)
- Effect IFRS 16 - lease payables	(968)	27.93%	(270)	(1,075)	27.92%	(300)	30
- Effect IFRS 9 – fin. instruments	(179)	20.80%	(37)	(2,240)	24.00%	(553)	516
Total	**(21,672)**		**(5,385)**	**(24,972)**		**(6,193)**	**808**
Deferred tax liabilities:							
- Dividends not received	-	-	-	-	-	-	-
- Prudent exchange differences, net	276	24.00%	66	-	-	-	66
- Amortisation/Depreciation tax basis	3,439	28.50%	980	1,215	28.44%	346	635
- Statutory-tax difference on amortisation, depreciation, and valuations	14,573	27.90%	4,066	14,774	28.06%	4,145	79
- Effect IAS 38 – plant costs	18	27.90%	5	17	27.90%	5	-
- Effect IFRS 9 – fin. instruments	-	-	-	-	-	-	-
- Effect IFRS 3 – goodwill amort.	2,268	27.94%	634	2,105	27.95%	588	46
Total	**20,574**		**5,751**	**18,111**		**5,084**	**667**
Losses carried forward	(8,961)	25.77%	(2,309)	(8,961)	25.77%	(2,309)	-
Net deferred tax liabilities	**(1,098)**		**366**	(6,861)		(1,109)	**1,475**
				8,961		2,309	
Deferred tax assets as per financial statements	**(8,961)**		**(2,309)**	**(8,961)**		**(2,309)**	**-**
Deferred tax liabilities (assets) as per financial statements	**(10,059)**		**(1,943)**	**(15,822)**		**(3,418)**	**1,475**

(*) 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 3 million), non-deductible inventory obsolescence provisions (approx. Euro 1.2 million), temporarily non-deductible charges (Euro 0.8 million) and the effects deriving from the application of IFRS 16 (Euro 0.3 million), in addition to Euro 2.3 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 1 million), differences between statutory and fiscal amortisation (Euro 4 million) and goodwill amortisation fiscally deductible (Euro 0.6 million).

27. NET INVENTORIES

	June 30, 2021	December 31, 2020	June 30, 2020
Raw materials, ancillaries and consumables	90	90	75
Finished products and goods	75,140	67,194	82,827
Inventory obsolescence provision	(5,613)	(5,090)	(6,485)
Total net inventories	**69,617**	**62,194**	**76,417**

Finished inventories include goods in transit at the balance sheet date which at June 30, 2021 amount to approx. Euro 5.8 million, compared to Euro 3.2 million at December 31, 2020, goods held at Group brand stores for Euro 7.3 million, compared to Euro 8.2 million at December 31, 2020 and goods to be shipped against orders, to be delivered at the beginning of the following period, for approx. Euro 7 million compared to Euro 6.9 million at December 31, 2020.

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, 2021	June 30, 2020
Inventory obsolescence provision at 01.01	**5,091**	**5,293**
Provisions in the year	1,191	2,254
Utilisations	(669)	(1,062)
Inventory obsolescence provision at 30.06	**5,613**	**6,485**

28. TRADE RECEIVABLES

	June 30, 2021	December 31, 2020	June 30, 2020
Gross value	68,188	68,977	71,851
Doubtful debt provision	(16,207)	(15,927)	(10,701)
Total trade receivables	**51,981**	**53,050**	**61,150**

"Trade receivables" refer for Euro 45.1 million to goods sold by proprietary licensees compared to Euro 47.5 million at December 31, 2020 against which a doubtful debt provision was recorded of Euro 8.3 million (Euro 8.6 million at December 31, 2020) and for Euro 22.8 million to royalties and sourcing commissions (Euro 21.3 million at December 31, 2020) against which a doubtful debt provision was recorded of Euro 7.9 million (Euro 7.3 million at December 31, 2020).

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, 2021	June 30, 2020
Doubtful debt provision at 01.01	**15,927**	**9,705**
Provisions in the year	1,331	1,490
Utilisations	(1,051)	(494)
Doubtful debt provision at 30.06	**16,207**	**10,701**

The utilisations of the provision are related to the write off of long outstanding amounts and are made when the legal documentation of the loss has been received. Provisions are made based on an examination of individual credit positions and the calculation of expected losses based on statistical and parametric elements. Overdue receivables not written down are normally recovered in the period immediately after the maturity date and in any case are subject to specific risk evaluations.

29. OTHER CURRENT ASSETS

	June 30, 2021	December 31, 2020	June 30, 2020
Tax receivables	9,851	7,520	11,545
Other receivables	3,562	2,743	2,410
Total other current assets	**13,413**	**10,263**	**13,955**

Current "tax receivables" principally relate to withholding taxes on royalties for Euro 6.0 million, VAT receivables for Euro 2.8 million, IRES and IRAP receivables of Euro 0.2 million, in addition to minor amounts.

"Other receivables" mainly includes advances to suppliers and sundry receivables. The account also includes the premium paid to the insurance company against Directors Termination Indemnities, to be paid to the Chairman of the Board of Directors, as approved by the Board of Directors on April 19, 2019, on the indication of the Shareholders' AGM and the proposal of the Remuneration Committee and with the favourable opinion of the Board of Statutory Auditors, on conclusion of his role for Euro 1 million.

30. PREPAYMENTS

	June 30, 2021	December 31, 2020	June 30, 2020
Expenses pertaining to future collections	4,617	4,663	4,518
Sponsorship and media	3,099	6,128	3,673
Others	3,430	2,642	1,891
Total prepayments	**11,146**	**13,433**	**10,082**

The "expenses pertaining to future collections" include the creative personnel costs, samples, merchandising costs and sales catalogues, relating to new Collections to be brought to the market, as well as presentations costs for the relative sales meetings.

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.

31. CASH AND CASH EQUIVALENTS

	June 30, 2021	December 31, 2020	June 30, 2020
Bank and postal deposits	22,202	33,565	19,746
Cash in hand and similar	83	87	180
Total cash and cash equivalents	**22,285**	**33,652**	**19,926**

"Bank deposits" refer to temporary current account balances principally due to receipts from clients. In particular, they are held at: BasicItalia S.p.A. (Euro 11.5 million), companies of the Kappa Europe Group (Euro 4.8 million), BasicRetail S.r.l. (Euro 0.8 million), BasicNet S.p.A. (Euro 3.1 million), Basic Properties America Inc. (Euro 1 million) and, for the difference, the other Group companies (Euro 1 million).

32. FINANCIAL HEDGE INSTRUMENTS

	June 30, 2020	December 31, 2020	June 30, 2020
Derivative financial instruments	1,217	-	257
Total	**1,217**	**-**	**257**

This item includes the adjustment to the market value at June 30, 2021 of the instruments to hedge the risk of US Dollar fluctuations (Note 46).

SHAREHOLDERS' EQUITY AND LIABILITIES

33. SHAREHOLDERS' EQUITY

	June 30, 2021	December 31, 2020	June 30, 2020
Share capital	31,717	31,717	31,717
Treasury shares	(26,298)	(24,679)	(22,225)
Other reserves	111,330	103,658	105,721
Net profit/(loss)	4,140	8,581	(5,522)
Total Shareholders' Equity	**120,889**	**119,277**	**109,691**

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 April, as approved by the Shareholders' AGM of BasicNet S.p.A. of April 8, 2021, in relation to the allocation of the 2020 net profit, a dividend of Euro 0.06 per share was distributed to each of the ordinary shares in circulation, for a total pay-out of approx. Euro 3.1 million.

During the first half of the year, 362,040 treasury shares were acquired in accordance with Shareholders' Meeting motions, which together with the 8,500,000 shares held at the end of the previous year, totalled 8,862,040 at June 30, 2021 (14.529% 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, 2021	June 30, 2020	Changes
Effective part of the Gains/(losses) on cash flow instruments generated in the period (currency hedges)	1,367	(192)	1,558
Effective part of the Gains/(losses) on cash flow instruments generated in the period (interest rate hedges)	1,331	63	1,268
Effective part of the Gains/losses on cash flow hedge instruments	***2,697***	***(128)***	***2,826***
Re-measurement of defined benefit plans (IAS 19)	3	(82)	85
Gains/(losses) from translation of accounts of foreign subsidiaries	207	6	201
Tax effect relating to the Other items of the comprehensive income statement	(669)	51	(721)
Total other gains/(losses), net of tax effect	**2,238**	**(153)**	**2,391**

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

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

	June 30, 2021			June 30, 2020		
	Gross value	Tax Charge/ Benefit	Net value	Gross value	Tax Charge/ Benefit	Net value
Effective part of Gains/losses on cash flow hedge instruments	2,697	(668)	2,029	(128)	32	(96)
Gains/losses for re-measurement of defined benefit plans (IAS 19)	3	(1)	2	(82)	19	(62)
Gains/(losses) from translation of accounts of foreign subsidiaries	208	-	-	6	-	6
Total other gains/(losses), net of tax effect	**2,909**	**(669)**	**2,239**	**(204)**	**51**	**(153)**

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

34. PROVISIONS FOR RISKS AND CHARGES

	June 30, 2021	December 31, 2020	June 30, 2020
Provisions for risks and charges	184	229	275
Total provisions for risks and charges	**184**	**229**	**275**

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 S.A.S. Group.

35. LOANS

The changes in the loans during the year are shown below:

	31/12/2020	Repayments	Hires	30/06/2021	Short-term portion	Medium/long-term portion
Unicredit property loan (Basic Village	2,100	(600)	-	1,500	1,200	300
Intesa mortgage loan (Cebrosa)	1,323	(203)	-	1,119	407	713
BNL loan	3,125	(625)	-	2,500	1,250	1,250
MPS loan (Sebago)	11,375	(1,625)	-	9,750	3,250	6,500
Banco BPM loan	505	(252)	-	252	252	-
Banco BPM Unsecured Loan (Kappa Japan brand)	6,000	-	-	6,000	-	6,000
Funding FCG L.662/96 (BasicNet)	5,500	-	-	5,500	-	5,500
Funding FCG L.662/96 (BasicItalia)	5,500	-	-	5,500	-	5,500
Financing FCG L.662/96 BasicRetail	5,500	-	-	5,500	825	4,675
Financing FCG L.662/96 (Kappa Japan brand)	5,500	-	-	5,500	-	5,500
KFF "Bank syndicate" loan	-	-	-	-	-	-
BPI KFF loan	225	(113)	-	113	113	-
BPI KE loan	1,667	(167)	-	1,500	333	1,168
UBS “Covid-19" subsidised loan	289	-	-	289	-	289
Abanca “Covid-19" subsidised loan	200	-	-	200	49	151
KSI “Covid-19" subsidised loan	420	-	-	420	23	397
Santander KSI loans	43	(13)	-	30	26	4
Banco Popular loan	50	(50)	-	-	-	-
Intesa KFF loan	2,800	(400)	-	2,400	800	1,600
Balance	**52,121**	**(4,048)**	**-**	**48,074**	**8,528**	**39,548**

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

	June 30, 2021	December 31, 2020	June 30, 2020
Medium/long term loans:			
- due within 5 years	37,521	38,321	19,156
- due beyond 5 years	2,025	5,388	-
Total medium/long-term loans	***39,546***	***43,709***	***19,156***
Leasing payables	624	678	490
Total leasing payables (maturity within 5 years)	***624***	***678***	***490***
Total loans	**40,170**	**44,387**	**19,645**

There were no changes with regards to the composition of medium/long-term loans compared to that outlined in the Consolidated financial statements at December 31, 2020, to which reference should be made to in full.
During the first half of the year, the Group made all capital repayments falling due.

At June 30, 2021 the credit lines available from the banking system (bank overdrafts, commercial advances, medium/long-term loans, import financing, leasing and letters of credit), amounted to Euro 308 million, broken down as follows:

(in Euro millions)	**June 30, 2021**	**December 31, 2020**	**June 30, 2020**
Cash facility	232.0	229.5	207.3
Factoring	-	-	14.2
Letters of credit and swaps	20.5	20.5	29.9
Medium/long term loans	55.4	64.5	29.1
Property leases	-	-	1.0
Total	**308.0**	**314.5**	**281.5**

The average interest paid for the BasicNet Group in the year is reported in Note 36.

36. BANK PAYABLES

	June 30, 2021	**December 31, 2020**	**June 30, 2020**
Bank payables due within one year:			
- short-term portion of medium/long-term loans	8,528	8,412	7,972
- bank overdrafts and bills	12,735	19,929	26,314
- import advances	22,197	19,989	24,384
Total bank payables	**43,460**	**48,330**	**58,670**

The portion of medium/long-term loans due within one year is included under short-term bank debt as described in Note 35.

The changes in the financial position are commented upon in the Directors' Report. Interest due matured at the end of the year on short and medium/long-term loans is reported in the account "bank payables".

Cash advances refer to temporary utilisation by the Parent Company BasicNet S.p.A., for Group treasury needs.

The financial debt by interest rate at June 30, 2021 is as follows:

	Interest Rate		
	Fixed	**Variable**	**Total**
Short-term	13,243	30,216	43,459
Medium/long term	13,310	26,860	40,171
Total	**26,553**	**57,076**	**83,630**

The average interest rate on medium/long term loans was 1.34%.

37. PAYABLES FOR RIGHT-OF-USE

	June 30, 2021	December 31, 2020	June 30, 2020
Payables for rights-of-use	22,782	23,097	20,360
Total payables for right-of-use	**22,782**	**23,097**	**20,360**

Payables for right-of-use are recognised from 2020 in accordance with IFRS 16. In the current year, new contracts worth Euro 2.5 million have been signed, and payables for Euro 2.1 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.

38. OTHER FINANCIAL PAYABLES

	June 30, 2021	December 31, 2020	June 30, 2020
Other financial payables	-	-	2,839
Total other financial payables	**-**	**-**	**2,839**

This item represented the fair value of the put/call cross-option on the remaining 39% of the shares in Kappa Europe S.A.S. (9,463 shares) held by third parties: the related balance was entirely eliminated following the purchase of the shares in September 2020.

39. EMPLOYEE AND DIRECTOR BENEFITS

The account includes the post-employment benefits for employees of Euro 3.3 million and the termination indemnities of Directors of Euro 1.1 million.

40. DEFERRED TAX LIABILITIES

	June 30, 2021	December 31, 2020	June 30, 2020
Deferred tax liabilities	366	-	5,140
Total deferred tax liabilities	**366**	**-**	**5,140**

Reference should be made to the comment at Note 26 of the present Notes.

41. OTHER NON-CURRENT LIABILITIES

	June 30, 2021	December 31, 2020	June 30, 2020
Guarantee deposits	1,228	1,103	1,255
Medium/long term tax payables	268	278	467
Total other non-current liabilities	**1,496**	**1,381**	**1,722**

“Guarantee deposits" include guarantees received from licensees to cover minimum contractual royalties due; the "medium/long-term tax payables", amounting to Euro 0.3 million, refers to the agreement signed with the Tax Authorities in 2019, in connection with a tax audit of Group companies.

42. TRADE PAYABLES

“Trade payables” are payable in the short-term and decreased by approx. Euro 3 million compared to June 30, 2020. At the preparation 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.

43. TAX PAYABLES

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

	June 30, 2021	December 31, 2020	June 30, 2020
Tax payables:			
IRES	5,185	2,862	5,135
Employee contributions	632	440	773
Group VAT	3,207	1,480	4,199
Others	621	1,023	574
Total tax payables	**9,645**	**5,805**	**10,680**

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.

During the first half of the year, the first instalment of the substitute tax due for the realignment of the fiscal value of brands pursuant to Legislative Decree No. 104/2020 was paid.

Please refer to Note 25 for comments on non-current tax payables.

44. OTHER CURRENT LIABILITIES

	June 30, 2021	December 31, 2020	June 30, 2020
Accrued expenses	23	744	27
Payables to employees and directors	6,961	4,332	4,752
Shareholder dividend account	3	-	6,376
Other payables	5,521	6,944	7,049
Total other current liabilities	**12,508**	**12,020**	**18,204**

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, 2021 principally include social security charges (Euro 2.4 million), royalty payments on account from licensees (Euro 200 thousand) and other miscellaneous amounts (Euro 2.9 million, including the entire amount subject to revocation under the Giacomelli Procedure).

45. DEFERRED INCOME

	June 30, 2021	December 31, 2020	June 30, 2020
Royalties for period/ subsequent period	-	-	1,705
Sponsored goods revenues	3,410	4,418	91
Other deferred income	823	856	1,232
Total deferred income	**4,233**	**5,274**	**3,028**

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.

46. DERIVATIVE FINANCIAL INSTRUMENTS

	June 30, 2021	December 31, 2020	June 30, 2020
Derivative financial instruments	760	2,240	268
Total	**760**	**2,240**	**268**

This includes:

- the market value at June 30, 2021 of the currency hedge instruments on US Dollars (cash flow hedge), subscribed with primary credit institutions; the instrument utilised, called flexi term, operates in the form of forward currency purchases on a portion of the estimated currency needs for the purchase of goods on foreign markets, to be made in 2021 and 2022, on the basis of the goods orders already sent to suppliers, or still to be made but included in the budget. At June 30, 2021, commitments were in place on estimated future purchases, for USD 75.7 million, broken down into 17 transactions with differing maturities: 8 transactions in the second half of 2021 (for USD 33.1

million), 6 transactions in the second half of 2022 (for USD 27.6 million) and 3 transactions beyond H2 2022 (for USD 15 million), at fixed exchange rates between USD/Euro 1.13 and USD/Euro 1.2380. A negative equity reserve was recorded of Euro 2.028 million, net of the tax effect. During 2021, forward purchase operations were utilised for approx. USD 17.5 million and the relative effects were recognised to the income statement.

In the case of the Interest Rate Swap (IRS) agreed by the Group, the specific hedge of the variable cash flow realised at market conditions, through the signing of the fix/flo IRS perfectly hedges the item to which the original cash flows stem, as in this case, and continues to be considered effective.

- the adjustment to the market value of transactions to hedge the risk of fluctuations in interest rates on certain medium-term loans (Note 35) entered into with leading financial counterparties. A negative equity reserve was recorded, net of the tax effect.

47. GUARANTEES GIVEN/COMMITMENTS

With reference to the guarantees and commitments of the Group with third parties reference should be made to Note 35.

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, 2021, the bank deposits of BasicItalia were restricted for Euro 16 thousand; guarantees were also provided on leasing amounting to Euro 624 thousand.

In accordance with that outlined above guarantees were granted of Euro 581 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 25.5 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.

48. OPERATIONS UNDER COMMON CONTROL

K-Way

During the first half of the year, the Group launched the reorganisation of activities related to the K-Way brand. In particular, the project involved:

- in February, the incorporation of K-Way S.p.A., with registered office in Milan, wholly-owned by BasicNet S.p.A.
- in April, the incorporation of K-Way Retail S.r.l., with registered office in Turin, wholly-owned by BasicItalia S.p.A.

- with effects from July 1, the contribution by BasicNet S.p.A. to K-Way S.p.A. of the business unit engaged in the management and exploitation of the brand of the same name, including, among others, the brand, the domains, the models and all know-how, the related commercial and production license contracts, the moulds, the sample inventory and the personnel directly employed in operations;
- with effects from July 1, the partial proportional spin-off from BasicRetail S.r.l. in favour of the beneficiary K-WayRetail S.r.l. of the business unit involved in the direct management of the brand shops, including, among others, the relative commercial lease contracts, the respective leasehold improvements, furniture, plants and EDP, the sales personnel, in addition to various commercial and financial items;
- with effect from July 1, the renaming of BasicRetail Suisse S.A. as K-WayRetail Suisse S.A.

The competent corporate boards also approved an additional transaction, which stipulates:

- from November 1, the partial proportional spin-off from BasicItalia S.p.A. in favour of the beneficiary K-Way S.p.A. of the business unit engaged in the sale of K-Way brand products, including, among others, the distribution license for Italy and other European markets, of the inventory, of the investments in K-WayRetail S.r.l. and K-WayRetail Suisse S.A., of all contractual relationships with the Italian franchisees and agents, the sales personnel and operating marketing staff, in addition to the various commercial and financial accounting items.

Upon conclusion of the transaction, expected by year-end, K-Way S.p.A. shall concentrate directly and through its wholly-owned subsidiaries all K-Way brand activities. The Group considers that this concentration, which does not entail any change in the Group's ownership structure or equity structure, is designed to enable a better focus on the brand, guaranteeing maximum development over the coming years.

For the purposes of this Half-Year Financial Report, as well as for all future Group financial statements, all the effects of the transaction are subject to elimination upon consolidation.

49. CLASSIFICATION OF THE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The principal risks and uncertainties of the Group activities are described in the 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: Income Statement	Financial instruments at fair value recorded through: Shareholders' Equity	Financial instruments at amortised cost	Non-listed investments valued at cost	Book value at June 30, 2021
Assets:					
Equity invest. & other financial assets	-	-	-	755	**755**
Interests in joint ventures	-	-	-	188	**188**
Cash and cash equivalents	-	-	22,285	-	**22,285**
Trade receivables	-	-	51,981	-	**51,981**
Other current assets	-	-	13,413	-	**13,413**
Derivative financial instruments	-	1,217	-	-	**1,217**
Liabilities:					
Medium/long-term loans	-	-	40,170	-	**40,170**
Bank payables	-	-	43,460	-	**43,460**
Trade payables	-	-	57,413	-	**57,413**
Other current liabilities	-	-	12,508	-	**12,508**
Derivative financial instruments	-	760	-	-	**760**

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").*

<u>Price risk</u>

The Group is exposed to the risk of fluctuations of commodity prices relating to raw materials (wool, cotton, rubber, synthetic fibre etc.) incorporated in the finished products which BasicItalia S.p.A. acquires on international markets, as well as fluctuations in the cost of oil which influences transport costs.

The Group does not hedge these risks as not directly dealing with raw materials but only finished products and is exposed for the part of the increase which cannot be transferred to the final consumer if the market and competitive conditions do not permit such.

Currency risk

The BasicNet Group has subscribed the majority of its financial instruments in Euro which corresponds to its functional and presentation currency. Operating on the international market the group is also exposed to fluctuations in exchange rates, principally the US Dollar against the Euro.

At June 30, 2021, unrealised exchange gains were recorded of Euro 388 thousand, while unrealised exchange losses were recorded of Euro 77 thousand, for a net exchange loss of Euro 311 thousand.

At the reporting date, there were 17 hedge transactions on US Dollar fluctuations, totalling USD 75,7 million; the relative effects are illustrated in the account “Derivative financial instruments”, in Note 46.

Group Management considers that the management and containment polices 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, 2021 is shown below:

	June 30, 2021	**%**	**June 30, 2020**	**%**
Fixed rate	26,553	31.8%	30,034	38.4%
Variable rate	57,077	68.2%	48,281	61.6%
Gross debt	**83,630**	**100.0%**	**78,315**	**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 46. On the remaining part of the debt, the Group is exposed to fluctuation risks.

Where at June 30, 2021 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 +183 thousand and Euro -183 thousand.

Credit risk

The doubtful debt provision (Note 28) which includes provisions against specific credit positions and a general provision on an historical analysis of receivables, represents approx. 23.8% of trade receivables at June 30, 2021.

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 36).

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
Unicredit BasicVillage Turin mortgage	1,500	11	1,511	1,210	301	-
Intesa mortgage loan (Cebrosa)	1,120	42	1,161	429	732	-
BNL loan	2,500	9	2,509	1,256	1,253	-
Banco BPM loan	252	1	253	253	-	-
MPS (TOS) loan	9,750	186	9,936	3,350	6,586	-
Banco BPM unsecured loan Kappa Japan brand	6,000	243	6,243	72	5,795	376
FGC 662/96 loan BasicRetail	5,500	152	5,652	876	4,501	276
Banco BPM loan Kappa Japan brand	5,500	212	5,712	59	4,964	690
FGC 662/96 loan BasicNet	5,500	183	5,683	44	5,295	345
FGC 662/96 loan BasicItalia	5,500	198	5,698	59	5,295	345
BPI KFF loan	113	2	114	114	-	-
BPI KE loan	1,500	134	1,634	385	1,249	-
Subsidised loan “Covid 19” UBS	289	-	289	-	289	-
Subsidised loan "Covid 19" Abanca	200	8	208	52	156	-
Subsidised loan "Covid 19" KSI	420	24	444	33	412	-
Santander KSI loan	30	-	31	26	4	-
Popular loan	-	-	-	-	-	-
Intesa loan	2,400	70	2,470	836	1,633	-
Lease payables	624	16	640	315	324	-
Rights-of-use	22,782	1,080	23,861	5,712	15,991	2,158
Total financial liabilities	**71,479**	**2,571**	**74,050**	**15,081**	**54,780**	**4,190**

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.

50. 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 S.A.S. and, as subsidiaries, Kappa France S.A.S., SFD France S.A.S.U. and Sport Fashion Retail S.A.R.L. are part of the French tax consolidation regime pursuant to Articles 223-A/223-U of the General Tax Code (CGI).

The transactions with related parties for the period ended June 30, 2021 are reported below:

	Equity Investments	Trade receivables	Trade Payables	Other Income	Costs
Interests in joint ventures:					
- Fashion S.r.l.	189	-	-	-	-
Remuneration of Boards and Senior Executives and other related parties	-	-	-	-	3,806

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. 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.

51. SUBSEQUENT EVENTS

They are described in the Directors' Report.

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

Pursuant to Consob Communication DEM/6064293 of July 28, 2006, we report that there were no non-recurring significant operations during the year.

53. 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.

Giacomelli Procedure

In May, the Supreme Court of Cassation filed its judgement of inadmissibility of the appeal lodged by BasicItalia S.p.A. against the decision of the Bologna Court of Appeal ordering the revocation of payments made by Giacomelli Sport S.p.A. for a total of Euro 1.6 million.

The Group, whilst firmly convinced of its good faith and the correctness of its actions, as, moreover, initially asserted by the first-degree decision of the Court of Rimini, promptly initiated contacts with the lawyers of the third party assignee of the various bankruptcy arrangements of the Giacomelli procedures in order to settle the balance due.

The amount subject to revocation, including the most reasonable estimate of interest, legal costs and taxes, had already been adequately and appropriately assessed in previous years: the judgement will therefore have no effect on the Group's operating results.

<u>*Tax disputes*</u>

End-of-mandate 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 held in September 2020 confirmed the Turin Provincial Tax Commission's verdict, finding in favour of BasicNet.

This April, the Supreme Court of Cassation notified BasicNet of the challenge made by the Tax Agency. The company was requested to respond in court and the date for the first hearing is awaited.

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. In July 2019, 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 2020, the Tax Agency appealed against the Provincial Tax Commission's decision. The defence panel submitted their counter-arguments to the appeal: the first hearing at the Regional Tax Commission, initially scheduled for July 2021, has been postponed until a date to be decided.

Finally, in the current months of May and June, assessment notices relating to 2015 were received, with further demands of approx. Euro 0.2 million for direct taxes and Euro 0.3 million for VAT: the companies are preparing their respective appeals, as well as the requests for provisional suspension of the effects.

On behalf of the Board of Directors

The Chairman

Marco Daniele Boglione

ATTACHMENT 1
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COMPANIES INCLUDED IN THE CONSOLIDATION UNDER THE LINE-BY-LINE METHOD

	Registered Office	Corporate purpose	Share capital		Parent company holding (%)
PARENT COMPANY					
BasicNet S.p.A.					
Directly held subsidiaries:					
- 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 Minh 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
- K-Way S.p.A. single shareholder company	Milan (Italy)	Company owning the K-Way brand	EURO	10,050,000	100
Indirectly held subsidiaries:					
- 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
- TOS S.r.l. single shareholder company	Turin (Italy)	Owner of the brand Sebago.	EURO	10,000	100 (1)
- 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
- K-WayRetail S.r.l. single shareholder company	Turin (Italy)	Management of outlets owned by the Group and a number of K-Way brand sales points.	EURO	10,000	100
- BasicRetail SUISSE S.A. (2)	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	100

1) shares subject to a pledge with the Group required to maintain full ownership of the company, in guarantee of the loan issued by MPS Capital Services Banca per le Imprese S.p.A. in July 2017.

2) From July 1, 2021, the company changed its name to K-WayRetail SUISSE S.A.

ATTACHMENT 2
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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 UK Ltd	Manchester (United Kingdom)	Manages the distribution of Kappa Europe Group products in United Kingdom	UK STERLING	1	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
- Kappa Retail Monaco S.A.R.L.	Munich	Company that manages the store in Monaco	EURO	15,000	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 (2)

(2) the remaining 50% of the investment is held by the Marsiaj family

ANNEX 3

DECLARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-*BIS* PARAGRAPH 3 AND 4-BIS OF LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998 "FINANCIAL INTERMEDIATION ACT"

The undersigned Marco Daniele Boglione as Executive Chairman, Federico Trono as Chief Executive Officer 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 for company operations and the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements between 01/01/2021 and 30/06/2021.

In addition, we declare that the consolidated financial statements:

a) corresponds to the underlying accounting documents and records;

b) were prepared in accordance with International Financial Reporting Standards adopted by the European Union, and also in accordance with Article 9 of Legislative Decree No. 38/2005 and provide a true and fair representation of the balance sheet, financial position and results of the Issuer and of the consolidated companies;

c) the Directors' Report includes a reliable analysis on the performance and operating result as well as the situation of the Issuer, together with a description of the risks and uncertainties to which they are exposed.

Marco Daniele Boglione
Chairman

Federico Trono
Chief Executive Officer

Paola Bruschi
Executive Officer for Financial Reporting

Building a better
working world

BasicNet S.p.A.

Review report on the interim condensed consolidated financial statements

(Translation from the original Italian text)

Building a better working world

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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 statement of changes in consolidated net financial position, the statement of change in consolidated Shareholders' equity, and the related explanatory notes of BasicNet S.p.A. and its subsidiaries (the "BasicNet Group") as of 30 June, 2021. 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, 2021 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 29, 2021

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