

**BasicNet S.p.A.**

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**PRESS RELEASE: BASICNET BOD APPROVES 2020 SEPARATE FINANCIAL STATEMENTS AND 2020 CONSOLIDATED FINANCIAL STATEMENTS. BUSINESS MODEL'S FLEXIBILITY OFFSETS IMPACT OF PANDEMIC ON RESULTS**

- Consolidated results presented on February 10 confirmed
- Proposed dividend of Euro 0.06 per share
- Shareholders' AGM called for April 8 in single call

**Turin, March 2, 2021.** The Board of Directors of BasicNet S.p.A. has approved the 2020 Consolidated Financial Statements and the 2020 Separate Financial Statements.

Consolidated highlights:

- aggregate sales of Group product licensees by the Global licensee Network of Euro 814.1 million, decreasing 20.6% on record sales of Euro 1,025.3 million in 2019;
- consolidated revenues of Euro 259.7 million (Euro 305.7 million in 2019, -15.0%, -9.6% in the fourth quarter alone), as follows:
  - royalties from commercial and productive licensees: Euro 46 million (Euro 55.6 million in 2019, -17.2%);
  - direct sales: Euro 213.8 million (Euro 250.1 million in 2019, - 14.5%);
- EBITDA: Euro 19.8 million (Euro 42.5 million in 2019);
- EBIT: Euro 7.6 million (Euro 30.6 million in 2019);
- income taxes have a positive balance thanks to the Patent Box effect and the recognition of the tax benefit (with a net effect of Euro 4.4 million), as per Article 110 of Legislative Decree No. 104/2020, permitting the partial re-alignment of the tax value of the Brands in portfolio to the increased amount recognised to the financial statements;
- Net Profit: Euro 8.6 million (Euro 21.1 million in 2019);
- net financial position: contained increase in debt to Euro 82.2 million, from Euro 78.3 million at December 31, 2019, thanks to the operating results and prudent working capital management. Major investments were rolled out in the year to support the growth of the Brands and the Group's consolidation: in January, the acquisition of BasicVillage in Milan was finalised for consideration of Euro 10.5 million, while in September the Kappa brand in Japan was reacquired for consideration of Euro 10.9 million and the acquisition of Kappa Europe was completed for consideration of Euro 1.9 million. The Company also distributed dividends for Euro 6.4 million and acquired treasury shares for Euro 3.4 million.

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

The Board of Directors also approved the 2020 separate financial statements of BasicNet S.p.A..

- Royalties and sourcing commissions of Euro 31.2 million decreased 17.8% on 2019;
- EBIT of Euro 3.9 million (Euro 12.1 million in 2019);
- Income taxes have a positive balance thanks to the Patent Box effect and the recognition of the tax benefit (with a net effect of Euro 1.4 million), as per Article 110 of Legislative Decree No. 104/2020, permitting the partial re-alignment of the tax value of the K-Way brand to the increased amount recognised to the financial statements;

- Net profit of Euro 4.7 million (Euro 14.5 million in 2019);
- The Shareholders Equity at December 31, 2020 amounted to approx. Euro 90 million (Euro 95.3 million at December 31, 2019).

### **DIVIDEND PROPOSED**

The Board of Directors of BasicNet S.p.A proposes to the Shareholders' Meeting to distribute a dividend of Euro 0,06 per share in circulation, for a total value of approx. Euro 3.1 million.

The proposed dividend reflects a pay-out ratio of 36.6% (30.3% in 2019) on the consolidated net profit of Euro 8.6 million.

The dividend will be paid from April 21, 2021, with record date of April 20, 2021 and coupon date (No. 14) of April 19, 2021.

### **OUTLOOK**

On the basis of the backlog and the ongoing investments in developing the Brands and consolidating the Group, a commercial recovery is expected in 2021. Its extent however depends significantly on the duration of the health emergency.

### **SHAREHOLDERS' AGM CALL**

The Board of Directors called the Shareholders' AGM for April 8, 2021 in single call to consider the following:

- approval of the 2020 Separate Financial Statements;
- approval of the proposal for the allocation of the net profit;
- resolutions relating to the First Section of the Remuneration Report as per Article 123-ter, paragraph 3-bis, of Legislative Decree No. 58/1998;
- resolutions relating to the Second Section of the Remuneration Report as per Article 123-ter, paragraph 6, of Legislative Decree No. 58/1998;
- proposal to purchase and dispose of treasury shares.

### **TREASURY SHARES**

The proposal to authorise the purchase and disposal of treasury shares seeks to provide the Company with a strategic financial instrument, establishing a securities reserve to tap into any future opportunities to grow the value of the Company.

Shares shall be purchased and disposed of in compliance with the applicable legal provisions. The authorisation is requested for the period until the Shareholders' AGM called to approve the 2021 Annual Accounts and for a maximum financial commitment of Euro 10 million. Any purchases shall be made on the regulated markets in accordance with the regulations in force.

As part of the treasury share buy-back programme authorised by the Shareholders' AGM of June 26, 2020, which will conclude with the called Shareholders' AGM, BasicNet S.p.A. had acquired to date 925,496 shares (equal to 1.517% of the Share Capital) at an average price of Euro 3.675 for a total payment of Euro 3,401,372.

BasicNet today holds a total of 8,588,751 treasury shares (equal to 14.081% of the Share Capital), for an investment of Euro 25 million.

On conclusion of the meeting, the Chairman issued following declaration regarding the dossier Corneliani: *"I would like to comment upon Corneliani, given the media coverage of our due diligence, which was similar however to many of the other analyses that we continuously carry out on brands that can fit well with our business model and market offer. We didn't manage to come to an overall solution for the Corneliani Group, but we have no regrets because we gave it our all. The very tight timeframe, the pandemic situation and the extreme complexity of the market, in the middle of an insolvency procedure, were the greatest difficulties also in searching for the industrial and financial partners required for the operation. We have enthusiastically involved all stakeholders with enthusiasm and maximum transparency, but the lack of guarantee of commercial continuity prevented us from taking it any further."*

The Shareholders' AGM documentation, including the illustrative reports of the Board of Directors on matters on the Agenda and the relative proposals, in addition to the Annual Financial Report, together with the related documentation, the Annual Corporate Governance Report and the report on the remuneration policy and the related compensation paid, will be made available at the registered office, on the 1info authorised storage mechanism ([www.1info.it](http://www.1info.it)) and on the Company's website ([www.basicnet.com](http://www.basicnet.com)) according to the legal deadline, i.e. by March 18, 2021.

The Chief Executive Officer Federico Trono will present to the market the 2020 results during a video conference call **this afternoon, March 2, 2021, at 5.45PM CET**. To join the video conference call (to be held in English), click on:

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## Microsoft Teams Meeting

**Attend on a PC or through the mobile app**

[Click here to attend the meeting](#)

**Alternatively, attend by calling (only audio)**

[+39 02 0062 4808,962454193#](tel:+390200624808962454193) Italy, Milan

Telephone ID conference: 962 454 193#

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

<http://www.basicnet.com/contenuti/datifinanziari/informazioniannuali.asp?menuSelectedID=39>

In relation to the “alternative performance indicators”, as defined by the ESMA/2015/1415 guidelines, we provide below a definition of the indicators used in this press release, 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. 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 financial position:** total of current and medium/long-term financial payables, less cash and cash equivalents and other current financial assets.
- **Free cash flow** represents the cash flow available to the company and is the difference between the cash flow from operating activities and the cash flow for investments in fixed assets.
- **Basic earnings per share** calculated as required by IFRS on the basis of the weighted average number of shares in circulation in the year.

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

The financial statements are attached

**Financial statements (audit not yet complete)**

## **CONSOLIDATED FINANCIAL STATEMENTS**

### **BASICNET GROUP CONSOLIDATED INCOME STATEMENT**

(Euro thousands)

	FY 2020		FY 2019		Changes	
		%		%		%
Consolidated direct sales	213,756	100.00	250,148	100.00	(36,392)	(14.55)
Cost of sales	(127,125)	(59.47)	(142,954)	(57.15)	15,829	11.07
<b>GROSS MARGIN</b>	<b>86,631</b>	<b>40.53</b>	<b>107,194</b>	<b>42.85</b>	<b>(20,563)</b>	<b>(19.18)</b>
Royalties and sourcing commissions	45,975	21.51	55,551	22.21	(9,576)	(17.24)
Other income	8,490	3.97	6,616	2.64	1,874	28.34
Sponsorship and media costs	(38,284)	(17.91)	(42,186)	(16.86)	3,902	9.25
Personnel costs	(28,893)	(13.52)	(32,161)	(12.86)	3,268	10.16
Selling, general and administrative costs, royalties expenses	(54,092)	(25.31)	(52,493)	(20.98)	(1,599)	(3.05)
Amortisation & depreciation	(12,276)	(5.74)	(11,964)	(4.78)	(312)	(2.60)
<b>EBIT</b>	<b>7,551</b>	<b>3.53</b>	<b>30,557</b>	<b>12.22</b>	<b>(23,006)</b>	<b>(75.29)</b>
Net financial income (charges)	(1,707)	(0.80)	(1,160)	(0.46)	(547)	(47.18)
Result of investments	933	0.44	(25)	(0.01)	958	n.a.
<b>PROFIT BEFORE TAXES</b>	<b>6,777</b>	<b>3.17</b>	<b>29,372</b>	<b>11.74</b>	<b>(22,595)</b>	<b>(76.93)</b>
Income taxes	(1,804)	(0.84)	(8,319)	(3.33)	10,123	121.68
<b>NET PROFIT FOR THE YEAR</b>	<b>8,581</b>	<b>4.01</b>	<b>21,053</b>	<b>8.42</b>	<b>(12,472)</b>	<b>(59.24)</b>
<b>Earnings per share</b>						
- basic	<b>0.1635</b>		<b>0.3919</b>		<b>(0.228)</b>	<b>(58.29)</b>
- diluted	<b>0.1635</b>		<b>0.3919</b>		<b>(0.288)</b>	<b>(58.29)</b>

## BASICNET GROUP CONSOLIDATED BALANCE SHEET

(Euro thousands)

ASSETS	December 31, 2020	December 31, 2019
Intangible assets	65,380	53,184
Rights-of-use	22,082	18,066
Goodwill	11,907	12,206
Property, plant and equipment	45,690	31,761
Equity invest. & other financial assets	765	1,051
Interests in joint ventures	192	217
Deferred tax assets	3,419	329
<b>Total non-current assets</b>	<b>149,435</b>	<b>116,814</b>
Net inventories	62,194	66,757
Trade receivables	53,050	68,560
Other current assets	10,263	10,887
Prepayments	13,433	14,517
Cash and cash equivalents	33,652	15,235
Hedging financial instruments	-	465
<b>Total current assets</b>	<b>172,592</b>	<b>176,421</b>
<b>TOTAL ASSETS</b>	<b>322,027</b>	<b>293,235</b>
LIABILITIES	December 31, 2020	December 31, 2019
Share capital	31,717	31,717
Reserve for treasury shares in portfolio	(24,679)	(22,225)
Other reserves	103,658	91,196
Net Profit	8,581	21,053
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>119,277</b>	<b>121,741</b>
Provisions for risks and charges	229	227
Loans	44,387	19,939
Payables for usage rights	23,097	19,287
Other financial payables	-	2,839
Employee and Director benefits	4,062	3,408
Deferred tax liabilities	-	-
Other non-current liabilities	1,381	1,937
<b>Total non-current liabilities</b>	<b>73,156</b>	<b>47,637</b>
Bank payables	48,330	51,444
Trade payables	55,925	46,492
Tax payables	5,805	7,585
Other current liabilities	12,020	11,227
Accrued expenses	5,274	6,761
Hedging financial instruments	2,240	348
<b>Total current liabilities</b>	<b>129,594</b>	<b>123,857</b>
<b>TOTAL LIABILITIES</b>	<b>202,750</b>	<b>171,494</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>322,027</b>	<b>293,235</b>

## CONSOLIDATED CASH FLOW STATEMENT

(Euro thousands)

	December 31, 2020	December 31, 2019
<b>A) OPENING SHORT-TERM BANK DEBT</b>	<b>(27,040)</b>	<b>(23,419)</b>
<b>B) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit for the year	8,581	21,053
Amortisation & Depreciation	12,276	11,964
Management of equity investments	(933)	(25)
Changes in working capital:		
. (Increase) decrease in trade receivables	15,510	12,874
. (Increase) decrease in inventories	4,545	(7,626)
. (Increase) decrease in other receivables	(1,469)	1,314
. Increase (decrease) in trade payables	8,382	(7,204)
. Increase (decrease) in other payables	(6,562)	(59)
Net changes in employee and director benefits	654	137
Others, net	(1,342)	383
	<b>39,642</b>	<b>32,811</b>
<b>C) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments in fixed assets:		
- tangible assets	(4,000)	(5,478)
- intangible assets	(3,162)	(3,171)
- financial assets	-	4
- purchase of Kappa Japan	(10,945)	-
- change in consolidation scope	(11,141)	(4,586)
Realisable value for fixed asset disposals:		
- tangible assets	77	31
- intangible assets	-	11
- financial assets	-	-
	<b>(29,171)</b>	<b>(13,189)</b>
<b>D) CASH FLOW FROM FINANCING ACTIVITIES</b>		
New medium/long term loans	28,909	4,200
Loan repayments	(5,246)	(9,139)
Repayment of loans for rights-of-use	(3,965)	(5,162)
Repayment of Kappa Europe Group bond loan	-	(2,276)
Acquisition of treasury shares	(3,022)	(4,398)
Dividend payments	(6,372)	(6,468)
	<b>10,304</b>	<b>(23,243)</b>
<b>E) CASH FLOW IN THE YEAR</b>	<b>20,775</b>	<b>(3,621)</b>
<b>F) CLOSING SHORT-TERM BANK DEBT</b>	<b>(6,265)</b>	<b>(27,040)</b>

## BASICNET GROUP SUMMARY NET FINANCIAL POSITION

<i>(Euro thousands)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>Changes</b>
Net financial position – Short-term	(14,678)	(36,209)	21,531
Financial payables – Medium-term	(43,709)	(19,288)	(24,421)
Finance leases	(678)	(651)	(27)
<b>Net financial position with banks</b>	<b>(59,065)</b>	<b>(56,148)</b>	<b>(2,917)</b>
Other financial liabilities	-	(2,839)	2,839
Payables for rights-of-use	(23,097)	(19,287)	(3,810)
<b>Total net financial position</b>	<b>(82,162)</b>	<b>(78,274)</b>	<b>(3,888)</b>
Net Debt/Equity ratio (Net financial position/Shareholders' equity)	0.69	0.64	0.05



## **BASICNET S.P.A. FINANCIAL STATEMENTS**

### **BASICNET S.p.A. – INCOME STATEMENT**

(in Euro)

	<b>FY 2020</b>	<b>FY 2019</b>	<b>Changes</b>
Direct sales	3,798,951	4,202,003	(403,052)
Cost of sales	(3,460,807)	(4,067,201)	606,394
<b>GROSS MARGIN</b>	<b>338,144</b>	<b>134,802</b>	<b>203,342</b>
Royalties and sourcing commissions	31,215,201	37,973,599	(6,758,398)
Other income	7,699,890	6,886,862	813,027
Sponsorship and media costs	(1,289,846)	(1,524,331)	234,485
Personnel costs	(10,099,231)	(10,448,707)	349,476
Selling, general and administrative costs, royalties expenses	(19,741,715)	(17,029,868)	(2,711,847)
Amortisation & Depreciation	(4,186,643)	(3,926,467)	(260,175)
<b>EBIT</b>	<b>3,935,800</b>	<b>12,065,890</b>	<b>(8,130,090)</b>
Net financial income (charges)	(991,998)	286,177	(1,287,175)
Dividends	1,097,851	4,800,000	(3,702,149)
<b>PROFIT BEFORE TAXES</b>	<b>4,041,653</b>	<b>17,152,067</b>	<b>(13,110,414)</b>
Income taxes	697,943	(2,665,499)	3,363,442
<b>NET PROFIT FOR THE YEAR</b>	<b>4,739,596</b>	<b>14,486,568</b>	<b>(9,746,972)</b>

# **BASICNET S.p.A. – BALANCE SHEET**

(in Euro)

<b>ASSETS</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Intangible assets	13,005,773	12,387,382
Rights-of-use	10,175,117	9,239,766
Plant, machinery and other assets	2,996,316	3,130,236
Equity invest. & other financial assets	35,804,734	36,296,599
Deferred tax assets	1,830,497	-
<b>Total non-current assets</b>	<b>63,812,436</b>	<b>61,053,983</b>
Net inventories	431,280	491,611
Trade receivables	7,233,885	15,982,713
Other current assets	74,316,003	65,875,339
Prepayments	3,986,225	4,802,398
Cash and cash equivalents	3,409,860	1,518,777
Hedging financial instruments	-	-
<b>Total current assets</b>	<b>89,377,254</b>	<b>88,670,838</b>
<b>TOTAL ASSETS</b>	<b>153,189,690</b>	<b>149,724,821</b>

  

<b>LIABILITIES</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Share capital	31,716,673	31,716,673
Treasury shares	(24,678,900)	(22,225,090)
Other reserves	79,615,157	71,279,414
Net Profit	4,739,596	14,486,568
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>91,392,526</b>	<b>95,257,565</b>
Provisions for risks and charges	-	-
Loans	15,605,499	11,538,558
Payables for rights-of-use	10,195,406	9,244,914
Employee and Director benefits	2,036,244	1,567,150
Deferred tax liabilities	-	687,282
Other non-current liabilities	907,990	1,015,850
<b>Total non-current liabilities</b>	<b>28,745,139</b>	<b>24,053,754</b>
Bank payables	18,501,192	12,500,983
Trade payables	5,949,967	6,556,268
Tax payables	2,817,752	5,105,031
Other current liabilities	5,617,818	5,969,992
Accrued expenses	6,000	281,228
Hedging financial instruments	-	-
<b>Total current liabilities</b>	<b>33,052,025</b>	<b>30,413,502</b>
<b>TOTAL LIABILITIES</b>	<b>61,797,164</b>	<b>54,467,256</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>153,189,690</b>	<b>149,724,821</b>

## BASICNET S.p.A. – CASH FLOW STATEMENT

(in Euro)

	December 31, 2020	December 31, 2019
<b>A) OPENING SHORT-TERM BANK DEBT</b>	<b>(6,482,206)</b>	<b>(6,386,531)</b>
<b>B) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit for the year	4,739,596	14,486,568
Amortisation & Depreciation	4,186,643	3,926,467
Write-down of investments	-	-
Changes in working capital:		
- (increase) decrease in trade receivables	8,748,827	1,365,774
- (increase) decrease in inventories	60,331	(212,352)
- (increase) decrease in other receivables	(8,154,987)	(2,682,142)
- increase (decrease) in trade payables	(606,301)	247,306
- increase (decrease) in other payables	(3,550,527)	4,759,858
Net changes in employee and director benefits	(30,906)	(19,181)
Others, net	(74,820)	(156,459)
	<b>5,317,856</b>	<b>21,715,839</b>
<b>C) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments in fixed assets:		
- tangible assets	(652,704)	(916,113)
- intangible assets	(3,252,830)	(1,800,778)
- financial assets	(18,135)	(2,640,190)
Realisable value for fixed asset disposals:		
- tangible assets	345	55
- intangible assets	948,984	-
- financial assets	510,000	-
	<b>(2,464,340)</b>	<b>(5,357,026)</b>
<b>D) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Lease contracts (repayments)	4,441	(2,499)
Medium/long term loans (repayments)	5,500,000	-
Repayments of medium/long term loans	(1,437,500)	(3,937,500)
Repayment of loans for rights-of-use	(1,635,660)	(1,648,539)
Acquisition of treasury shares	(3,021,821)	(4,398,012)
Distribution of dividends	(6,372,102)	(6,467,938)
	<b>(6,962,642)</b>	<b>(16,454,488)</b>
<b>E) CASH FLOW IN THE YEAR</b>	<b>(4,109,126)</b>	<b>(95,675)</b>
<b>F) CLOSING SHORT-TERM BANK DEBT</b>	<b>(10,591,332)</b>	<b>(6,482,206)</b>

# **BASICNET S.P.A. SUMMARY NET FINANCIAL POSITION**

<i>(Euro thousands)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>Changes</b>
Net financial position – Short-term	(15,091)	(10,982)	(4,109)
Financial payables – Medium-term	(15,500)	(11,438)	(4,062)
Finance leases	(105)	(101)	(4)
<b>Net financial position with banks</b>	<b>(30,696)</b>	<b>(22,521)</b>	<b>(8,175)</b>
Group financial receivables/(payables)	66,952	54,554	12,398
Payables for rights-of-use	(10,196)	(9,244)	(952)
<b>Financial position with the Group</b>	<b>56,756</b>	<b>45,310</b>	<b>11,446</b>
<b>Total net financial position</b>	<b>26,060</b>	<b>22,789</b>	<b>3,271</b>