



## 2022 HALF-YEAR REPORT

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## **COMPANY INFORMATION**

### **REGISTERED OFFICE**

BasicNet S.p.A.  
Largo Maurizio Vitale, 1  
Turin 10152 - Italy  
Tel. +39 011 26171

### **LEGAL INFORMATION**

Approved and subscribed share capital Euro 31,716,673.04  
VAT, Tax and company's office registration number 04413650013  
Turin Economic and Administrative Register No. 631153

**CORPORATE BOARDS****BOARD OF DIRECTORS**

Marco Daniele Boglione	Chairperson
Alessandro Boglione	Vice-Chairperson
Lorenzo Boglione	Vice-Chairperson
Federico Trono	Chief Executive Officer
Maria Boglione	Director
Veerle Bouckaert	Executive Director
Piera Braja	Independent Director Remuneration Committee Chairperson of the Control and Risks and Related Parties Committee
Paola Bruschi	Executive Director
Francesco Calvo	Independent Director Remuneration Committee Control and Risks and Related Parties Committee
Cristiano Fiorio	Independent Director Control and Risks and Related Parties Committee
Monica Gamberoni	Executive Director
Francesco Genovese	Executive Director
Daniela Ovazza	Remuneration Committee
Carlo Pavesio	Chairperson of the Remuneration Committee

**BOARD OF STATUTORY AUDITORS**

Ugo Palumbo	Chairperson
Gianna Luzzati	Statutory Auditor
Alberto Pession	Statutory Auditor
Simonetta Mattei	Alternate Auditor
Riccardo Garbagnati	Alternate Auditor

**INDEPENDENT AUDIT FIRM**

EY S.p.A.

## DIRECTORS' REPORT

H1 2022 Key Performance Indicators:

- aggregate sales of Group products by the Global licensee Network of Euro 567.9 million, up 28.2% as follows:

<i>(in Euro millions)</i>	<b>H1 2022</b>	<b>H1 2021</b>	<b>% Change</b>
Commercial licensee sales	393.5	334.0	17.8%
Productive licensee sales	174.3	109.1	59.9%
<b>Licensee aggregate sales</b>	<b>567.9</b>	<b>443.0</b>	<b>28.2%</b>

Excellent commercial licensee sales. Particularly: Asia and Oceania, accounting for 8.9% of aggregate sales, grew 50.7%, with the Middle East and Africa up 42.4% and the Americas by 37.7%. Europe, accounting for approx. 63.1% of aggregate sales, grew 7.1% on the same period of the previous year. Productive license sales grew 59.9%;

- consolidated revenues of Euro 162.3 million (Euro 128.8 million in H1 2021, +26.1%), as follows:
  - royalties from commercial and productive licensees of Euro 34.9 million (Euro 25.8 million in H1 2021, +35.2%);
  - direct sales: Euro 127 million (Euro 102.6 million in 2021, +23.7%);
- EBITDA: Euro 22.4 million (Euro 14.5 million in H1 2021, +54.3%);
- EBIT: Euro 15.5 million (Euro 8.5 million in H1 2021, +81.9%);
- net profit: Euro 10.7 million (more than doubling on Euro 4.1 million in H1 2021);
- net financial position: Euro -119.3 million (Euro -61.7 million at December 31, 2021 and Euro -84.1 million at June 30, 2021). Dividends of Euro 6.1 million were distributed in H1 2022 and treasury shares acquired for Euro 4.4 million. The Group also acquired for Euro 33.4 million full ownership of the company K-Way France and invested Euro 5.8 million in the Real Estate sector.

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 BasicNet Group companies and property revenues from third parties.
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.
Net financial position with banks	the Net financial position, net of payables for rights-of-use and payables for the acquisition of company shares.
Earnings/(loss) 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 two sectors, as outlined in detail in Note 6:

- i) the "clothing, footwear and accessories" sector,
- ii) property management.

## REGIONAL COMMERCIAL PERFORMANCES

Commercial operations focused mainly on the renewal of expiring licensing contracts. We highlight the new Kappa® brand distribution agreements for Uruguay and Peru. A new agreement for the Japanese market was signed for the K-Way® brand.

Major communication initiatives in the first half of the year include:

- for the Kappa® brand: new sponsorship contracts for the U.S. Ski & SnowBoard team, the Renault Alpine Formula 1 team (in partnership with K-Way®), and sponsorship of the ninth edition of the Kappa® Future Festival. The #KEEPperforming "Winning Starts Within" #KEEPperforming campaign continued through 2022, with four representative Generation Z characters in Italy (Hell Raton, Ariete, Red, and Shades of Banana) and French-born singer and actor Pol Granch in Spain. We also note the co-branding with Befancyfit and the capsule collection with Rainbow Six, while the international project "Kappa® Graffiti - Football is everywhere" began in Seville (Spain). This saw two Kappa® “Omini” stickers appear on the walls of major European cities in a never-before-seen separate and enlarged version that creates a perfect football goal;
- K-Way® returned to the catwalk at Milan Fashion Week with the R&D collection, and also launched a partnership with Bluebell Group that will enable the Brand to enter the Hong Kong market through the upcoming opening of a local store. Meanwhile, the South Korean licensee opened eight new stores, while France - where a temporary showroom was set up for Paris Fashion Week that included highlights also from the Kappa®, Sebago® and Superga® brands and the presentation of the limited edition "Not in Paris by Highsnobiety" - reached 35 monobrand stores. Finally, the maxi-poster campaign dedicated to the colourful and iconic K-Way® Le Vrai 3.0 rain jacket continued in Italy's most recognisable squares;
- Superga®, whose new Global Ambassador for the first half of 2022 was actor and supermodel Emily Ratajkowski, has continued its collaborative efforts with other international brands and companies: ST!NG, the de Rigo Group's house brand for the younger generation; Kiss, Blush & Tell, a South African beauty blog; Milan concept store Par5 (for the Milan Design Week); Italian brand forte\_forte; Australian fashion house Aje; and Parisian department store Le Bon Marché;
- sebago® also developed a number of collaborative activities during the period, including one with the musical duo European Vampire, for the new Outsides collection, and one with concept stores L'Exception (Paris) and La Ferramenta (Bologna). It also signed a capsule collection with Engineered Garments for spring-summer 2022, while the first Sebago® store was opened in Belgium and the first two South African monobrand stores were opened in Pretoria and Durban.

- Briko® created a custom helmet for newly-crowned Italian road cycling champion Filippo Zana. It also collaborated with athletes Johanna Maggy and Daniel Fontana as ambassadors for the "Briko® Road Protection" initiative, which offers one year's free insurance to anyone who buys a Briko® helmet and returned, after two years of anti-COVID restrictions, to the Lyon International Sport-Achat Fair.

Finally, in May 2022 Italian swimming champion Gregorio Paltrinieri (two golds at the last World Swimming Championships 2022) became the new Ambassador of the BasicNet Group's major brands for the next three years: Kappa®, Robe di Kappa®, K-Way®, Superga®, Briko® and Sebago®.

### Group brand sales points

At June 30, Kappa® and Robe di Kappa® monobrand stores and shop in shops opened by licensees globally numbered 1,010 (of which 113 in Italy), with Superga® monobrand stores and shop-in-shops totalled 263 (of which 61 in Italy), and there were 86 K-Way® sales points (of which 31 in Italy and 35 in France) and 51 Sebago® sales points (of which 2 in Italy, in Rome and Turin).

## H1 2022 FINANCIAL PERFORMANCE OVERVIEW

### BasicNet Group Key Financial Highlights

The condensed income statement for the year is reported below:

<i>(Euro thousands)</i>	<b>H1 2022</b>	<b>H1 2021</b>	<b>Changes</b>	<b>%</b>
Group Brand Aggregate Sales by the Network of commercial and productive licensees *	567,863	443,054	124,809	28.2%
Royalties and sourcing commissions	34,939	25,847	9,092	35.2%
Consolidated direct sales	126,975	102,632	24,343	23.7%
EBITDA **	22,443	14,546	7,897	54.3%
EBIT **	15,523	8,535	6,988	81.9%
Group Net Result	10,732	4,140	6,592	159.2%
Earnings per share **	0.2124	0.0791	0.133	168.6%

\* Data not audited

\*\* For the definition of the indicators reference should be made to paragraph 5 of this Report

## Commercial and financial analysis

The breakdown of sales and production revenues generated through the global Group licensees at current exchange rates was as follows:

<i>(Euro thousands)</i>	<b>H1 2022</b>	<b>H1 2021</b>	<b>Changes</b>	<b>%</b>
Commercial Licensees	393,523	333,998	59,525	17.8%
Productive Licensees (sourcing centers)	174,340	109,056	65,284	59.9%
<b>Aggregate Sales of Group licensees*</b>	<b>567,863</b>	<b>443,054</b>	<b>124,809</b>	<b>28.2%</b>

\* Data not audited

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

<i>(Euro thousands)</i>	<b>H1 2022</b>		<b>H1 2021</b>		<b>Changes</b>	
Europe	248,468	63.1%	232,053	69.5%	16,415	7.1%
The Americas	60,029	15.3%	43,605	13.1%	16,424	37.7%
Asia and Oceania	35,023	8.9%	23,236	6.9%	11,787	50.7%
Middle East and Africa	50,003	12.7%	35,104	10.5%	14,899	42.4%
<b>Aggregate Sales of Group Commercial Licensees*</b>	<b>393,523</b>	<b>100.0%</b>	<b>333,998</b>	<b>100.0%</b>	<b>59,525</b>	<b>17.8%</b>

\* Data not audited

and of the productive licensees:

<i>(Euro thousands)</i>	<b>H1 2022</b>		<b>H1 2021</b>		<b>Changes</b>	
Europe	13,503	7.7%	9,623	8.8%	3,880	40.3%
The Americas	14,159	8.1%	8,120	7.4%	6,039	74.4%
Asia and Oceania	143,542	82.3%	90,148	82.7%	53,394	59.2%
Middle East and Africa	3,136	1.8%	1,165	1.1%	1,971	169.2%
<b>Aggregate Sales of Group Productive Licensees*</b>	<b>174,340</b>	<b>100.0%</b>	<b>109,056</b>	<b>100.0%</b>	<b>65,284</b>	<b>59.9%</b>

\* Data not audited

**Commercial licensee aggregate sales** of Euro 393.5 million were up 17.8%, from Euro 334.0 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 “Powered 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 license sales grew 59.9%.

**Royalties** from commercial and productive licensees amounted to Euro 34.9 million (Euro 25.8 million in H1 2021, +35.2%). **Royalties** from commercial and productive licensees posted an increase of Euro 4.3 million compared to H1 2021. **Sourcing commissions** increased by Euro 4.8 million, up 65.7%, as the combined effect of greater order volumes by commercial licensees and the full efficacy of the new rates for **royalties** charged to productive licensees.

Overall **consolidated direct sales** were Euro 127 million (Euro 102.6 million in 2021).

The **contribution margin** on sales increased from Euro 42.5 million in 2021 to Euro 49.7 million in 2022 (+16.9%), due to the increased direct sales (+23.7%) in both Italy and Europe. The margin was 39.1% due to the proportion of freight and transportation costs and the rising raw material costs.

**Other income**, in the amount of Euro 3.9 million, increased by approx. 31.1% compared to the Euro 3 million of 2021, due to an increase in promotional efforts (e.g. Kappa co-branding and other promotional efforts as well as signing fees from new licensees) and to greater non-operating income (Euro +0.7 million).

**Sponsorship and media** spend of Euro 18 million was substantially in line with Euro 18.9 million in the same period of the previous year.

**Personnel costs** rose from Euro 14.5 million in 2021 to Euro 17.6 million in 2022, an increase of approx. Euro 3.1 million, due mainly to the reduced use of temporary lay-off schemes and similar social safety nets in the countries in which the Group operates. Personnel costs also increased due to inclusion of the 90 staff at K-Way France, which was acquired in 2022. The average number of employees in H1 2022 was 883.

**Overhead costs**, i.e. **Selling** and **general and administrative costs** and **royalties expenses** grew Euro 7.0 million, reaching Euro 30.4 million in 2022.

**EBITDA** stood at Euro 22.4 million (Euro 14.5 million in H1 2021).

**EBIT** was Euro 15.5 million after amortisation and depreciation of Euro 3.7 million and the depreciation of right-of-use for Euro 3.2 million.

**Consolidated net financial charges/income**, including exchange gains and losses, reported income of Euro 150 thousand, compared to a charge of Euro 1.2 million in the previous year.

The **consolidated pre-tax profit** was Euro 15.7 million, compared to a Euro 7.4 million in H1 2021.

**Current and deferred taxes** in the year amounted to Euro 4.9 million. The tax charge increased Euro 1.7 million on the previous year due to the increased assessable base.

The **net profit** of Euro 10.7 million compares to Euro 4.1 million in the previous year.

## Segment disclosure

The Financial Highlights by Group segment were as follows:

- **Clothing, footwear and accessories:** the marked commercial recovery enabled the Parent Company and its subsidiaries to generate net royalties and sourcing commissions of Euro 34.9 million, compared to Euro 25.8 million in the same period of the previous year, while direct sales increased to Euro 126.9 million (compared to Euro 102.6 million in 2021). The performance benefitted from the reduced restrictions to contain the pandemic, against the partial closure of stores in Q1 of the previous year, in addition to the inclusion in the consolidation in the period of K-Way France. The H1 2022 EBIT of Euro 15.5 million compares with Euro 8.5 million in 2021. The segment net profit was Euro 10.8 million in H1 2022, compared to Euro 4.2 million in 2021.

- **“Property”:** property management reported a loss of Euro 7 thousand (loss of Euro 69 thousand in H1 2021). The performance for the year was affected by the ongoing work to restructure BasicVillage in Milan, which will begin making a noticeable contribution to segment profits from H2.

The financial statements by segment are reported at Note 6 of the Notes to the consolidated financial statements.

### Balance sheet overview

The changes in the balance sheet are reported below:

<i>(Euro thousands)</i>	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Property	41,374	36,537	32,755
Brands	59,075	59,027	58,972
Non-current assets	66,982	38,328	35,053
Right-of-use assets	32,246	23,119	21,781
Current assets	215,011	170,779	169,659
<b>Total assets</b>	<b>414,688</b>	<b>327,789</b>	<b>318,221</b>
Group shareholders' equity	133,726	133,822	120,889
Non-current liabilities	89,216	72,135	69,314
Current liabilities	191,746	121,832	128,019
<b>Total liabilities and shareholders' equity</b>	<b>414,688</b>	<b>327,789</b>	<b>318,221</b>

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 20.5 million), net of depreciation in the year and the purchase of the building located in Turin - Corso Regio Parco 33 (Euro 2.3 million). Brands increased as a result of the capitalisation of costs incurred for the registration of trademarks in new countries and for renewals and extensions, net of amortisation for the period. Investments were also made for the development of computer programs (Euro 1.3 million) and for the purchase of EDP and furniture and fittings (Euro 2.9 million). The increase in non-current assets also includes the goodwill from the initial consolidation of K-Way France (Euro 21.0 million) and the key money contributed by the French company (Euro 5.5 million).

For further details, reference should be made to Note 7 on the balance sheet impact of the inclusion of K-Way France in the consolidation scope.

Group shareholders' equity increased from Euro 120.9 million in H1 2021 to Euro 133.7 million in 2022.

**Financial position**

<i>(Euro thousands)</i>	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>	<b>Changes vs December 31, 2021</b>	<b>Changes vs. June 30, 2021</b>
Net financial position – Short-term	(41,543)	(2,918)	(21,175)	(38,625)	(20,368)
Financial payables – Medium-term	(30,617)	(34,268)	(39,546)	3,651	8,929
Finance leases	(380)	(515)	(624)	135	244
<b>Net Financial Position with banks</b>	<b>(72,540)</b>	<b>(37,702)</b>	<b>(61,344)</b>	<b>(34,838)</b>	<b>(11,196)</b>
Payables for earn-out	(13,598)	-	-	(13,598)	(13,598)
Payables for rights-of-use	(33,118)	(24,041)	(22,782)	(9,077)	(10,336)
<b>Net Financial Position</b>	<b>(119,256)</b>	<b>(61,743)</b>	<b>(84,126)</b>	<b>(57,513)</b>	<b>(35,130)</b>
Debt/equity ratio	0.89	0.46	0.70	0.43	0.20

**Net financial position with banks** went from net debt of Euro 37.7 million at December 31, 2021, to Euro 72.5 million at June 30, 2022. Dividends of Euro 6.1 million were distributed in the H1 2022 and treasury shares acquired for Euro 4.4 million. The Group also acquired full ownership of the company K-Way France and invested Euro 5.8 million in the Real Estate sector.

Earnout payables include the best estimate of the variable price component due to the former shareholders of K-Way France, which will be defined on the basis of the subsidiary's performance over the four-year period 2022-25. For further information, please refer to Note 7 on the analysis of the effects of the acquisition of K-Way France on the Group's net financial position.

Right-of-use payables rose approx. Euro 9.1 million compared to 2021, due to new shop openings and the renewal of expired or maturing lease contracts.

The **Net financial position** therefore increased from Euro 61.7 million at December 31, 2021 to Euro 119.3 million at June 30, 2022.

## THE BASICNET SHARE PRICE

The Extraordinary Shareholders' Meeting of May 30, 2022 approved the elimination of the par value of shares and the cancellation of 6,993,602 treasury shares held in portfolio. In light of the above, at June 30, 2022, the share capital of BasicNet S.p.A. comprises 54,000,000 ordinary shares.

The key stock market figures for the years 2022 and 2021 are reported in the following table:

	June 30, 2022	December 31, 2021	June 30, 2021
Earnings/(loss) per share	0.2124	0.3943	0.0791
Price at period end	5.78	5.75	4.72
Maximum price in the period	6.69	6.04	4.74
Minimum price in the period	4.55	3.89	4.43
Market capitalisation	312,120	350,713	287,890
Total number of shares	54,000,000	60,993,602	60,993,602
No. Shares outstanding	50,523,000	51,275,602	52,353,767

At the date of this Report, 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 Legislative 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 is as follows:

Shareholder	% of ordinary & voting share capital	Note
Marco Boglione	37.996%	Owned indirectly through Marco Boglione e Figli S.r.l., which in turn owns the entire share capital of BasicWorld S.r.l. (37.419%) and the remaining 0.577% directly.
Helikon Investments Limited	12.416%	Of which 11.858% voting shares and the remaining 0.558% with equity swap
Francesco Boglione	7.088%	Held indirectly through Francesco Boglione S.r.l. for 1.941%, with the remaining 5.147% held directly.
BasicNet S.p.A.	6.439%	Treasury shares in portfolio
Tamburi Investment Partners S.p.A.	5.128%	

## 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. Amid significant uncertainty, the Group promptly dealt with the emergency, introducing all protective measures to safeguard the health of employees and business continuity. Against this backdrop, every possible strategy to protect the economic and financial sustainability of the Group was also adopted, including through the banking sector to secure the funding necessary to meet any cash requirement.

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 to a lesser extent in Japanese Yen, 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.

Sourcing commission receivables are covered by the payables of the subsidiaries BasicItalia S.p.A., K-Way S.p.A., Kappa France S.a.s. and Kappa France S.A.S to the Sourcing Centers.

Receivables from Italian footwear and apparel retailers within the subsidiaries BasicItalia S.p.A. and K-Way 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.

### Tax disputes

#### *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 2015, 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 2021, 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 and administration 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 initially 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.) and subsequently 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.

In May and June 2021, 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 prepared their respective appeals, as well as the requests for provisional suspension of the effects. Nonetheless, the collections unit of the tax administration took charge of the amounts demanded, issuing payment demands equal to one-third of the respective assessment notices.

The Turin Provincial Tax Commission granted the requests for provisional suspension, setting November 28, 2022 as the date for the appeals hearing.

Commercial disputes*FISI pre-emption right*

BasicItalia S.p.A. has exercised its pre-emption right, under the agreement concluding on April 30, 2022, to enter into a new sponsorship contract for the Italian Winter Sports Federation through the Kappa brand for the four-year period 2022-26, which includes the Milan Cortina 2026 Olympics. Nevertheless, FISI considered that the exercise of the pre-emption right by BasicItalia S.p.A was not sufficient to conclude a contract and informed the BasicNet Group of its intention to sign a sponsorship agreement with a third party.

Pending the outcome of the related lawsuit, the BasicNet Group filed an application for a precautionary order with the Court of Milan. On July 14, 2022, the collegial Court upheld the complaint brought by the BasicNet Group, finding its reasoning to be justified. The resulting precautionary order, which sets out the behaviour to be followed until the judgement on the merits, recognises a blatant violation of the pre-emption agreement by FISI and orders the Federation to refrain from concluding new contracts with suppliers other than the BasicNet Group until 2026.

**TREASURY SHARES**

On May 30, the Company announced the launch of a plan to purchase treasury shares in accordance with the motions of the Shareholders' Meeting held on the same date, for a maximum number of treasury shares equal to 20% of the share capital and a maximum countervalue of Euro 30 million, in compliance with all legal limits.

At June 30, 2022, the Company held 3,477,000 treasury shares (6.439% of the share capital), for a total investment of Euro 11.8 million.

**HUMAN RESOURCES**

At June 30, 2022, the Group headcount was 929, as follows:

Category	Human Resources at June 30, 2022	Human Resources at June 30, 2021
Executives	37	38
Managers	26	26
White-collar	743	718
Blue-collar	123	33
<b>Total</b>	<b>929</b>	<b>815</b>

**2022 SIGNIFICANT EVENTS****"Kappa" transaction**

A corporate reorganisation project was initiated to bring under the direct control of BasicNet all of the individual brand-owning companies. The project, which does not entail any change in the Group's ownership structure or equity structure, is designed to ensure a closer focus on the individuals brands and will be completed by the end of 2024.

**Acquisition the entire share capital of K-Way France.**

K-Way S.p.A. signed an agreement to fully acquire K-Way France S.a.s, the K-Way® brand licensee company in France and operating in the country through a network of mono-brand, direct and franchising stores, alongside a distribution network of selected multi-brand stores. The acquisition allows the Group to further consolidate the growth of the K-Way® brand in one of its main markets and also the country where the brand was created in the mid-1960's.

Reference should be made to Note 7 for the detailed outline of the transaction, in addition to the impacts on this Half-Year Financial Report.

**SUBSEQUENT EVENTS TO THE YEAR-END AND OUTLOOK****Outlook**

On the basis of the order portfolio and forecast royalties and sourcing commissions, consolidated revenues are expected to grow further in the current financial year. The core operating results are however subject to the global economic environment and the consequent repercussions on raw material costs, currency exchanges, and also the geopolitical crisis arising in Eastern Europe.

\* \* \*

Turin, July 29, 2022

for the Board of Directors

**The Chairperson**

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

<i>(Euro thousands)</i>	<i>Note</i>	<b>H1 2022</b>		<b>H1 2021</b>		<b>Changes</b>	
Consolidated direct sales	(8)	126,975	100.00	102,632	100.00	24,343	23.72
Cost of sales	(9)	(77,319)	(60.89)	(60,170)	(58.63)	(17,149)	(28.50)
<b>GROSS MARGIN</b>		<b>49,656</b>	<b>39.11</b>	<b>42,462</b>	<b>41.37</b>	<b>7,194</b>	<b>16.94</b>
Royalties and sourcing commissions	(10)	34,939	27.52	25,847	25.18	9,092	35.18
Other income	(11)	3,869	3.05	2,951	2.88	918	31.12
Sponsorship and media costs	(12)	(18,043)	(14.21)	(18,873)	(18.39)	830	4.40
Personnel costs	(13)	(17,623)	(13.88)	(14,490)	(14.12)	(3,133)	(21.62)
Selling, general and administrative costs, royalties expenses	(14)	(30,354)	(23.91)	(23,351)	(22.75)	(7,003)	(29.99)
Amortisation and depreciation	(15)	(6,921)	(5.45)	(6,010)	(5.86)	(910)	(15.14)
<b>EBIT</b>		<b>15,523</b>	<b>12.22</b>	<b>8,535</b>	<b>8.32</b>	<b>6,988</b>	<b>81.86</b>
Net financial income (charges)	(16)	150	0.12	(1,155)	(1.13)	1,305	112.98
Management of equity investments	(17)	(3)	(0.00)	(3)	(0.00)	-	(2.43)
<b>PROFIT BEFORE TAXES</b>		<b>15,670</b>	<b>12.34</b>	<b>7,377</b>	<b>7.19</b>	<b>8,293</b>	<b>111.89</b>
Income taxes	(18)	(4,938)	(3.89)	(3,238)	(3.15)	(1,700)	(52.50)
<b>NET PROFIT</b>		<b>10,732</b>	<b>8.45</b>	<b>4,140</b>	<b>4.03</b>	<b>6,592</b>	<b>159.23</b>
<b>Earnings per share:</b>	(19)						
Basic		0.2124		0.0791		0.133	168.62
Diluted		0.2124		0.0791		0.133	168.62

## CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

<i>(Euro thousands)</i>	<i>Note</i>	<b>H1 2022</b>	<b>H1 2021</b>	<b>Changes</b>
<b><i>Profit for the period (A)</i></b>		<b>10,732</b>	<b>4,140</b>	<b>6,592</b>
Effective portion of the Gains/(losses) on cash flow hedges		(1,218)	2,697	(3,915)
Re-measurement of post-employment benefits (IAS 19) <sup>(*)</sup>		(54)	3	(58)
Gains/(losses) from translation of accounts of foreign subsidiaries		606	208	398
Tax effect on other profits/(losses)		304	(669)	973
<b><i>Total other gains/(losses), net of tax effect (B)</i></b>	<i>(33)</i>	<b>(362)</b>	<b>2,238</b>	<b>(2,600)</b>
<b>Total Comprehensive Profit (A)+(B)</b>		<b>10,370</b>	<b>6,378</b>	<b>3,992</b>

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

**BASICNET GROUP CONSOLIDATED BALANCE SHEET**

<i>(Euro thousands)</i>	<i>Note</i>	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Intangible assets	(20)	66,886	65,748	65,470
Right-of-use assets	(21)	32,246	23,119	21,781
Goodwill	(22)	38,400	11,840	11,873
Property, plant and equipment	(23)	53,297	47,276	46,184
Equity invest. & other financial assets	(24)	1,248	1,099	755
Interests in joint ventures	(25)	193	191	188
Deferred tax assets	(26)	7,407	7,737	2,309
<b>Total non-current assets</b>		<b>199,677</b>	<b>157,010</b>	<b>148,561</b>
Net inventories	(27)	108,393	63,622	69,617
Trade receivables	(28)	62,902	53,120	51,981
Other current assets	(29)	13,509	11,239	13,413
Prepayments	(30)	10,525	12,654	11,146
Cash and cash equivalents	(31)	18,915	28,548	22,285
Derivative financial instruments	(32)	767	1,596	1,217
<b>Total current assets</b>		<b>215,011</b>	<b>170,779</b>	<b>169,659</b>
<b>TOTAL ASSETS</b>		<b>414,688</b>	<b>327,789</b>	<b>318,221</b>

  

<i>(Euro thousands)</i>	<i>Note</i>	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Share capital		31,717	31,717	31,717
Reserve for treasury shares in portfolio		(11,791)	(30,648)	(26,298)
Other reserves		103,068	112,423	111,330
Net Profit		10,732	20,330	4,140
<b>TOTAL GROUP SHAREHOLDERS' EQUITY</b>	(33)	<b>133,726</b>	<b>133,822</b>	<b>120,889</b>
Provisions for risks and charges	(34)	120	590	184
Loans	(35)	30,997	34,783	40,170
Payables for rights-of-use	(37)	33,118	24,041	22,782
Other financial payables	(38)	13,598	-	-
Employee and Director benefits	(39)	3,601	4,902	4,315
Deferred tax liabilities	(40)	6,449	6,451	366
Other non-current liabilities	(41)	1,333	1,368	1,496
<b>Total non-current liabilities</b>		<b>89,216</b>	<b>72,135</b>	<b>69,314</b>
Bank payables	(36)	60,458	31,466	43,460
Trade payables	(42)	104,781	66,517	57,413
Tax payables	(43)	13,725	9,131	9,645
Other current liabilities	(44)	8,732	8,973	12,508
Accrued expenses	(45)	3,620	5,703	4,233
Derivative financial instruments	(46)	430	42	760
<b>Total current liabilities</b>		<b>191,746</b>	<b>121,832</b>	<b>128,019</b>
<b>TOTAL LIABILITIES</b>		<b>280,962</b>	<b>193,967</b>	<b>197,332</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>414,688</b>	<b>327,789</b>	<b>318,221</b>

**CONSOLIDATED CASH FLOW STATEMENT OF THE BASICNET GROUP**

<i>(Euro thousands)</i>	<b>June 30, 2022</b>	<b>June 30, 2021</b>
<b>A) OPENING SHORT-TERM BANK DEBT</b>	<b>6,325</b>	<b>(6,266)</b>
<b>B) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit	10,732	4,140
Amortisation and depreciation	6,921	6,010
Changes in working capital:	(12,373)	(691)
Net changes in employee and director benefits	(1,300)	254
Management of equity investments	3	-
Others, net	(83)	(233)
	<b>3,900</b>	<b>9,480</b>
<b>C) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed asset investments	(9,130)	(3,880)
Acquisition K-Way China brand	-	(900)
Acquisition K-Way France	(11,886)	-
Realisable value for fixed asset disposals:	-	13
	<b>(21,016)</b>	<b>(4,768)</b>
<b>D) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Loan repayments	(4,539)	(4,166)
Repayment of loans for rights-of-use	(3,268)	(2,164)
Acquisition of treasury shares	(4,373)	(1,620)
Dividend payments	(6,093)	(3,144)
	<b>(18,273)</b>	<b>(11,093)</b>
<b>E) CASH FLOW IN THE PERIOD</b>	<b>(35,388)</b>	<b>(6,381)</b>
<b>F) CLOSING SHORT-TERM BANK DEBT</b>	<b>(29,064)</b>	<b>(11,647)</b>

## STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

<i>(Euro thousands)</i>	Share Capital	Treas. shares	Reserves & Retained earnings	Translation reserve	IAS 19 remeasure. reserve	IFRS 16 reserve	Cash flow hedge reserve	Group Result	Total Group Net Equity
<b>Balance at January 1, 2021</b>	<b>31,717</b>	<b>(24,679)</b>	<b>105,803</b>	<b>539</b>	<b>(270)</b>	<b>(733)</b>	<b>(1,682)</b>	<b>8,581</b>	<b>119,277</b>
Allocation of 2020 result as per Shareholders' Meeting 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 consolidation scope 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
<i>Total comprehensive income</i>		-	-	208	3	-	2,027	4,140	6,378
<b>Balance at June 30, 2021</b>	<b>31,717</b>	<b>(26,298)</b>	<b>111,238</b>	<b>747</b>	<b>(267)</b>	<b>(733)</b>	<b>346</b>	<b>4,140</b>	<b>120,889</b>

  

	Share capital	Treas. shares	Reserves & Retained earnings	Translation reserve	IAS 19 remeasure. reserve	IFRS 16 reserve	Cash flow hedge reserve	Group Result	Total Group Net Equity
<b>Balance at January 1, 2022</b>	<b>31,717</b>	<b>(30,648)</b>	<b>111,161</b>	<b>1,167</b>	<b>(352)</b>	<b>(733)</b>	<b>1,180</b>	<b>20,330</b>	<b>133,822</b>
Allocation of 2021 result as per Shareholders' Meeting motion of April 13, 2022:									
- Reserves & Retained earnings		-	14,237	-	-	-	-	(14,237)	-
- Dividends distributed		-	-	-	-	-	-	(6,093)	(6,093)
Acquisition of treasury shares		(4,373)	-	-	-	-	-	-	(4,373)
Sale of treasury shares		23,230	(23,230)	-	-	-	-	-	-
H1 2022 Result		-	-	-	-	-	-	10,732	10,732
Other comprehensive income statement items:									
- Gains/(losses) recorded directly to translation reserve		-	-	606	-	-	-	-	606
- Gains/(losses) recorded directly to equity for IAS 19 remeasurement		-	-	-	(41)	-	-	-	(41)
- Gains/(losses) recorded directly to cash flow hedge reserve		-	-	-	-	-	(927)	-	(927)
<i>Total comprehensive income</i>		-	-	606	(41)	-	(927)	10,732	10,370
<b>Balance at June 30, 2022</b>	<b>31,717</b>	<b>(11,791)</b>	<b>102,168</b>	<b>1,773</b>	<b>(393)</b>	<b>(733)</b>	<b>253</b>	<b>10,732</b>	<b>133,726</b>

**CONSOLIDATED NET FINANCIAL POSITION**

<i>(Euro thousands)</i>	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Cash and cash equivalents	18,915	28,548	22,285
Bank overdrafts and bills	(19,174)	(9,313)	(12,735)
Import advances	(28,805)	(12,910)	(22,197)
<i>Sub-total net liquidity available</i>	<i>(29,064)</i>	<i>6,325</i>	<i>(12,647)</i>
Short-term portion of medium/long-term loans	(12,479)	(9,243)	(8,528)
<b>Short-term net financial position</b>	<b>(41,543)</b>	<b>(2,918)</b>	<b>(21,175)</b>
Medium/long term loans	(30,617)	(34,268)	(39,546)
Payables for rights-of-use	(33,118)	(24,041)	(22,782)
Payables for earn-out	(13,598)	-	-
Finance lease payables	(380)	(515)	(624)
<i>Sub-total loans and leasing</i>	<i>(77,713)</i>	<i>(58,824)</i>	<i>(62,951)</i>
<b>Consolidated Net Financial Position</b>	<b>(119,256)</b>	<b>(61,743)</b>	<b>(84,126)</b>

The following table shows the composition of the Group's net debt compared with the same figure for December 31, 2021 and June 30, 2021, determined in accordance with the "Guidelines on disclosure requirements under the Prospectus Regulation" issued by ESMA (European Securities & Markets Authority) on March 4, 2021 (ESMA32-382-1138) and implemented by Consob with Attention Reminder No. 5/21 of April 29, 2021.

<i>(Euro thousands)</i>	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
A. Cash	159	123	83
B. Other cash equivalents	18,756	28,425	22,202
C. Securities held for trading	-	-	-
<b>D. Cash &amp; cash equivalents (A)+(B)+(C)</b>	<b>18,915</b>	<b>28,548</b>	<b>22,285</b>
<b>E. Current financial receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>
F. Current bank borrowings	(47,979)	(22,223)	(34,932)
G. Current portion of non-current debt	(12,479)	(9,243)	(8,528)
H. Other current financial payables	-	-	-
<b>I. Current financial debt (F)+(G)+(H)</b>	<b>(60,458)</b>	<b>(31,466)</b>	<b>(43,460)</b>
<b>J. Net current financial debt (I)-(E)-(D)</b>	<b>(41,543)</b>	<b>(2,918)</b>	<b>(21,175)</b>
K. Non-current bank payables	(77,713)	(58,824)	(62,951)
L. Bonds issued	-	-	-
M. Other non-current financial payables	336	1,554	457
N. Trade payables and other non-current payables	-	-	-
<b>O. Non-current financial debt (K)+(L)+(M)</b>	<b>(77,377)</b>	<b>(57,270)</b>	<b>(62,494)</b>
<b>P. Net financial debt (J) + (O)</b>	<b>(118,920)</b>	<b>(60,189)</b>	<b>(83,669)</b>

The net financial debt differs from the consolidated net financial position for the fair value of the interest and currency hedging operations - cash flow hedges (Notes 32 and 46).

**CHANGES IN NET FINANCIAL POSITION**

<i>(Euro thousands)</i>	<b>June 30, 2022</b>	<b>June 30, 2021</b>
<b>A) OPENING NET FINANCIAL POSITION</b>	<b>(61,743)</b>	<b>(82,162)</b>
<b>B) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit	10,732	4,140
Amortisation and depreciation	6,921	6,010
Management of equity investments	3	-
Changes in working capital:	(12,373)	(689)
Net changes in employee and director benefits	(1,300)	254
Others, net	(83)	(233)
	<b>3,900</b>	<b>9,482</b>
<b>C) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed asset investments	(9,130)	(3,880)
Acquisition Kappa China brand	-	(900)
Acquisition K-Way France	(37,504)	-
Realisable value for fixed asset disposals	-	13
	<b>(46,634)</b>	<b>(4,768)</b>
<b>D) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Registration payables for Right-of-use	(4,313)	(2,460)
Income from right-of-use	-	545
Acquisition of treasury shares	(4,373)	(1,620)
Dividend payments	(6,093)	(3,144)
	<b>(14,779)</b>	<b>(6,678)</b>
<b>E) CASH FLOW IN THE PERIOD</b>	<b>(57,513)</b>	<b>(1,964)</b>
<b>F) CLOSING NET FINANCIAL POSITION</b>	<b>(119,256)</b>	<b>(84,126)</b>

## 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, 2022. The present document is subject to limited audit.

### 2. **FORM AND CONTENT**

The main accounting principles adopted in the preparation of the consolidated half-year 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 half-year 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 half-year financial statements include the financial statements at June 30, 2022 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 half-year 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, 2022 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.

#### **Accounting standards, amendments and interpretations applied from January 1, 2022**

##### **Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract**

An onerous contract is one in which the non-discretionary costs (i.e. costs that the Group cannot avoid because it is a party to a contract) required to fulfil the obligations undertaken are greater than the economic benefits theoretically obtainable from the contract.

The amendment clarifies that in determining whether a contract is onerous or loss-generating, an entity must take into account those costs directly related to the contract for the provision of goods or services which include both incremental costs (the cost of direct labour and materials) and costs directly attributed to contractual activities (depreciation of fixed assets used to fulfil the contract and costs for contract management and supervision). General and administrative expenses are not directly related to a contract and are excluded unless they are explicitly chargeable to the counterparty based on the contract.

These amendments do not have an impact on the Group consolidated half-year financial statements.

### Amendments to IFRS 3 - Reference to the Conceptual Framework

The amendments replace references to the Framework for the Preparation and Presentation of Financial Statements with references to the Conceptual Framework for Financial Reporting published in March 2018 and without a significant change in the standard's requirements.

The Board also added an exception to the measurement principles of IFRS 3 to avoid the risk of potential "day-after" losses or gains arising from liabilities and contingent liabilities that would fall within the scope of IAS 37 or IFRIC 21, where treated separately. The exemption requires that entities apply the requirements of IAS 37 or IFRIC 21, instead of the Conceptual Framework, to determine whether a present obligation exists at the date of acquisition.

The amendment also adds a new paragraph to IFRS 3 to clarify that contingent assets do not qualify as recognisable assets at the date of acquisition.

These amendments did not have any impact on the Group consolidated half-year financial statements.

### **3. FORMAT OF THE FINANCIAL STATEMENTS**

The BasicNet Group presents its income statement by nature of cost items; the assets and liabilities are classified as current or non-current. The statement of cash flows was prepared applying the indirect method. The format of the consolidated financial statements applied the provisions of Consob Resolution No. 15519 of July 27, 2006 and Notice No. 6064293 of July 28, 2006 on financial disclosure requirements. With reference to Consob Motion No. 15519 of July 27, 2006, transactions with related parties are described in Note 50 of the consolidated financial statements.

### **4. CONSOLIDATION PRINCIPLES**

The consolidated half-year financial statements were prepared including the Financial Statements at June 30, 2022 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, 2022		December 31, 2021		June 30, 2021	
	Average	At period-end	Average	At period-end	Average	At period-end
US Dollar	1.0850	1.0387	1.1809	1.1326	1.2023	1.1884
HK Dollar	8.4934	8.1493	9.1810	8.8333	9.3326	9.2293
Japanese Yen	133.4956	141.5400	130.2955	130.3800	130.4026	131.4300
UK Sterling	0.8413	0.8582	0.8582	0.8403	0.8654	0.8581
Swiss Franc	1.0241	0.9960	1.0794	1.0331	1.0968	1.0980
Vietnamese Dong	24,919	24,170	27,083	25,819	27,711	27,358

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, 2022 the Group is composed 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. 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**

Two operating segments have been identified within the BasicNet Group: *i)* apparel, footwear and accessories and *ii)* real estate. 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 Interim 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.

## EXPLANATORY NOTES TO THE INCOME STATEMENT

### 6. DISCLOSURE BY OPERATING SEGMENT

The BasicNet Group identifies two reporting segments, as outlined extensively in the Directors' Report:

- "Clothing, footwear and accessories," encompasses the development of proprietary brands and the distribution of related products both directly and through a global network of licensee companies. The following Group companies are included: 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., Sebago S.r.l. (previously TOS S.r.l.), BasicAir S.r.l., BasicNewco S.r.l., Superga S.r.l., K-Way S.p.A. and its subsidiaries K-WayRetail S.r.l., K-WayRetail SUISE S.A. and K-Way France S.a.s., BasicItalia S.p.A. and its subsidiaries BasicRetail S.r.l., KappaRetail S.r.l. and the Kappa Europe Group;
- "Property", which includes the management of the Group's real estate properties.

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 "Clothing, footwear and accessories" segment reports net royalties and sourcing commissions of Euro 34.9 million for H1 2022, compared to Euro 25.8 million in the same period of the previous year. Direct sales are also reported of Euro 127.0 million, compared to sales in the previous year of Euro 102.6 million. The contribution margin on sales was Euro 49.7 million, compared to Euro 42.5 million in 2021. The revenue margin was 39.1% (41.4% in 2021), decreasing slightly because of the widely reported logistical difficulties for international trade and the general increase in raw material costs. Personnel costs increased on the previous year, due to the reduced access to social security supports and the reduced period of Group directly managed sales point closures, in response to the easing of the restrictions imposed by local governments to contain the pandemics effects. The segment reports a profit of Euro 10.8 million compared to Euro 4.2 million in the previous year;
- the "Property" segment reports a loss of Euro 7 thousand, compared to a loss of Euro 69 thousand in 2021. The performance for the year was affected by the ongoing work to restructure BasicVillage in Milan, which will begin making a noticeable contribution to segment profits from H2.

<i>H1 2022</i>	<b>Clothing, footwear and accessories</b>	<b>Property</b>	<b>Inter-segment eliminations</b>	<b>Consolidated</b>
Direct sales – third parties	126,975	-	-	126,975
(Cost of sales)	(77,319)	-	-	(77,319)
<b>GROSS MARGIN</b>	<b>49,656</b>	<b>-</b>	<b>-</b>	<b>49,656</b>
Royalties and sourcing commissions – third parties	34,939	-	-	34,939
Other income - third parties	3,400	2,469	(2,000)	3,869
(Sponsorship and media costs)	(18,043)	-	-	(18,043)
(Personnel costs)	(17,600)	(23)	-	(17,623)
(Selling, general and administrative costs, royalties expenses)	(29,571)	(1,460)	677	(30,354)
Amortisation and depreciation	(7,242)	(922)	1,243	(6,921)
<b>EBIT</b>	<b>15,539</b>	<b>64</b>	<b>(80)</b>	<b>15,523</b>
Financial income	4,812	-	-	4,812
(Financial charges)	(4,660)	(66)	64	(4,662)
Share of profit/(loss) of investments	(3)	-	-	(3)
<b>PROFIT BEFORE TAXES</b>	<b>15,688</b>	<b>(2)</b>	<b>(16)</b>	<b>15,670</b>
Income taxes	(4,934)	(5)	1	(4,938)
<b>NET PROFIT</b>	<b>10,754</b>	<b>(7)</b>	<b>(15)</b>	<b>10,732</b>
<i>Significant non-cash items:</i>				
Income from right-of-use	-	-	-	-
Amortisation and depreciation	(7,242)	(922)	1,243	(6,921)
Write-downs	-	-	-	-
<b>Total non-cash items</b>	<b>(7,242)</b>	<b>(922)</b>	<b>1,243</b>	<b>(6,921)</b>
<i>Segment assets and liabilities:</i>				
<b>Assets</b>	<b>412,751</b>	<b>43,883</b>	<b>(41,946)</b>	<b>414,688</b>
<b>Liabilities</b>	<b>286,517</b>	<b>33,874</b>	<b>(39,429)</b>	<b>280,962</b>

<i>H1 2021</i>	<b>Clothing, footwear and accessories</b>	<b>Property</b>	<b>Inter-segment eliminations</b>	<b>Consolidated</b>
Direct sales – third parties	102,632	-	-	102,632
(Cost of sales)	(60,170)	-	-	(60,170)
<b>GROSS MARGIN</b>	<b>42,462</b>	<b>-</b>	<b>-</b>	<b>42,462</b>
Royalties and sourcing commissions – third parties	25,847	-	-	25,847
Other income - third parties	2,695	1,987	(1,731)	2,951
(Sponsorship and media costs)	(18,873)	-	-	(18,873)
(Personnel costs)	(14,470)	(21)	-	(14,490)
(Selling, general and administrative costs, royalties expenses)	(22,709)	(1,090)	448	(23,351)
Amortisation and depreciation	(6,366)	(856)	1,211	(6,010)
<b>EBIT</b>	<b>8,586</b>	<b>20</b>	<b>(71)</b>	<b>8,535</b>
Financial income	1,526	-	-	1,526
(Financial charges)	(2,726)	(70)	116	(2,680)
Share of profit/(loss) of investments	(3)	-	-	(3)
<b>PROFIT BEFORE TAXES</b>	<b>7,382</b>	<b>(50)</b>	<b>45</b>	<b>7,377</b>
Income taxes	(3,220)	(19)	1	(3,238)
<b>NET PROFIT</b>	<b>4,162</b>	<b>(69)</b>	<b>46</b>	<b>4,140</b>
<i>Significant non-cash items:</i>				
Income from right-of-use	545	-	-	545
Amortisation and depreciation	(6,366)	(856)	1,211	(6,010)
Write-downs	-	-	-	-
<b>Total non-cash items</b>	<b>(5,821)</b>	<b>(856)</b>	<b>1,211</b>	<b>(5,466)</b>
<i>Segment assets and liabilities:</i>				
<b>Assets</b>	<b>320,706</b>	<b>37,057</b>	<b>(29,973)</b>	<b>318,221</b>
<b>Liabilities</b>	<b>207,336</b>	<b>27,035</b>	<b>(37,038)</b>	<b>197,332</b>

## 7. BUSINESS COMBINATIONS

In April, the purchase of the entire share capital of K-Way France S.a.s. by K-Way S.p.A. was finalised. Based in Paris, K-Way France operates as a licensee of the brand of the same name in France, mainly through an extensive network of monobrand stores operated directly or through franchisees. The agreement provided for the recognition of a fixed component of Euro 19.8 million, which has already been paid in full. The former shareholders are also entitled to receive a variable earnout based on the company's actual financial performance in the period 2022-2025. This amount was estimated in advance at Euro 13.6 million: the total price of the shareholding is therefore Euro 33.4 million.

At the date of acquisition of control, K-Way France had a net cash position with the banks of Euro 3.9 million, in addition to payables for rights-of-use of Euro 8.0 million. The net financial position acquired is therefore a debt of Euro 4.1 million.

The acquisition and subsequent integration of the licensee into the BasicNet model represent a key step in the development of the K-Way brand's strategic plan and is part of the broader brand verticalisation project that began with the corporate reorganisation process that concluded last year.

The following table shows the consideration paid together with the value of the assets acquired and liabilities assumed at the acquisition date:

<i>(Euro thousands)</i>	<b>Amount</b>
Initial fee	19,829
Earn-out	13,598
Transaction charges	20
<b>Total paid</b>	<b>33,447</b>
<b>Net assets acquired</b>	
Intangible assets	875
Key money	5,468
Right-of-use	8,025
Property, plant and equipment	648
Equity invest. & other financial assets	312
Net inventories	5,620
Trade receivables	1,513
Other current assets	256
Cash and cash equivalents	7,944
Loans	-3,996
Payables for right-of-use	-8,025
Trade payables	-3,756
Tax payables	-1,985
Other current liabilities	-492
<b>Net identifiable assets</b>	<b>12,405</b>
<b>Goodwill</b>	<b>21,042</b>

**8. CONSOLIDATED DIRECT SALES**

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

	H1 2022	H1 2021
Sales Italy	82,240	66,318
EU countries other than Italy	40,903	31,548
Rest of the World	3,832	4,766
<b>Total consolidated direct sales</b>	<b>126,975</b>	<b>102,632</b>

Direct sales revenues relate to merchandise sold by BasicItalia S.p.A., K-Way S.p.A., BasicRetail S.r.l., K-WayRetail SUISSA S.A., K-Way-Retail S.r.l., K-Way France S.a.s. and Kappa France S.a.s. through both the wholesale and retail channels (Euro 126.5 million) and BasicNet S.p.A. for sample merchandise sales (Euro 0.4 million). Sales on the home market accounted for 64.8%, while approx. 32.2% of sales were in other EU countries, with the remaining approx. 3% 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 2022	H1 2021
Multibrand sales	105,213	81,046
Franchising sales	18,289	16,105
Online sales	2,672	4,931
Sample sales	801	550
<b>Total consolidated direct sales</b>	<b>126,975</b>	<b>102,632</b>

**9. COST OF SALES**

	H1 2022	H1 2021
Goods purchased – Overseas	87,072	49,700
Freight charges and accessory purchasing cost	17,442	8,508
Cost of outsourced logistics	4,230	3,679
Goods purchased – Italy	4,202	3,017
Samples purchased	1,622	1,081
Packaging	779	407
Change in inventory of raw materials, ancillary, consumables and goods	(39,512)	(7,423)
Other	1,485	1,201
<b>Total cost of sales</b>	<b>77,319</b>	<b>60,170</b>

“Goods purchased” refer to the finished products acquired by BasicItalia S.p.A., K-Way S.p.A., K-Way France S.a.s. and Kappa France S.a.s. Sample purchases were made by BasicNet S.p.A. and K-Way 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 2022	H1 2021
Europe (EU and non-EU)	12,493	10,931
The Americas	6,640	4,727
Asia and Oceania	12,850	7,946
Middle East and Africa	2,957	2,243
<b>Total</b>	<b>34,939</b>	<b>25,847</b>

**11. OTHER INCOME**

	H1 2022	H1 2021
Prior year income	1,286	501
Signing fees from commercial licensees	659	597
Income and chargebacks from aircraft	512	270
Rental income	278	192
Income from promo sales	72	174
Recovery of condominium expenses	72	51
Income for right-of-use	-	545
Other income	989	621
<b>Total other income</b>	<b>3,869</b>	<b>2,951</b>

“Prior year income” concerns the positive differences on the assessment of expenses from previous years.

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

“Other income” includes the recharge of expenses to third parties and other indemnities against counterfeiting and unauthorised usage protection actions.

**12. SPONSORSHIP AND MEDIA COSTS**

	H1 2022	H1 2021
Sponsorship and marketing	14,384	16,178
Advertising	2,844	2,107
Promotional expenses	815	587
<b>Total sponsorship and media costs</b>	<b>18,043</b>	<b>18,873</b>

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 due to the conclusion of existing sponsorship agreements at the end of 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 2022	H1 2021
Wages and salaries	12,740	10,426
Social security charges	4,217	3,440
Post-employment benefits	666	624
<b>Total</b>	<b>17,623</b>	<b>14,490</b>

The number of employees at the reporting date, by category, is reported in the separate section in the Directors' Report.

The average number of employees in 2022 was 883 - broken down as 37 Executives, 25 managers, 758 white-collar and 63 blue-collar employees - compared to 806 in 2021.

The increase relates mainly to the personnel assigned to the new sales points and the use of social security schemes during Q1 2021 to cope with the closures under the pandemic emergency containment plans as enacted in the various countries where the Group operates directly. The inclusion of K-Way France in the consolidation scope also resulted in an increase in the item for Euro 756 thousand.

### 14. SELLING, GENERAL AND ADMINISTRATIVE COSTS AND ROYALTIES EXPENSES

	H1 2022	H1 2021
Selling and royalty service expenses	8,396	6,977
Rental, accessory and utility expenses	4,827	3,772
Commercial expenses	5,176	3,068
Directors and Statutory Auditors emoluments	2,448	2,502
Professional consultants	2,986	2,053
Doubtful debt provision	985	1,331
Bank charges	961	605
Hire	793	616
Taxes and duties	706	616
Extraordinary charges	603	151
Costs related to Human Resources	483	285
Purchases of consumables and paperwork	287	190
Other transport costs	258	117
Company expenses	184	168
Other general expenses	1,261	1,000
<b>Total selling, general and administrative costs, and royalties expenses</b>	<b>30,354</b>	<b>23,351</b>

"Selling and royalty service expenses" mainly includes commissions to agents and transport costs to customers, whose increase is related to higher revenues; 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 29, 2022, are in line with the company remuneration policy, pursuant to Article 78 of Consob Regulation No. 11971/99 and subsequent amendments and supplements, 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](http://www.basicnet.com) Shareholder' Meeting 2021 section, to which reference should be made.

"Other general expenses" includes stamp and legal fees, COVID-19 sanitation expenses and other minor costs.

## 15. AMORTISATION & DEPRECIATION

	H1 2022	H1 2021
Amortisation	1,473	1,304
Right-of-use	3,253	2,695
Depreciation	2,195	2,012
<b>Total amortisation &amp; depreciation</b>	<b>6,921</b>	<b>6,010</b>

Amortisation of intangible assets includes approx. 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.

Depreciation of rights-of-use refers mainly to the lease contracts of Group sales points.

## 16. NET FINANCIAL INCOME/(CHARGES)

	H1 2022	H1 2021
Interest income	29	3
Bank interest charges	(30)	(45)
Interest on medium/long term loans	(261)	(346)
Property lease interest	(4)	(5)
Interest IFRS 16	(271)	(138)
Loan and current account fees	(115)	(119)
IAS 19 interest	(8)	(14)
Other	111	(180)
<b>Total financial income and charges</b>	<b>(771)</b>	<b>(844)</b>
Exchange gains	4,782	1,521
Exchange losses	(3,862)	(1,832)
<b>Net exchange gains/(losses)</b>	<b>921</b>	<b>(311)</b>
<b>Total financial income/(charges)</b>	<b>150</b>	<b>(1,155)</b>

Net exchange gains amounted to Euro 920 thousand, against losses of Euro 311 thousand in the previous year; net financial charges servicing the debt amounted to Euro 0.7 million, compared to Euro 0.8 million in the previous year.

"Other" comprises 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 4.9 million. This consists of:

- current income taxes of Euro 5.2 million, primarily Euro 1 million of IRAP (regional business tax), Euro 3.4 million of IRES (corporate income tax) and Euro 0.8 million of income taxes of the foreign subsidiaries;
- the assessment and release of deferred tax liabilities totalling Euro 0.7 million;
- implementation of the benefits arising from the application of the "Patent Box" regulations (Euro 1 million);
- the declaration of other minor taxes for Euro 33 thousand.

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 of the Kappa Europe Group.

## **19. EARNINGS PER SHARE**

The basic earnings per share, for H1 2022, 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:

<i>(in Euro)</i>	<b>H1 2022</b>	<b>H1 2021</b>
Profit/(loss)	10,731,663	4,139,802
Weighted average number of ordinary shares	50,123,000	52,353,767
Basic earnings per ordinary share	0.2124	0.0791

At June 30, 2022 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 2022 and 2021 relates to the number of treasury shares acquired in the year.

## EXPLANATORY NOTES TO THE BALANCE SHEET

20. INTANGIBLE ASSETS

	June 30, 2022	December 31, 2021	June 30, 2021
Concessions, brands and similar rights	59,349	59,292	59,286
Software development	4,693	4,367	4,245
Other intangible assets	2,741	1,942	1,764
Industrial patents	104	147	175
<b>Total intangible assets</b>	<b>66,886</b>	<b>65,748</b>	<b>65,470</b>

The changes in the original costs of the intangible assets were as follows:

	Concessions, brands and similar rights	Software development	Other intangible assets	Industrial patents	Total
<b>Historical cost at 1.1.22</b>	<b>71,616</b>	<b>49,976</b>	<b>11,656</b>	<b>887</b>	<b>134,136</b>
<i>Investments</i>	146	1,264	267	1	1,677
<i>Change in consolidation scope</i>	-	29	863	-	892
<i>Disposals and other changes</i>	26	36	11	(36)	37
<i>Write-downs</i>	-	-	-	-	-
<b>Historical cost at 30.06.22</b>	<b>71,788</b>	<b>51,305</b>	<b>12,796</b>	<b>852</b>	<b>136,742</b>

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

	Concessions, brands and similar rights	Software development	Other intangible assets	Industrial patents	Total
<b>Accum. Amort. at 1.1.22</b>	<b>(12,323)</b>	<b>(45,609)</b>	<b>(9,714)</b>	<b>(741)</b>	<b>(68,387)</b>
<i>Amortisation</i>	(116)	(970)	(342)	(8)	(1,435)
<i>Change in consolidation scope</i>	-	(17)	-	-	(17)
<i>Disposals and other changes</i>	-	(17)	-	-	(17)
<b>Accum. Amort. at 30.06.22</b>	<b>(12,439)</b>	<b>(46,612)</b>	<b>(10,055)</b>	<b>(749)</b>	<b>(69,855)</b>

The net book value of intangible assets is reported below:

	<b>Concessions, brands and similar rights</b>	<b>Software development</b>	<b>Other intangible assets</b>	<b>Industrial patents</b>	<b>Total</b>
<b>Opening net book value at 1.1.22</b>	<b>59,292</b>	<b>4,367</b>	<b>1,942</b>	<b>147</b>	<b>65,748</b>
<i>Investments</i>	146	1,264	267	-	1,677
<i>Change in consolidation scope</i>	-	13	863	-	875
<i>Disposals and other changes</i>	26	19	11	(36)	20
<i>Amortisation</i>	(116)	(970)	(342)	(8)	(1,435)
<i>Write-downs</i>	-	-	-	-	-
<b>Closing net book value at 30.06.22</b>	<b>59,349</b>	<b>4,693</b>	<b>2,741</b>	<b>104</b>	<b>66,886</b>

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, 2022, the Kappa and Robe di Kappa brands report a book value of Euro 15.1 million, with the Superga brand reporting a book value of Euro 21.1 million; the K-Way brand was valued at Euro 9.3 million, the Sebago brand at Euro 11.9 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, 2021 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.

The account “software development” increased approx. Euro 1.3 million for investments and decreased Euro 0.9 million for amortisation in the year.

The account “other intangible assets” principally includes improvements related to the franchising project and recorded investments of Euro 1.1 million and amortisation of Euro 0.3 million.

## 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”).

In the previous year, the Group applied the practical expedient provided for lease reductions granted by landlords that are a direct result of the COVID-19 outbreak.

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Right-of-use	32,246	23,119	21,781
<b>Total right-of-use</b>	<b>32,246</b>	<b>23,119</b>	<b>21,781</b>

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

	Historic cost	Accumulated depreciation	Net book value
<b>Value at 01.01.22</b>	<b>50,704</b>	<b>(27,585)</b>	<b>23,119</b>
<i>Investments</i>	<i>5,587</i>	<i>-</i>	<i>5,587</i>
<i>Change in consolidation scope</i>	<i>8,025</i>	<i>-</i>	<i>8,025</i>
<i>Depreciation</i>	<i>-</i>	<i>(3,253)</i>	<i>(3,253)</i>
<i>Disposals and other changes</i>	<i>(3,000)</i>	<i>1,769</i>	<i>(1,231)</i>
<b>Value at 30.06.22</b>	<b>61,316</b>	<b>(29,070)</b>	<b>32,246</b>

## 22. GOODWILL

	June 30, 2022	December 31, 2021	June 30, 2021
Goodwill	38,400	11,840	11,873
<b>Goodwill</b>	<b>38,400</b>	<b>11,840</b>	<b>11,873</b>

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, Euro 21 million following the acquisition of K-Way France S.a.s. and goodwill paid for the acquisition of retail outlets, known as key money (Euro 6 million).

The Group verifies the recovery of the goodwill at least on an annual basis or more frequently when there is an indication of a loss in value. For the purposes of the impairment test the goodwill is allocated to the lowest cash-generating unit. See Note 20 on the checks carried out as at June 30, 2022.

## 23. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2022	December 31, 2021	June 30, 2021
Buildings	41,406	36,537	32,787
Furniture and other assets	8,979	8,029	10,611
Plant and machinery	865	787	804
EDP	1,844	1,752	1,792
Industrial & commercial equipment	203	171	190
<b>Total property, plant and equipment</b>	<b>53,297</b>	<b>47,276</b>	<b>46,184</b>

The changes in the historical cost of property, plant and equipment were as follows:

	Property	Furniture and other assets	Plant & machinery	EDP	Industrial & commercial equipment	Total
<b>Historical cost at 1.1.22</b>	<b>55,871</b>	<b>24,895</b>	<b>3,205</b>	<b>17,278</b>	<b>1,273</b>	<b>102,522</b>
<i>Investments</i>	<i>5,440</i>	<i>1,224</i>	<i>233</i>	<i>524</i>	<i>61</i>	<i>7,483</i>
<i>Change in consolidation scope</i>	<i>-</i>	<i>962</i>	<i>(28)</i>	<i>73</i>	<i>-</i>	<i>1,035</i>
<i>Disposals and other changes</i>	<i>2</i>	<i>(545)</i>	<i>-</i>	<i>(137)</i>	<i>-</i>	<i>(708)</i>
<b>Historical cost at 30.06.22</b>	<b>61,313</b>	<b>26,537</b>	<b>3,410</b>	<b>17,738</b>	<b>1,334</b>	<b>110,332</b>

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

	Property	Furniture and other assets	Plant & machinery	EDP	Industrial & commercial equipment	Total
<b>Accum. Deprec. at 1.1.22</b>	<b>(19,335)</b>	<b>(16,866)</b>	<b>(2,417)</b>	<b>(15,526)</b>	<b>(1,101)</b>	<b>(55,246)</b>
<i>Depreciation</i>	<i>(744)</i>	<i>(515)</i>	<i>(159)</i>	<i>(398)</i>	<i>(31)</i>	<i>(1,847)</i>
<i>Change in consolidation scope</i>	<i>-</i>	<i>(341)</i>	<i>-</i>	<i>(46)</i>	<i>-</i>	<i>(387)</i>
<i>Disposals and other changes</i>	<i>171</i>	<i>165</i>	<i>32</i>	<i>77</i>	<i>-</i>	<i>446</i>
<b>Accum. Deprec. at 30.06.22</b>	<b>(19,907)</b>	<b>(17,558)</b>	<b>(2,544)</b>	<b>(15,894)</b>	<b>(1,132)</b>	<b>(57,034)</b>

The net book value of property, plant and equipment was as follow:

	Property	Furniture and other assets	Plant & machinery	EDP	Industrial & commercial equipment	Total
<b>Net book value at 1.1.22</b>	<b>36,537</b>	<b>8,029</b>	<b>787</b>	<b>1,752</b>	<b>171</b>	<b>47,276</b>
<i>Investments</i>	<i>5,440</i>	<i>1,224</i>	<i>233</i>	<i>524</i>	<i>61</i>	<i>7,483</i>
<i>Change in consolidation scope</i>	<i>-</i>	<i>621</i>	<i>-</i>	<i>27</i>	<i>-</i>	<i>648</i>
<i>Depreciation</i>	<i>(744)</i>	<i>(515)</i>	<i>(159)</i>	<i>(398)</i>	<i>(31)</i>	<i>(1,847)</i>
<i>Disposals and other changes</i>	<i>173</i>	<i>(380)</i>	<i>4</i>	<i>(60)</i>	<i>-</i>	<i>(262)</i>
<b>Net book value at 30.06.22</b>	<b>41,406</b>	<b>8,979</b>	<b>865</b>	<b>1,844</b>	<b>203</b>	<b>53,297</b>

“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, the property complex at Via dell’Aprica, No. 12 in Milan, owned by Aprica Costruzione S.r.l, Milan, a company which was acquired in January 2020, and merged into Basic Village S.p.A. in July 2020, and the building at Corso Regio Parco No. 33 in Turin, acquired by the subsidiary Basic Village S.p.A. at the end of March 2022.

Total gross investments in the year amounted to Euro 7.5 million, principally relating to the restructuring of the BasicVillage in Milan, the new building at Corso Regio Parco No. 33 in Turin, and the acquisition of furniture and EDP for the opening of new stores.

**24. EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS**

	June 30, 2022	December 31, 2021	June 30, 2021
Investments in:			
– Other companies	349	338	-
<b>Total investments</b>	<b>349</b>	<b>338</b>	<b>-</b>
Other receivables, guarantees	899	761	755
<b>Total financial receivables</b>	<b>899</b>	<b>761</b>	<b>755</b>
<b>Total investments &amp; other financial assets</b>	<b>1,248</b>	<b>1,099</b>	<b>755</b>

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

The value of “investments in other companies” refers to the equity investment that BasicItalia S.p.A. acquired in Cecilia S.r.l. in December 2021 and the equity investment in KappaRetail S.r.l. acquired by BasicItalia S.p.A. in April 2022 and not yet operational at the date of this Report.

**25. INVESTMENTS IN JOINT VENTURES**

	June 30, 2022	December 31, 2021	June 30, 2021
Investments in:			
– Joint venture	193	191	188
<b>Total investments in joint ventures</b>	<b>193</b>	<b>191</b>	<b>188</b>

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

**26. DEFERRED TAX ASSETS**

	June 30, 2022	December 31, 2021	June 30, 2021
Deferred tax assets	7,407	7,737	2,309
<b>Total deferred tax assets</b>	<b>7,407</b>	<b>7,737</b>	<b>2,309</b>

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.

The individual effects are reported in the table below:

	June 30, 2022			December 31, 2021		
	Amount of temporary differences	Rate % (*)	Tax effect	Amount of temporary differences	Rate % (*)	Tax effect
<b><u>Deferred tax assets:</u></b>						
- Excess doubtful debt provision not deductible	15,398	24.2%	3,731	15,270	24.0%	3,658
- Inventory obsolescence provision	3,856	24.0%	925	4,624	24.0%	1,110
- Misc. charges temporarily non-deductible	1,516	26.4%	400	1,533	25.8%	394
- Effect IAS 19 – Employee Benefits	714	24.5%	175	680	24.5%	167
- Effect IFRS 16 - lease payables	728	28.1%	204	860	26.9%	231
<b>Total DTA on temporary differences [A]</b>	<b>22,212</b>		<b>5,436</b>	<b>22,968</b>		<b>5,559</b>
<b><u>Deferred tax liabilities:</u></b>						
- Prudent exchange differences, net	1,079	24.0%	259	747	24.0%	179
- Amortisation/Depreciation tax basis	7,097	27.9%	1,981	5,254	28.0%	1,474
- Statutory-tax difference on amortisation, depreciation, and valuations	13,598	28.1%	3,817	13,990	28.1%	3,927
- Effect IAS 38 – plant costs	18	27.9%	5	18	27.9%	5
- Effect IFRS9 – financial instruments	322	25.9%	83	1,554	24.3%	378
- Effect IFRS 3 – goodwill amortisation	2,344	27.9%	654	2,264	27.9%	632
<b>Total DTL on temporary differences [B]</b>	<b>24,457</b>		<b>6,799</b>	<b>23,826</b>		<b>6,595</b>
Losses carried forward [C]	8,961	25.9%	2,323	8,961	25.9%	2,322
<b>Deferred tax liabilities (asset) net</b>	<b>6,716</b>		<b>958</b>	<b>(7,959)</b>		<b>(1,287)</b>
Of which:						
Deferred tax assets			7,407			7,737
Deferred tax liabilities			(6,449)			(6,450)

(\*) 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 3.7 million), non-deductible inventory obsolescence provisions (approx. Euro 0.9 million), temporarily non-deductible charges (Euro 0.4 million) and the effects deriving from the application of IFRS 16 (Euro 0.2 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 2.0 million), differences between statutory and fiscal amortisation (Euro 3.8 million) and goodwill amortisation fiscally deductible (Euro 0.6 million).

**27. NET INVENTORIES**

	June 30, 2022	December 31, 2021	June 30, 2021
Raw materials, ancillaries and consumables	87	87	90
Finished products and goods	112,825	68,577	75,140
Inventory obsolescence provision	(4,519)	(5,041)	(5,613)
<b>Total net inventories</b>	<b>108,393</b>	<b>63,622</b>	<b>69,617</b>

Finished inventories include goods in transit at the balance sheet date which at June 30, 2022 amount to approx. Euro 31.8 million compared to Euro 7.4 million at June 30, 2021, goods held at Group brand stores for Euro 7.3 million, compared to Euro 7.4 million at June 30, 2021 and goods to be shipped against orders, to be delivered at the beginning of the following period, for Euro 7.6 million compared to Euro 7 million at June 30, 2021.

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, 2022	December 31, 2021	June 30, 2021
<b>Inventory obsolescence provision at 01.01</b>	<b>5,041</b>	<b>5,091</b>	<b>5,091</b>
Provisions in the period	845	1,278	1,191
Utilisations	(1,367)	(1,327)	(669)
<b>Inventory obsolescence provision at 30.06</b>	<b>4,519</b>	<b>5,041</b>	<b>5,613</b>

**28. TRADE RECEIVABLES**

	June 30, 2022	December 31, 2021	June 30, 2021
Gross value	82,007	71,069	68,188
Doubtful debt provision	(19,105)	(17,949)	(16,207)
<b>Total trade receivables</b>	<b>62,902</b>	<b>53,120</b>	<b>51,981</b>

“Trade receivables” refer for Euro 51.7 million to goods sold by proprietary licensees compared to Euro 43.8 million at December 31, 2021 against which a doubtful debt provision was recorded of Euro 9.2 million (Euro 8.9 million at December 31, 2021) and for Euro 29.8 million to royalties and sourcing commissions (Euro 26.8 million at December 31, 2021) against which a doubtful debt provision was recorded of Euro 9.9 million (Euro 9.0 million at December 31, 2021).

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, 2022	December 31, 2021	June 30, 2021
<b>Doubtful debt provision at 01.01</b>	<b>17,949</b>	<b>15,927</b>	<b>15,927</b>
Provisions in the period	985	3,254	1,331
Exchange adjustments	696	(90)	-
Utilisations	(524)	(1,142)	(1,051)
<b>Doubtful debt provision at 30.06</b>	<b>19,105</b>	<b>17,949</b>	<b>16,207</b>

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, 2022	December 31, 2021	June 30, 2021
Tax receivables	11,207	7,856	9,851
Other receivables	2,301	3,383	3,562
<b>Total other current assets</b>	<b>13,509</b>	<b>11,239</b>	<b>13,413</b>

Current “tax receivables” principally relate to withholding taxes on royalties for Euro 6.2 million, VAT receivables for Euro 3.2 million, IRES and IRAP receivables of Euro 1.2 million, in addition to minor amounts.

## 30. PREPAYMENTS

	June 30, 2022	December 31, 2021	June 30, 2021
Expenses pertaining to future collections	4,817	4,096	4,617
Sponsorship and media	2,357	6,018	3,099
Other	3,351	2,540	3,430
<b>Total prepayments</b>	<b>10,525</b>	<b>12,654</b>	<b>11,146</b>

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, 2022	December 31, 2021	June 30, 2021
Bank and postal deposits	18,756	28,425	22,202
Cash and valuables in hand	159	123	83
<b>Total cash and cash equivalents</b>	<b>18,915</b>	<b>28,548</b>	<b>22,285</b>

“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 3.8 million), companies of the Kappa Europe Group (Euro 3.8 million), K-Way S.p.A. (Euro 2.7 million), BasicRetail S.r.l. (Euro 0.3 million), BasicNet S.p.A. (Euro 0.7 million), Basic Properties America Inc. (Euro 1.4 million), K-WayRetail S.r.l. (Euro 0.2 million), K-Way France S.a.s. (Euro 5.1 million) and, for the difference, the other Group companies (Euro 0.8 million).

**32. DERIVATIVE FINANCIAL INSTRUMENTS**

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Derivative financial instruments	767	1,596	1,217
<b>Total</b>	<b>767</b>	<b>1,596</b>	<b>1,217</b>

Reference should be made to Note 46 below for further details.

**33. SHAREHOLDERS' EQUITY**

	June 30, 2022	December 31, 2021	June 30, 2021
Share capital	31,717	31,717	31,717
Treasury shares	(11,791)	(30,648)	(26,298)
Other reserves	103,068	112,423	111,330
Net Profit	10,732	20,330	4,140
<b>Total shareholders' equity</b>	<b>133,726</b>	<b>133,822</b>	<b>120,889</b>

The "share capital" of the Parent Company, amounting to Euro 31,716,673.04, is divided into 54,000,000 fully paid-in ordinary shares without par value.

In May, as approved by the Shareholders' AGM of BasicNet S.p.A. of April 13, 2022, in relation to the allocation of the 2021 net profit, a dividend of Euro 0.12 per share was distributed to each of the ordinary shares in circulation, for a total pay-out of approx. Euro 6.1 million.

The Extraordinary Shareholders' Meeting of May 30, 2022 approved the cancellation of 6,993,602 treasury shares held in portfolio without reducing the share capital and eliminated the par value of the shares. As a result, the "Reserve for purchase of treasury shares" was reduced by Euro 23.2 million and the corresponding negative item "treasury shares" was reduced by the same amount.

Following this motion and with the purchases during the six-month period of 1,218,000 treasury shares in execution of the authorising shareholder motions of April 13 and May 30, 2022, at June 30, 2022, there were 3,477,000 treasury shares in portfolio, equal to 6.439% of the share capital.

The account "other reserves" comprises:

- the "*cash flow hedge reserve*", positive for Euro 254 thousand, changed in the year due to the fair value measurement of cash flow hedges held at June 30, 2022;
- the "*re-measurement reserve for defined benefit plans (IAS 19)*", negative for Euro 393 thousand, refers to the changes in the actuarial gains/losses ("*re-measurement*"). The valuation is shown net of the tax effect;
- the "*IFRS16 reserve*", which includes the effects of the first-time application of the standard, is negative for Euro 733 thousand;
- the "*currency conversion reserve*", positive for Euro 1.8 million, entirely concerns conversion differences into Euro of the financial statements of the US, Asian, Swiss and English subsidiaries;
- "*retained earnings*" amounting to Euro 102.2 million, a decrease of Euro 9 million compared to the end of the previous year. This change follows an increase of Euro 14.2 million in retained earnings from the previous year and a utilisation of Euro 23.2 million from the sale of treasury shares.

The other gains and losses recorded directly to equity in accordance with *IAS 1 – Presentation of financial statements* are reported below.

	June 30, 2022	June 30, 2021	Changes
Effective part of the Gains/(losses) on cash flow instruments generated in the period (currency hedges)	(1,063)	1,367	(2,429)
Effective part of the Gains/(losses) on cash flow instruments generated in the period (interest rate hedges)	(155)	1,331	(1,486)
<b>Effective part of the Gains/losses on cash flow hedge instruments</b>	<b>(1,218)</b>	<b>2,697</b>	<b>(3,915)</b>
Re-measurement of defined benefit plans (IAS 19)	(54)	3	(58)
Gains/(losses) from translation of accounts of foreign subsidiaries	606	207	398
Tax effect relating to the Other items of the comprehensive income statement	304	(669)	974
<b>Total other gains/(losses), net of tax effect</b>	<b>(362)</b>	<b>2,238</b>	<b>(2,600)</b>

(\*) 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, 2022			June 30, 2021		
	Gross value	Tax Charge/Benefit	Net value	Gross value	Tax Charge/Benefit	Net value
Effective part of Gains/losses on cash flow hedge instruments	(1,218)	291	(927)	2,697	(668)	2,029
Gains/losses for re-measurement of defined benefit plans (IAS 19)	(54)	13	(41)	3	(1)	2
Gains/(losses) from translation of accounts of foreign subsidiaries	606	-	606	207	-	207
<b>Total other gains/(losses), net of tax effect</b>	<b>(666)</b>	<b>304</b>	<b>(362)</b>	<b>2,909</b>	<b>(669)</b>	<b>2,238</b>

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

### 34. PROVISIONS FOR RISKS AND CHARGES

	June 30, 2022	December 31, 2021	June 30, 2021
Provisions for risks and charges	120	590	184
<b>Total provisions for risks and charges</b>	<b>120</b>	<b>590</b>	<b>184</b>

The provision for risks and charges relates to the Agents Termination Indemnity Provision (FIRR) in BasicItalia S.p.A. and K-Way S.p.A.

**35. LOANS**

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

	31/12/2021	Change Consol. scope	Repayments	30/06/2022	Short-term portion	Medium/long term portion
Unicredit Property Mortgage (Basic Village Turin)	900	-	(600)	300	300	-
Intesa Mortgage Financing (Cebrosa Road)	916	-	(203)	713	407	306
BNL loan	1,875	-	(625)	1,250	1,250	-
MPS loan (Sebago)	8,125	-	(1,625)	6,500	3,250	3,250
Banco BPM Unsecured Loan (Kappa Japan)	6,000	-	-	6,000	1,125	4,875
FCG Loan L.662/96 (BasicNet)	5,500	-	-	5,500	1,031	4,469
FCG Loan L.662/96 (BasicItalia)	5,500	-	-	5,500	1,031	4,469
FCG Loan L.662/96 (K-WayRetail)	5,225	-	(550)	4,675	1,100	3,575
FCG Loan L.662/96 (Kappa Japan brand)	5,500	-	-	5,500	688	4,813
BPI KE loan	1,334	-	(167)	1,167	333	833
Abanca "Covid-19" subsidised loan	200	-	-	200	65	135
KSI "Covid-19" subsidised loan	420	-	(23)	397	137	260
Santander KSI loans	17	-	(13)	4	4	-
Intesa KFF loan	2,000	-	(400)	1,600	800	800
BNP Mortgage - La Baule	-	357	(14)	343	57	286
BPI Mortgage - La Baule	-	386	(14)	371	57	314
HSBC Mortgage - Montpellier	-	237	(11)	225	45	180
BNP Mortgage - Nice	-	393	(20)	373	79	295
SGE Mortgage - Lyon	-	342	(21)	320	86	234
SGE Loan - Temple (Works)	-	145	(12)	133	46	87
BNP Mortgage - Temple	-	232	(21)	211	84	127
SGE Mortgage - Temple	-	241	(21)	219	86	133
SGE Mortgage - Biarritz	-	247	(13)	234	53	181
BPI Mortgage - Biarritz	-	263	(19)	244	75	169
BNP Mortgage - PGE	-	485	(20)	465	121	354
HSBC Mortgage - PGE	-	335	(14)	321	83	238
SGE Mortgage - PGE	-	335	(14)	321	84	237
<b>Balance</b>	<b>43,512</b>	<b>3,996</b>	<b>(4,420)</b>	<b>43,087</b>	<b>12,479</b>	<b>30,618</b>

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

	June 30, 2022	December 31, 2021	June 30, 2021
Medium/long term loans:			
- due within 5 years	30,560	34,268	37,521
- due beyond 5 years	57	-	2,025
<b>Total medium/long-term loans</b>	<b>30,617</b>	<b>34,268</b>	<b>39,546</b>
Leasing payables	380	515	624
<b>Total leasing payables (maturity within 5 years)</b>	<b>380</b>	<b>515</b>	<b>624</b>
<b>Total loans</b>	<b>30,997</b>	<b>34,783</b>	<b>40,170</b>

During the first half of the year, the Group made all capital repayments falling due.

As regards the loan contracts taken out following the acquisition of K-Way France, we note that these are related to the opening and restructuring of specific new stores, for which the *fond de commerce*, as governed by French law, is generally pledged as collateral to the lending institution.

At June 30, 2022 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 343.1 million, broken down as follows:

(in Euro millions)	June 30, 2022	December 31, 2021	June 30, 2021
Cash facility	244.5	211.4	232.0
Factoring	14.2	14.2	-
Letters of credit and swaps	41.3	27.6	20.5
Medium/long term loans	43.1	43.5	55.4
Property leases	-	1.0	-
<b>Total</b>	<b>343.1</b>	<b>297.7</b>	<b>308.0</b>

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

### 36. BANK PAYABLES

	June 30, 2022	December 31, 2021	June 30, 2021
Bank payables due within one year:			
- short-term portion of medium/long-term loans	12,479	9,243	8,528
- bank overdrafts and bills	19,174	9,313	12,735
- import advances	28,805	12,910	22,197
<b>Total bank payables</b>	<b>60,458</b>	<b>31,466</b>	<b>43,460</b>

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, 2022 is as follows:

	Interest Rate		Total
	Fixed	Variable	
Short-term	20,728	39,730	60,458
Medium/long term	12,545	18,452	30,997
<b>Total</b>	<b>33,273</b>	<b>58,182</b>	<b>91,455</b>

The average interest rate on medium/long term loans was 1.28%.

### 37. PAYABLES FOR RIGHT-OF-USE

	June 30, 2022	December 31, 2021	June 30, 2021
Payables for rights-of-use	33,118	24,041	22,782
<b>Total payables for right-of-use</b>	<b>33,118</b>	<b>24,041</b>	<b>22,782</b>

Payables for right-of-use are recognised from 2021 in accordance with IFRS 16. In H1, new contracts or renewals of existing agreements amounting to Euro 5.1 million were recognised, respective payables of Euro 3.3 million were settled, and payables of Euro 8.0 million were assumed for rights-of-use as part of the acquisition of K-Way France.

### 38. OTHER FINANCIAL PAYABLES

	June 30, 2022	December 31, 2021	June 30, 2021
Payables for earn-out	13,598	-	-
<b>Total other financial payables</b>	<b>13,598</b>	<b>-</b>	<b>-</b>

The item refers entirely to the earnout debt to the previous shareholders of K-Way France, payment of which will be made between 2023 and 2026. For further details, reference should be made to Note 7.

### 39. EMPLOYEE AND DIRECTOR BENEFITS

The account includes the post-employment benefits for employees of Euro 3.5 million and the termination indemnities of Directors of Euro 83 thousand.

**40. DEFERRED TAX LIABILITIES**

	June 30, 2022	December 31, 2021	June 30, 2021
Deferred tax liabilities	6,449	6,451	366
<b>Total deferred tax liabilities</b>	<b>6,449</b>	<b>6,451</b>	<b>366</b>

Reference should be made to Note 26 above for further details.

**41. OTHER NON-CURRENT LIABILITIES**

	June 30, 2022	December 31, 2021	June 30, 2021
Guarantee deposits	1,333	1,368	1,228
Medium/long term tax payables	-	-	268
<b>Total other non-current liabilities</b>	<b>1,333</b>	<b>1,368</b>	<b>1,496</b>

The “guarantee deposits” include the guarantees received from licensees, to cover the minimum royalties guaranteed contractually.

**42. TRADE PAYABLES**

“Trade payables” are payable in the short-term and increased by approx. Euro 38.3 million compared to December 31, 2021, due to the increased procurement of goods during the last quarter compared to the same period of the previous year and for the change in the consolidation scope following the acquisition of K-Way France. At the date of these financial statements 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, 2022	December 31, 2021	June 30, 2021
Tax payables:			
IRES	8,947	5,059	5,185
Employee contributions	690	530	632
Group VAT	3,496	2,775	3,207
Others	592	767	621
<b>Total tax payables</b>	<b>13,725</b>	<b>9,131</b>	<b>9,645</b>

Current tax payables include provisions for IRES and IRAP to be settled at the reporting date.

**44. OTHER CURRENT LIABILITIES**

	June 30, 2022	December 31, 2021	June 30, 2021
Accrued expenses	178	827	23
Payables to employees and directors	4,983	3,995	6,961
Shareholder dividend account	5	-	3
Social security institutions	2,644	2,669	2,379
Other payables	923	1,482	3,142
<b>Total other current liabilities</b>	<b>8,732</b>	<b>8,973</b>	<b>12,508</b>

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, 2022 principally concern royalty payments on account from licensees (Euro 185 thousand) and other miscellaneous amounts (Euro 0.8 million).

**45. DEFERRED INCOME**

	June 30, 2022	December 31, 2021	June 30, 2021
Royalties for period/subsequent period	-	1,247	-
Sponsored goods revenues	2,722	3,733	3,410
Other deferred income	898	724	823
<b>Total deferred income</b>	<b>3,620</b>	<b>5,703</b>	<b>4,233</b>

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, 2022	December 31, 2021	June 30, 2021
Derivative financial instruments	430	42	760
<b>Total</b>	<b>430</b>	<b>42</b>	<b>760</b>

The amount includes the market value at June 30, 2022 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 2022 and 2023, on the basis of the goods orders already sent to suppliers, or still to be made but included in the budget. At June 30, 2022, commitments were in place on estimated future purchases, for USD 12.1 million, broken down into 6 transactions with differing maturities: 4 transactions in the second half of 2022 (for USD 8.1 million), 2 transactions in the first half of 2023 (for USD 4 million) at variable exchange rates set between USD/Euro 1.11 and USD/Euro 1.2339. A negative equity reserve was recorded of Euro 0.5 million, net of the tax effect. During H1 2022, forward purchase operations were utilised for approx. USD 25.07 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.

#### **47. GUARANTEES GIVEN/COMMITMENTS**

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

We highlight:

- For BasicItalia: in February 2010, Intesa Sanpaolo S.p.A. and the Company signed an agreement which would permit access to subsidised finance for the start-up of franchising stores of the Group, against which the Company 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-compliance of the store owner. At June 30, 2022, the bank deposits of BasicItalia were restricted for Euro 16 thousand; guarantees were also provided on leasing amounting to Euro 364 thousand. The Company has also undertaken further commitments relating to the opening of documentary credits (*letters of credit*) for the import of goods, through a number of banks, amounting to Euro 32.1 million;
- For K-Way S.p.A.: it has commitments undertaken through some Credit Institutions, which refer to the opening of documentary credits (*letters of credit*) for the import of goods for an amount of Euro 22.9 million;
- For BasicRetail S.r.l.: guarantees amounting to Euro 642 thousand were issued by Credit Institutions in favour of the tenants of the stores where the Company directly retails the products bearing the Group's brands, and guarantees on leases amounting to Euro 398 thousand;
- For K-WayRetail S.r.l.: Euro 262 thousand for guarantees on leases issued in favour of the Company;
- For Sebago S.r.l. (previously TOS S.r.l.): finally, the shares of the company 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**

During the year, the Group began a corporate reorganisation project called "Operation Kappa", initiated to bring under the direct control of BasicNet all of the individual brand-owning companies. The project, which does not entail any change in the Group's ownership structure or equity structure, is designed to ensure a closer focus on the individuals brands and will be completed by the end of 2024.

Specifically, during the first half of the year and with deferred effectiveness to July 1, 2022, the project involved:

- the conferment of the business unit relating to the management and development of the Kappa, Robe di Kappa and Briko brands (including, among other matters, the related patents and moulds, know-how, models, warehouse samples and other activities linked to the business system, all contracts with commercial and production licensees, and employment relationships with the personnel involved in the development of the collections and global marketing) from BasicNet S.p.A. to the newly-established BasicTrademark S.r.l.;
- the spin-off of the business unit relating to direct retail sales in Italy (including, among other matters, lease contracts for Kappa and Robe di Kappa brand stores, the related furniture, plant and electronic machines, all the related contracts and legal relationships, employment relationships with sales staff) from BasicRetail S.r.l. to the newly established Kappa Retail S.r.l.;
- the renaming of TOS S.r.l. to Sebago S.r.l.

These corporate transactions, which can be configured as transactions under common control, have had no impact on the financial statements under review. It should also be noted that all transactions were carried out under the tax neutrality regime, pursuant to the provisions of the Consolidated Law on Income Taxes in force.

**49. CLASSIFICATION OF THE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The principal risks and uncertainties of the Group activities are described in the Interim Directors' Report.

The financial instruments of the BasicNet Group include:

- cash and cash equivalents and bank overdrafts;
- medium/long-term loans and lease financing;
- derivative financial instruments;
- trade payables and receivables.

It is recalled that the Group only subscribes to cash flow hedges, to hedge against interest and currency risks.

In accordance with the requirements of IFRS 7 in relation to financial risks, the types of financial instruments present in the financial statements, with indication of the valuation criteria applied, are reported below:

	Financial instruments at fair value recorded through:		Financial instruments at amortised cost	Non-listed investments valued at cost	Values at June 30, 2022
	Income Statement	Shareholders' Equity			
<b>Assets:</b>					
Equity invest. & other financial assets	-	-	-	1,248	<b>1,248</b>
Interests in joint ventures	-	-	-	193	<b>193</b>
Cash and cash equivalents	-	-	18,915	-	<b>18,915</b>
Trade receivables	-	-	62,902	-	<b>62,902</b>
Other current assets	-	-	13,509	-	<b>13,509</b>
Derivative financial instruments	-	767	-	-	<b>767</b>
<b>Liabilities:</b>					
Medium/long-term loans	-	-	30,997	-	<b>30,997</b>
Bank payables	-	-	60,458	-	<b>60,458</b>
Trade payables	-	-	104,781	-	<b>104,781</b>
Other current liabilities	-	-	8,732	-	<b>8,732</b>
Derivative financial instruments	-	430	-	-	<b>430</b>

The financial risk factors, identified in *IFRS 7 – Financial instruments: additional disclosures*, are described below:

- the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in market prices ("market risk"). The market risk includes the following risks: price, currency and interest rates:
  - a. the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in market prices (other than changes determined from interest rate or currency risk), whether the changes are determined by specific factors related to the financial instrument or its issuer, or whether it is due to factors which influence all similar financial instruments traded on the market ("price risk");

- b. the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in currency prices (“*currency risk*”);
- c. the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in market interest rates (“*interest rate risk*”);
- the risk that one of the parties that signs a contract of a financial nature does not comply with an obligation (“*credit risk*”);
- the risk that an entity has difficulty in complying with the obligations associated with the financial liabilities (“*liquidity risk*”);
- the risk that the loans within the companies of the Group contain clauses which allow the counterparties to request the creditor on the occurrence of certain events or circumstances the immediate repayment of the sums granted and not yet due, generating a liquidity risk (“*default risk*”).

### **Price risk**

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

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

### **Currency risk**

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

In H1 2022, unrealised exchange gains were recorded of Euro 1.7 million, while unrealised exchange losses were recorded of Euro 1.3 million, for a net exchange gain of Euro 484 thousand.

At the reporting date, there were 6 hedge transactions on US Dollar fluctuations, totalling USD 12.1 million; the relative effects are illustrated in the account “Derivative financial instruments”, in Note 46.

Group Management considers that the management and containment policies adopted for this risk are adequate.

All medium/long-term loans and leasing contracts are in Euro, therefore they are not subject to any currency risk.

### **Interest rate risk**

The composition of the gross financial debt between fixed and variable interest rates at June 30, 2022 is shown below:

	June 30, 2022	%	June 30, 2021	%
Fixed rate	33,273	36.4%	26,553	31.8%
Variable rate	52,182	63.6%	57,077	68.2%
<b>Gross debt</b>	<b>91,455</b>	<b>100.0%</b>	<b>83,630</b>	<b>100.0%</b>

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, 2022 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 +168 thousand and Euro -168 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. 23.3% of trade receivables at June 30, 2022.

### **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).

### **Default and debt covenant risk**

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 consolidated companies, BasicItalia S.p.A., K-Way S.p.A., BasicRetail S.r.l., K-WayRetail S.r.l., Basic Village S.p.A., Jesus Jeans S.r.l., Basic Trademark S.r.l., Sebago S.r.l. (previously 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. 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, 2022 are reported below:

	<b>Investments</b>	<b>Trade receivables</b>	<b>Trade payables</b>	<b>Other income</b>	<b>Costs</b>
Interests in joint ventures:					
- Fashion S.r.l.	193	-	-	-	-
Remuneration of Boards and Senior Executives and other related parties	-	-	-	-	3,889

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 with Negri-Clementi, as part of a framework contract, 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 Marco Boglione e Figli. 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**

These events are outlined 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.

### **Tax disputes**

#### ***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 2015, 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 2021, 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 and administration 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 initially 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. and subsequently 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.

In May and June 2021, 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 prepared their respective appeals, as well as the requests for provisional suspension of the effects. Nonetheless, the collections unit of the tax administration took charge of the amounts demanded, issuing payment demands equal to one-third of the respective assessment notices.

The Turin Provincial Tax Commission granted the requests for provisional suspension, setting November 28, 2022 as the date for the appeals hearing.

### Commercial disputes

#### *FISI pre-emption right*

BasicItalia S.p.A. has exercised its pre-emption right, under the agreement concluding on April 30, 2022, to enter into a new sponsorship contract for the Italian Winter Sports Federation through the Kappa brand for the four-year period 2022-26, which includes the Milan Cortina 2026 Olympics. Nevertheless, FISI considered that the exercise of the pre-emption right by BasicItalia S.p.A was not sufficient to conclude a contract and informed the BasicNet Group of its intention to sign a sponsorship agreement with a third party.

Pending the outcome of the related lawsuit, the BasicNet Group filed an application for a precautionary order with the Court of Milan. On July 14, 2022, the collegial Court upheld the complaint brought by the BasicNet Group, finding its reasoning to be justified. The resulting precautionary order, which sets out the behaviour to be followed until the judgement on the merits, recognises a blatant violation of the pre-emption agreement by FISI and orders the Federation to refrain from concluding new contracts with suppliers other than the BasicNet Group until 2026.

For the Board of Directors

**The Chairperson**

Marco Daniele Boglione

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

	Registered Office	Corporate purpose	Share capital	Parent company holding (%)
<b><u>PARENT COMPANY</u></b>				
<b>BasicNet S.p.A.</b>				
<b><u>Directly held subsidiaries:</u></b>				
- 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
- BasicNewco S.r.l.	Turin (Italy)	Company incorporated in April 2022	EURO 10,000	100
- Basic Trademark S.r.l.	Turin (Italy)	The Group's brand-owning company	EURO 1,300,000	100
- BasicVillage S.p.A. - single shareholder company	Turin (Italy)	Management of the properties at Largo M. Vitale, 1, and Corso Regio Parco, 43 in Turin, Via dell Aprica 12 in Milan and from March 2022 at Corso Regio Parco, 33 in Turin.	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	Turin (Italy)	Company owning the K-Way brand and Licensee for the brand, management of direct points of sales for brand products to the public	EURO 10,050,000	100
- Superga S.r.l. single shareholder company	Turin (Italy)	Company formed in the period to take over ownership of the Superga brand, become Licensee of the brand and manage direct retail outlets for the brand's products	EURO 10,000	100
<b><u>Indirectly held subsidiaries:</u></b>				
<b>- through Basic Trademark S.r.l.</b>				
- Basic Properties America, Inc.	Richmond (Virginia – USA)	Sub-license of brands for the American market	USD 2,000	100
- TOS S.r.l. (now Sebago S.r.l.) single shareholder company	Turin (Italy)	Owner of the brand Sebago.	EURO 10,000	100 <sup>(1)</sup>
<b>- through BasicItalia S.p.A.</b>				
- 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
- Cecilia S.r.l. single shareholder company	Turin (Italy)	Corporate welfare company	EURO 125,000	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.

	Registered Office	Corporate purpose	Share capital		Parent company holding (%)
<b><u>Indirect subsidiaries (continued):</u></b>					
<b>- through BasicItalia S.p.A.</b>					
- Cecilia S.r.l. single shareholder company	Turin (Italy)	Corporate welfare company	EURO	125,000	100
- Kappa Europe S.a.s.	Saint Herblain (France)	Holding company of a Group of Kappa brand licensees in European territories	EURO	3,926,400	61
- KappaRetail S.r.l. single shareholder company	Turin (Italy)	At July 1, 2022, a company operating certain retail outlets for products of the Kappa, Robe di Kappa brands	EURO	10,000	100
<b>- through K-WAY S.p.A.</b>					
- K-WayRetail S.r.l. single shareholder company	Turin (Italy)	Management of outlets owned by the Group and a number of K-Way brand and product sales points.	EURO	10,000	100
- K-WayRetail SUISSE S.A.	Mendrisio (Switzerland)	Management of the point of sale to the public in Mendrisio, Switzerland of K-Way brand products	CHF	100,000	100
- K-Way France S.a.s.	Paris (France)	Distribution and management of retail outlets of K-Way brand products to the public in France	EURO	150,000	100
<b>- through Kappa Europe S.a.s.</b>					
- 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)	British company in liquidation	UK STERLING	1	100
- Sport Fashion Retail S.a.r.l.	Saint Herblain (France)	Company operating direct outlets in France	EURO	5,000	100
- Preppy Cotton S.A.	Reidermoos (Switzerland)	Swiss company in liquidation	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
<b>- through Kappa France S.a.s.</b>					
- 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 <sup>(2)</sup>

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

**DECLARATION OF THE CONDENSED FINANCIAL STATEMENTS AS PER ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999**

The undersigned Marco Daniele Boglione, Chairperson with delegated powers, Federico Trono, Chief Executive Officer, and Paola Bruschi, Executive Officer for Financial Reporting of BasicNet S.p.A. certify, also taking into account the provisions of Article 81-ter of Consob Regulation No. 11971 of May 14, 1999, the adequacy and effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements for the period from January 1, 2022 to June 30, 2022, considering the characteristics of the company.

In addition, we certify that the condensed half-year 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 Interim 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.

Turin, July 29, 2022

Marco Daniele Boglione  
**Chairperson**

Federico Trono  
**Chief Executive Officer**

Paola Bruschi  
**Executive Officer for Financial Reporting**

# BasicNet S.p.A.

Review report on the interim condensed consolidated  
financial statements

(Translation from the original Italian text)

## 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, 2022. 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, 2022 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, 2022

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*