

BasicNet S.p.A.

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PRESS RELEASE: BASICNET BOD APPROVES 2021 DRAFT SEPARATE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS. PRELIMINARY RESULTS OF FEBRUARY 10 CONFIRMED. PROPOSED DIVIDEND OF EURO 0.12 PER SHARE.

Turin, March 3, 2022. The Board of Directors of BasicNet S.p.A. has approved the 2021 Consolidated Financial Statements and the 2021 draft Separate Financial Statements, including the consolidated non-financial report, calling the Shareholders' AGM for April 13 in single call.

Consolidated highlights:

- **aggregate sales** of Group products by the Global licensee Network of Euro 949.4 million, up 16.6% on the previous year;
- **consolidated revenues** of Euro 296.4 million (Euro 259.7 million in 2020, +14.1%), as follows:
 - royalties from commercial and productive licensees of Euro 54.8 million (Euro 46 million in 2020, +19.1%);
 - direct sales: Euro 241.6 million (Euro 213.8 million in 2020, +13.0%);
- **EBITDA:** Euro 44.2 million (Euro 19.8 million in 2020);
- **EBIT:** Euro 31.6 million (Euro 7.6 million in 2020);
- current and deferred taxes in the year of Euro 9.4 million. The tax charge increased by Euro 11.2 million compared to the previous year, which included the net positive effect (Euro 4.5 million) deriving from the release of deferred tax liabilities on the partial realignment of the tax value of trademarks in the portfolio, pursuant to Article 110 of Legislative Decree No. 104/2020;
- **net profit** of Euro 20.3 million (Euro 8.6 million in 2020, +136.9%);
- **net financial position** indicates debt of Euro 61.7 million, significantly improving on Euro 82.2 million at December 31, 2020. This follows the generation of cash of approx. Euro 46 million, having invested approx. Euro 10 million, paid dividends of Euro 3.1 million and acquired treasury shares of Euro 6 million.

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

The Board of Directors also approved the 2021 draft separate financial statements of BasicNet S.p.A.

The draft financial statements include the effects from the internal reorganisation of K-Way's operations within the company of the same name: this initiative, which does not entail any change in the Group's ownership structure or equity structure, supports a better focus on the brand.

This transaction resulted in reduced royalties and sourcing commissions recognised to BasicNet's income statement for the amount pertaining to the K-Way® brand and the recognition of an extraordinary income from the business contribution. Shareholders' Equity at December 31, 2021 therefore increased to Euro 147.9 million (Euro 91.4 million at December 31, 2020).

In light of the foregoing:

- royalties and sourcing commissions amounted to Euro 30.1 million (Euro 31.2 million in 2020);
- EBIT was Euro 6.0 million (Euro 3.9 million in 2020);

- the net profit for the year was Euro 65.7 million, after income taxes of Euro 1 million (increasing by Euro 1.7 million compared to the previous year, which included the net positive effect of Euro 1.4 million deriving from the release of deferred tax liabilities on the partial realignment of the tax value of trademarks in the portfolio, pursuant to Article 110 of Legislative Decree No. 104/2020).
Net of the non-recurring financial income of Euro 60.9 million, the net profit was Euro 4.8 million (Euro 4.7 million in 2020).

DIVIDEND PROPOSED

The Board of Directors of BasicNet S.p.A proposes to the Shareholders' Meeting to distribute a dividend of Euro 0.12 per share in circulation, for a total value of approx. Euro 6.1 million.

The proposed dividend reflects a pay-out ratio of 30.2% (in line with previous years) on the consolidated net profit of Euro 20.3 million.

The amount will be paid from April 27, 2022, with record date of April 26, 2022 and coupon date (No. 15) of April 25, 2022.

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 as well as the geopolitical crisis arising in Eastern Europe.

SHAREHOLDERS' AGM CALL

The Board of Directors called the Shareholders' AGM for April 13, 2022 in single call to resolve on the following:

- approval of the 2021 Separate Financial Statements;
- approval of the proposal for the allocation of the net profit and the payment of a dividend;
- resolutions relating to the First Section of the Remuneration Report as per Article 123-ter, paragraph 3-bis, of Legislative Decree No. 58/1998;
- resolutions relating to the Second Section of the Remuneration Report as per Article 123-ter, paragraph 6, of Legislative Decree No. 58/1998;
- appointment of the corporate boards;
- proposal to purchase and dispose of treasury shares.

TREASURY SHARES

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

Shares shall be purchased and disposed of in compliance with the applicable legal provisions. The authorisation is requested for the period until the Shareholders' AGM called to approve the 2022 Annual Accounts and for a maximum financial commitment of Euro 14 million. Any purchases shall be made on the regulated markets in accordance with the regulations in force.

As part of the treasury share buy-back programme authorised by the Shareholders' AGM of April 8, 2021, at the date of this Report, BasicNet S.p.A. has acquired 1,230,000 shares (equal to 2.02% of the share capital), at an average price of Euro 5.05 for a total payment of Euro 6,213,629.

BasicNet today holds a total of 9,830,000 treasury shares (equal to 16.12% of the Share Capital), for an investment of Euro 31 million.

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

The Chief Executive Officer Federico Trono will present to the market the 2021 results during a video conference call **this afternoon, March 3, 2022, at 6PM CET**. To join the video conference call (to be held in English), click on:

Microsoft Teams Meeting

Participate via computer or mobile app

[Click here to attend the meeting](#)

Alternatively, attend by calling (only audio)

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the presentation may be downloaded from the website www.BasicNet.com, from the section: "financial data/other information and presentations" shortly before the video conference, at the following link: www.basicnet.com/contenuti/datifinanziari/informazioniannuali.asp?menuSelectedID=3g&language=IT

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

- **Commercial licensees or licensees:** independent business owners, granted licenses to distribute Group brand products in their respective regions.
- **Productive licensees or sourcing centers:** third-party firms to the Group. Their function is to manufacture and market merchandise and are located in various countries worldwide, depending on what type of goods they produce.
- **Commercial licensee aggregate sales:** sales by commercial licensees, recognised by the BasicNet Group to the “royalties and sourcing commissions” account of the income statement.
- **Productive licensee aggregate sales:** sales by productive licensees, recognised by the BasicNet Group to the “royalties and sourcing commissions” account of the income statement.
- **Consolidated Revenues** the sum of royalties, sourcing commissions and sales of the BasicNet Group companies.
- **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.
- **Basic earnings per share** calculated as required by IFRS on the basis of the weighted average number of shares in circulation in the year.

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

The financial statements are attached

Financial statements (audit not yet complete)

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(Euro thousands)

	FY 2021		FY 2020		Changes	
		%		%		%
Consolidated direct sales	241,635	100.00	213,756	100.00	27,879	13.04
Cost of sales	(143,628)	(59.44)	(127,125)	(59.47)	(16,503)	(12.98)
GROSS MARGIN	98,007	40.56	86,631	40.53	11,376	13.13
Royalties and sourcing commissions	54,763	22.66	45,975	21.51	8,788	19.12
Other income	10,066	4.17	8,490	3.97	1,576	18.56
Sponsorship and media costs	(36,231)	(14.99)	(38,284)	(17.91)	2,053	5.36
Personnel costs	(31,043)	(12.85)	(28,893)	(13.52)	(2,150)	(7.44)
Selling, general and administrative costs, royalties expenses	(51,312)	(21.24)	(54,092)	(25.31)	2,780	5.14
Amortisation & depreciation	(12,630)	(5.23)	(12,276)	(5.74)	(354)	(2.88)
EBIT	31,620	13.09	7,551	3.53	24,069	318.75
Net financial income (charges)	(1,891)	(0.78)	(1,707)	(0.80)	(184)	(10.76)
Profit / (loss) of equity investments	(6)	(0.00)	933	0.44	(939)	(100.66)
PROFIT BEFORE TAXES	29,723	12.30	6,777	3.17	22,946	338.58
Income taxes	(9,393)	(3.89)	(1,804)	(0.84)	(11,197)	(620.76)
NET PROFIT FOR THE YEAR	20,330	8.41	8,581	4.01	11,749	136.93
Earnings per share						
- basic	0.3965		0.1635		0.233	142.56
- diluted	0.3965		0.1635		0.233	142.56

CONSOLIDATED BALANCE SHEET

(Euro thousands)

ASSETS	December 31, 2021	December 31, 2020
Intangible assets	65,748	65,380
Rights-of-use	23,119	22,082
Goodwill	11,840	11,907
Property, plant and equipment	47,276	45,690
Equity invest. & other financial assets	1,099	765
Interests in joint ventures	191	192
Deferred tax assets	7,737	3,419
Total non-current assets	157,010	149,435
Net inventories	63,622	62,194
Trade receivables	53,120	53,050
Other current assets	11,239	10,263
Prepayments	12,654	13,433
Cash and cash equivalents	28,548	33,652
Hedging financial instruments	1,596	-
Total current assets	170,779	172,592
TOTAL ASSETS	327,789	322,027
LIABILITIES	December 31, 2021	December 31, 2020
Share capital	31,717	31,717
Reserve for treasury shares in portfolio	(30,648)	(24,679)
Other reserves	112,423	103,658
Net Profit	20,330	8,581
TOTAL SHAREHOLDERS' EQUITY	133,822	119,277
Provisions for risks and charges	590	229
Loans	34,783	44,387
Payables for usage rights	24,041	23,097
Employee and Director benefits	4,902	4,062
Deferred tax liabilities	6,451	-
Other non-current liabilities	1,368	1,381
Total non-current liabilities	72,135	73,156
Bank payables	31,466	48,330
Trade payables	66,517	55,925
Tax payables	9,131	5,805
Other current liabilities	8,973	12,020
Accrued expenses	5,703	5,274
Hedging financial instruments	42	2,240
Total current liabilities	121,832	129,594
TOTAL LIABILITIES	193,967	202,750
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	327,789	322,027

CONSOLIDATED CASH FLOW STATEMENT

(Euro thousands)

	December 31, 2021	December 31, 2020
A) OPENING SHORT-TERM BANK DEBT	(6,265)	(27,040)
B) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit for the year	20,330	8,581
Amortisation & Depreciation	12,630	12,276
Profit / (loss) of equity investments	6	(933)
Changes in working capital:		
· (Increase) decrease in trade receivables	(70)	15,510
· (Increase) decrease in inventories	(1,429)	4,545
· (Increase) decrease in other receivables	399	(1,469)
· Increase (decrease) in trade payables	11,642	8,382
· Increase (decrease) in other payables	1,624	(6,562)
Net changes in employee and director benefits	840	654
Others, net	(20)	(1,342)
	45,951	39,642
C) CASH FLOW FROM INVESTING ACTIVITIES		
Investments in fixed assets:		
- tangible assets	(5,670)	(4,000)
- intangible assets	(3,433)	(3,162)
- financial assets	(338)	-
- purchase of Kappa Japan	-	(10,945)
- purchase of K-Way China	(1,050)	100
- change in consolidation scope	-	(11,141)
Realisable value for fixed asset disposals:		
- tangible assets	118	77
- intangible assets	-	-
- financial assets	-	-
	(10,372)	(29,171)
D) CASH FLOW FROM FINANCING ACTIVITIES		
New medium/long term loans	-	28,909
Loan repayments	(8,762)	(5,246)
Repayment of loans for rights-of-use	(5,113)	(3,965)
Acquisition of treasury shares	(5,969)	(3,022)
Dividend payments	(3,144)	(6,372)
	(22,988)	10,304
E) CASH FLOW IN THE YEAR	12,591	20,775
F) CLOSING SHORT-TERM BANK DEBT	6,325	(6,265)

CONSOLIDATED NET FINANCIAL POSITION

<i>(Euro thousands)</i>	December 31, 2021	December 31, 2020	Changes
Net financial position – Short-term	(2,918)	(14,678)	11,760
Financial payables – Medium-term	(34,268)	(43,709)	9,441
Finance lease payables	(515)	(678)	162
Net financial position with banks	(37,702)	(59,065)	21,364
Payables for rights-of-use	(24,041)	(23,097)	(945)
Total net financial position	(61,743)	(82,162)	20,419
Net Debt/Equity ratio (Net financial position/Shareholders' equity)	0.46	0.69	(0.23)

BASICNET S.P.A. FINANCIAL STATEMENTS

BASICNET S.p.A. – INCOME STATEMENT

(in Euro)

	FY 2021	FY 2020	Changes
Direct sales	2,415,827	3,798,951	(1,383,124)
Cost of sales	(2,644,896)	(3,460,807)	815,911
GROSS MARGIN	(229,069)	338,144	(567,214)
Royalties and sourcing commissions	30,131,326	31,215,201	(1,083,875)
Other income	7,372,266	7,699,890	(327,624)
Sponsorship and media costs	(1,147,700)	(1,289,846)	142,146
Personnel costs	(10,202,161)	(10,099,231)	(102,929)
Selling, general and administrative costs, royalties expenses	(15,695,801)	(19,741,715)	4,045,915
Amortisation & Depreciation	(4,266,442)	(4,186,643)	(79,799)
EBIT	5,962,420	3,935,800	2,026,620
Net financial income (charges)	(209,758)	(991,998)	782,240
Dividends	-	1,097,851	(1,097,851)
Profit (loss) of equity investments	60,903,373	-	60,903,373
PROFIT BEFORE TAXES	66,656,034	4,041,653	62,614,381
Income taxes	(966,839)	697,943	(1,664,782)
NET PROFIT FOR THE YEAR	65,689,195	4,739,596	60,949,599

BASICNET S.p.A. – BALANCE SHEET

(in Euro)

ASSETS	December 31, 2021	December 31, 2020
Intangible assets	3,767,651	13,005,773
Rights-of-use	8,418,984	10,175,117
Plant, machinery and other assets	2,863,902	2,996,316
Equity invest. & other financial assets	105,854,734	35,804,734
Deferred tax assets	1,665,207	1,830,497
Total non-current assets	122,570,480	63,812,436
Net inventories	199,448	431,280
Trade receivables	6,411,795	7,233,885
Other current assets	71,122,949	74,316,003
Prepayments	3,715,270	3,986,225
Cash and cash equivalents	1,451,398	3,409,860
Total current assets	82,900,861	89,377,254
TOTAL ASSETS	205,471,341	153,189,690

LIABILITIES	December 31, 2021	December 31, 2020
Share capital	31,716,673	31,716,673
Treasury shares	(30,647,910)	(24,678,900)
Other reserves	81,189,668	79,615,157
Net Profit	65,689,195	4,739,596
TOTAL SHAREHOLDERS' EQUITY	147,947,626	91,392,526
Loans	10,776,300	15,605,499
Payables for rights-of-use	8,440,693	10,195,406
Employee and Director benefits	2,416,260	2,036,244
Other non-current liabilities	983,052	907,990
Total non-current liabilities	22,616,305	28,745,139
Bank payables	12,854,505	18,501,192
Trade payables	4,322,269	5,949,967
Tax payables	5,025,122	2,817,752
Other current liabilities	12,377,626	5,617,818
Accrued expenses	327,887	6,000
Total current liabilities	34,907,410	33,052,025
TOTAL LIABILITIES	57,523,715	61,797,164
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	205,471,341	153,189,690

BASICNET S.p.A. – CASH FLOW STATEMENT

(in Euro)

	December 31, 2021	December 31, 2020
A) OPENING SHORT-TERM BANK DEBT	(10,591,332)	(6,482,206)
B) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit for the year	65,689,195	4,739,596
Amortisation & Depreciation	4,266,442	4,186,643
Changes in working capital:		
- (increase) decrease in trade receivables	822,090	8,748,827
- (increase) decrease in inventories	231,832	60,331
- (increase) decrease in other receivables	4,129,298	(8,154,987)
- increase (decrease) in trade payables	(1,627,697)	(606,301)
- increase (decrease) in other payables	9,204,831	(3,550,527)
Net changes in employee and director benefits	(119,984)	(30,906)
Others, net	(60,918,522)	(74,820)
	21,677,485	5,317,856
C) CASH FLOW FROM INVESTING ACTIVITIES		
Investments in fixed assets:		
- tangible assets	(691,879)	(652,704)
- intangible assets	(1,873,308)	(3,252,830)
- financial assets	(9,146,628)	(18,135)
Realisable value for fixed asset disposals:		
- tangible assets	(19,153)	345
- intangible assets	9,415,796	948,984
- financial assets	-	510,000
	(2,315,171)	(2,464,340)
D) CASH FLOW FROM FINANCING ACTIVITIES		
Lease contracts (agreements)	66,400	51,796
Lease contracts (repayments)	(51,849)	(47,345)
Proceeds from medium/long term loans	-	5,500,000
Repayment of medium/long term loans	(4,500,000)	(1,437,500)
Repayment of loans for rights-of-use	(1,732,265)	(1,635,660)
Acquisition of treasury shares	(5,969,010)	(3,021,821)
Distribution of dividends	(3,143,616)	(6,372,102)
	(15,330,340)	(6,962,642)
E) CASH FLOW IN THE YEAR	4,031,975	(4,109,127)
F) CLOSING SHORT-TERM BANK DEBT	(6,559,357)	(10,591,332)

BASICNET S.P.A. - NET FINANCIAL POSITION

<i>(Euro thousands)</i>	December 31, 2021	December 31, 2020	Changes
Net financial position – Short-term	(11,403)	(15,091)	3,688
Financial payables – Medium-term	(10,656)	(15,500)	4,844
Finance leases	(120)	(105)	(15)
Net financial position with banks	(22,179)	(30,696)	8,517
Group financial receivables/(payables)	57,372	66,952	(9,580)
Payables for rights-of-use	(8,441)	(10,196)	1,755
Financial position with the Group	48,931	56,756	(7,826)
Total net financial position	26,752	26,060	692