

BasicNet S.p.A.

Largo Maurizio Vitale, 1
 10152 Torino
 Italy
 phone +39 011 2617 1
 fax +39 011 2617 595
 free number 800 80 2000
 e-mail: someone@basic.net
 pec: basicnet@legalmail.it
 www.basic.net

PRESS RELEASE
**BASICNET - H1 2022: CONSOLIDATED REVENUES +26.1%, EBITDA +54.3%.
 DOUBLE-DIGIT GROWTH OF KEY INDICATORS CONTINUES.**

Turin, July 29, 2022. The Board of Directors of BasicNet S.p.A. has approved the H1 2022 consolidated results:

- **aggregate sales** of Group products by the Global licensee Network of Euro 567.9 million, up 28.2% on H1 2021, as follows:
 - commercial licensees of Euro 393.5 million (Euro 334 million in H1 2021, +17.8%)
 - productive licensees of Euro 174.3 million (Euro 109.1 million in H1 2021, +59.9%).
 Excellent commercial licensees' 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;
- **consolidated revenues** of Euro 162.3 million (Euro 128.8 million in H1 2021, +26.1%), as follows:
 - royalties from commercial and productive licensees: Euro 34.9 million (Euro 25.8 million in H1 2021, +35.2%);
 - direct sales: Euro 127.0 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 the year 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.

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 global economic developments, the consequent impacts on raw material costs, currency movements, and the geopolitical crises arising in Eastern Europe.

"Kappa Transaction" - Merger by incorporation of the subsidiary BasicNewco S.r.l. with sole shareholder approved, bringing all the individual brand-owning companies under the direct control of the parent BasicNet.

As previously announced, the BasicNet Group has launched the "Kappa Transaction" reorganisation process. The Project - arising following the acquisition and full integration of the Kappa Europe Group into the Group Business model, in addition to the recent acquisition of the Kappa brand for Japan - is

undertaken in order to bring all the individual brand-owning companies under the direct control of the parent BasicNet.

In that framework, today's Board of Directors' meeting also approved the merger by incorporation into BasicNet S.p.A. of the wholly-owned company BasicNewco S.r.l. with sole shareholder. The merger shall be considered by the Board of Directors of BasicNet S.p.A. as per Article 2505, paragraph 2 of the Civil Code and Article 16 of the By-Laws, subject to the option under Article 2505, paragraph 3 of the Civil Code.

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 individual brands.

As the incorporated company is wholly-owned by BasicNet S.p.A., the simplified merger procedure as per Article 2505 of the Civil Code will be applied. A share capital increase of the incorporating company shall therefore not take place, nor any exchange ratio or adjustment of any type applied.

The merger will be effective vis-à-vis third parties upon the filing of the merger deed at the Company's Register, or at a subsequent date as stipulated in the merger deed, which is reasonably expected to be executed by the end of the present year.

The transaction, which constitutes a "related party transaction" as per Consob Regulation No. 17221/2010, as subsequently amended (the "RPT Regulation") and the applicable related party transactions policy adopted by BasicNet S.p.A. (the "RPT Policy") is however exempt from the RPT Policy, as per Article 3.9, as undertaken by BasicNet with a wholly-owned subsidiary, in which other related parties of BasicNet do not hold significant interests.

The company shall make available to the public the documentation regarding the merger and the required disclosure according to the terms and means established by the applicable regulation, on the company's website at www.basicnet.com, in addition to the "1info" authorised storage mechanism at www.1info.it.

The Chief Executive Officer Federico Trono will present the H1 2022 results during a video conference to be held today in English at 6PM.

Microsoft Teams Meeting

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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 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
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

BasicNet Group Key Financial Highlights

<i>(Euro thousands)</i>	H1 2022	H1 2021	Changes	%
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

BasicNet Group Condensed Balance Sheet

<i>(Euro thousands)</i>	June 30, 2022	December 31, 2021	June 30, 2021
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
Total assets	414,688	327,789	318,221
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
Total liabilities and shareholders' equity	414,688	327,789	318,221

BasicNet Group Summary Net Financial Position

<i>(Euro thousands)</i>	June 30, 2022	December 31, 2021	June 30, 2021	Changes vs December 31, 2021	Changes vs June 30, 2021
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
Net Financial Position with banks	(72,540)	(37,702)	(61,344)	(34,838)	(11,196)
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)
Net Financial Position	(119,256)	(61,743)	(84,126)	(57,513)	(35,130)
Debt/equity ratio	0.89	0.46	0.70	0.43	0.20

BASICNET GROUP
Financial Statements

CONSOLIDATED INCOME STATEMENT

<i>(Euro thousands)</i>	H1 2022		H1 2021		Changes	
Consolidated direct sales	126,975	100.00	102,632	100.00	24,343	23.72
Cost of sales	(77,319)	(60.89)	(60,170)	(58.63)	(17,149)	(28.50)
GROSS MARGIN	49,656	39.11	42,462	41.37	7,194	16.94
Royalties and sourcing commissions	34,939	27.52	25,847	25.18	9,092	35.18
Other income	3,869	3.05	2,951	2.88	918	31.12
Sponsorship and media costs	(18,043)	(14.21)	(18,873)	(18.39)	830	4.40
Personnel costs	(17,623)	(13.88)	(14,490)	(14.12)	(3,133)	(21.62)
Selling, general and administrative costs, royalties expenses	(30,354)	(23.91)	(23,351)	(22.75)	(7,003)	(29.99)
Amortisation and depreciation	(6,921)	(5.45)	(6,010)	(5.86)	(911)	(15.14)
EBIT	15,523	12.22	8,535	8.32	6,988	81.86
Net financial income (charges)	150	0.12	(1,155)	(1.13)	1,305	112.98
Management of equity investments	(3)	(0.00)	(3)	(0.00)	-	(2.43)
PROFIT BEFORE TAXES	15,670	12.34	7,377	7.19	8,293	111.89
Income taxes	(4,937)	(3.89)	(3,238)	(3.15)	(1,700)	(52.50)
NET PROFIT	10,732	8.45	4,140	4.03	6,592	159.23
Earnings per share:						
Basic	0.2124		0.0791		0.133	168.62
Diluted	0.2124		0.0791		0.133	168.62

CONSOLIDATED BALANCE SHEET

(Euro thousands)

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

(Euro thousands)	June 30, 2022	December 31, 2021	June 30, 2021
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
Profit/(loss)	10,732	20,330	4,140
TOTAL GROUP SHAREHOLDERS' EQUITY	133,726	133,822	120,889
Provisions for risks and charges	120	590	184
Loans	30,997	34,783	40,170
Payables for rights-of-use	33,118	24,041	22,782
Other financial payables	13,598	-	-
Employee and Director benefits	3,601	4,902	4,315
Deferred tax liabilities	6,449	6,451	366
Other non-current liabilities	1,333	1,368	1,496
Total non-current liabilities	89,216	72,135	69,314
Bank payables	60,458	31,466	43,460
Trade payables	104,781	66,517	57,413
Tax payables	13,725	9,131	9,645
Other current liabilities	8,732	8,973	12,508
Accrued expenses	3,620	5,703	4,233
Derivative financial instruments	430	42	760
Total current liabilities	191,746	121,832	128,019
TOTAL LIABILITIES	280,962	193,967	197,332
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	414,688	327,789	318,221

STATEMENT OF CHANGES IN FINANCIAL POSITION

(Euro thousands)

(Euro thousands)	June 30, 2022	June 30, 2021
A) OPENING NET FINANCIAL POSITION	(61,743)	(82,162)
B) CASH FLOW FROM OPERATING ACTIVITIES		
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)
	3,900	9,482
C) CASH FLOW FROM INVESTING ACTIVITIES		
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
	(46,634)	(4,768)
D) CASH FLOW FROM FINANCING ACTIVITIES		
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)
	(14,779)	(6,678)
E) CASH FLOW IN THE PERIOD	(57,513)	(1,964)
F) CLOSING NET FINANCIAL POSITION	(119,256)	(84,126)

CONSOLIDATED NET FINANCIAL POSITION

<i>(Euro thousands)</i>	June 30, 2022	December 31, 2021	June 30, 2021
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)
Short-term net financial position	(41,543)	(2,918)	(21,175)
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>
Consolidated Net Financial Position	(119,256)	(61,743)	(84,126)