

BasicNet[®]

2023 HALF-YEAR REPORT



Jesus
jeans[®]

SUPERGA[®]

K-WAY[®]

Sabelt[®]

SEBAGO[®]

BRIKO[®]

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COMPANY INFORMATION

REGISTERED OFFICE

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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 2023 Key Performance Indicators:

- aggregate sales of Group brand products globally totalled Euro 558.3 million, decreasing 1.7%, and were broken down as follows:

<i>(in Euro millions)</i>	H1 2023	H1 2022	% Change
Commercial and direct licensee sales	396.2	393.6	0.7%
Productive licensee sales	162.1	174.3	(7.0%)
Aggregate sales of licensees and direct	558.3	567.9	(1.7%)

Commercial and direct licensee sales growth confirmed in Europe (+12.5%), which accounts for approx. 70.6% of aggregate sales, while reducing in the other regions (Americas -25.4%, Asia and Oceania -17.4%, Middle East and Africa -14.2%), due to a contraction in some markets - against a preceding period which saw extraordinary growth;

- consolidated revenues of Euro 180.0 million (Euro 162.3 million in H1 2022, +10.9%), as follows:
 - royalties from commercial and productive licensees of Euro 32.7 million (Euro 34.9 million in H1 2022, -6.4%);
 - direct sales: Euro 146.6 million (Euro 127 million in 2022, +15.5%);

Direct sales grew on the same period of the previous year, partly due to the contribution of K-Way France S.a.s, acquired in April 2022. On the other hand, the corresponding royalties from the French subsidiary decreased;

- EBITDA: Euro 22.6 million (Euro 22.4 million in H1 2022, +0.9%);
- EBIT: Euro 14.5 million (Euro 15.5 million in H1 2022, -6.3%);
- net profit: Euro 7.4 million (Euro 10.7 million in H1 2022);
- net financial position: Euro -138.3 million (Euro -141.7 million at December 31, 2022 and Euro -119.3 million at June 30, 2022). Dividends of Euro 8.4 million were distributed in H1 2023 and treasury shares acquired for Euro 1.2 million.

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

Commercial licensees or licensees	independent business owners, granted licenses to distribute Group brand products in their respective regions.
Productive licensees or sourcing centers	third-party firms to the Group. Their function is to manufacture and market merchandise and are located in various countries worldwide, depending on what type of goods they produce.
Commercial and direct licensee aggregate sales	sales by commercial licensees, recognised by the BasicNet Group to the royalties account and the sales by the Group company license holders.
Productive licensee aggregate sales	sales by productive licensees, recognised by the BasicNet Group to the “royalties and sourcing commissions” account of the income statement.
Brand aggregate sales	is the sum of "Aggregate sales of commercial and direct licensees" and "Aggregate sales of production licensees".
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 margin”;
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 Sebago® brand distribution agreements for the Philippines and Singapore. A new agreement for the Taiwanese market was signed for the K-Way® brand.

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

- for the Kappa® brand, we report the new sportswear sponsorship of the DDS-7MP Triathlon Team that will participate in the 2024 Olympics in Paris. The activities of the Renault Alpine Formula 1 team (in partnership with K-Way®) continued in 2023, alongside the sponsorship of the 10th Kappa® Future Festival and the #KEEPperforming "Winning Starts Within" campaign. Robe di Kappa® presented, for the fourth consecutive year, the AS Monaco football team's spring-summer collection. During the period, the Kappa® brand sponsored several sporting events (in golf, padel, sailing and skiing). Mikaela Shiffrin, of the U.S. Ski Federation, sponsored by Kappa®, last March won the 2023 Ski World Cup and broke the all-time record for victories.
- K-Way® returned to the catwalk at Milan Fashion Week, which was set against the backdrop of the reconstructed Café de la Paix in Paris, an event that was also replicated in Paris at the original location. Two new sponsorships were undertaken: of French team Orient Express for the upcoming America's Cup and of surfer Leonardo Fioravanti. K-Way® Japan launched a new spring-summer Le Vrai 3.0 campaign featuring Japanese actor Koshi Mizukami and a limited edition through social media created in collaboration with Japanese artist Yu Nagaba, famous for his minimalist black-and-white characters. Other featured collaborations include: the capsule with Universal Works, the second drop with Italian brand Santini Cycling Wear, with Highsnobiety for a new capsule collection at Paris Fashion Week as part of the "Not in Paris" project conceived by Highsnobiety during the 2020 lockdown, and a co-lab with the brand Play Comme des Garçons.
- Superga®, which had the singer Levante as its Ambassador for the first half of 2023, and Tina Turner as its Global Brand Ambassador, continued its collaboration with other brands: with Napapijri, Replay, Pokemon, Alaïa, Lisa Corti, Max&Co, Roy Roger's, and with Pacha Ibiza. To mark the film's release in July, Superga® and Barbie the Movie unveiled a mini-collection of custom sneakers.
- Sebago®, in addition to the presentation of the new eyewear collection at Mido, created capsule collections with Philosophy by Lorenzo Serafini, with Fortela and an initial co-lab with Australian concept store Above the Clouds. Sebago® and iconic London brand Drake's have launched their first collaboration with contemporary events hosted at Drake's exclusive boutiques in Savile Row and New York. Sebago's second collaboration with Italian brand Hanami was also presented.
- Briko® presented its new bike and snow collections at Mido (Milan), BAM (Mantua), Eurobike (Frankfurt), Prowinter (Bolzano), and Sport-Achat Hiver (Lyon); in addition to the continuation of its sponsorship of the Bardiani CSF Faizanè team, competing at the Giro d'Italia, we highlight the victories of paraathlete Giacomo Bertagnolli, the sponsorship of the Granfondo Torino, and the co-lab with Ushuaïa Ibiza.

Group brand sales points

At June 30, Kappa® and Robe di Kappa® monobrand stores and shop-in-shops opened by licensees globally numbered 1,556 (of which 205 in Italy), with Superga® monobrand stores and shop-in-shops totalled 241 (of which 57 in Italy), and there were 107 K-Way® sales points (of which 31 in Italy and 48 in France) and 48 Sebago® sales points (of which 3 in Italy, in Rome, Milan and Turin).

H1 2023 FINANCIAL PERFORMANCE OVERVIEW

BasicNet Group Key Financial Highlights

The condensed income statement for the year is reported below:

<i>(Euro thousands)</i>	H1 2023	H1 2022	Changes	%
Brand aggregate sales *	558,266	567,863	(9,597)	(1.7%)
Royalties and sourcing commissions	32,694	34,939	(2,245)	(6.4%)
Consolidated direct sales	146,597	126,975	19,622	15.5%
EBITDA **	22,634	22,443	191	0.9%
EBIT **	14,538	15,523	(985)	(6.3%)
Group Net Result	7,429	10,732	(3,303)	(30.8%)
Earnings per share **	0.1489	0.2124	(0.064)	(29.9%)

* 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>	H1 2023	H1 2022	Changes	%
Commercial and direct licensee aggregate sales	396,164	393,523	2,641	0.7%
Productive licensee aggregate sales	162,102	174,340	(12,238)	(7.0%)
Brand aggregate sales *	558,266	567,863	(9,597)	(1.7%)

* Data not audited

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

<i>(Euro thousands)</i>	H1 2023		H1 2022		Changes	
Europe	279,567	70.6%	248,468	63.1%	31,099	12.5%
America	44,756	11.3%	60,029	15.3%	(15,273)	(25.4%)
Asia and Oceania	28,933	7.3%	35,023	8.9%	(6,090)	(17.4%)
Middle East and Africa	42,908	10.8%	50,003	12.7%	(7,095)	(14.2%)
Commercial licensee and direct aggregate sales	396,164	100.0%	393,523	100.0%	2,641	0.7%

* Data not audited

and of the productive licensees:

<i>(Euro thousands)</i>	H1 2023		H1 2022		Changes	
Europe	18,972	11.7%	13,503	7.7%	5,469	40.5%
America	18,919	11.7%	14,159	8.1%	4,760	33.6%
Asia and Oceania	122,161	75.4%	143,542	82.3%	(21,382)	(14.9%)
Middle East and Africa	2,051	1.3%	3,136	1.8%	(1,085)	(34.6%)
Productive licensee aggregate sales*	162,102	100.0%	174,340	100.0%	(12,238)	(7.0%)

* Data not audited

Commercial licensee and direct aggregate sales of Euro 396.2 million were up 0.7%, from Euro 393.5 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. Production licensee sales decreased 7% due to the extraordinary supplies in 2022 to cope with the shortages and logistical criticalities of the pandemic period.

Overall **consolidated direct sales** were Euro 146.6 million (Euro 127 million in H1 2022) - up 15.5%. Direct sales grew on the same period of the previous year, partly due to the contribution of K-Way France S.a.s, acquired in April 2022 and therefore only consolidated for the second quarter of the comparative period. On the other hand, the corresponding royalties from the French subsidiary decreased;

The **contribution margin** on sales increased from Euro 49.7 million in 2022 to Euro 62.4 million in 2023 (+25.7%), due to the increased direct sales (+15.5%) in both Italy and Europe, together with a general increase in the product margin, which came in at 42.6% - up on 39.1% in H1 2022.

Other income of Euro 3.9 million is in line with the first half of the previous year.

Sponsorship and media spend of Euro 18.2 million was substantially in line with Euro 18.0 million in the same period of the previous year.

Personnel costs rose from Euro 17.6 million in 2022 to Euro 22.3 million in 2023, an increase of approx. Euro 4.7 million, due mainly to the inclusion of the cost concerning the approx. 90 personnel employed by K-Way France for the entire period, compared to their consolidation from April in the previous year. The average number of employees in H1 2023 was 946 compared to 883 in 2022.

Overhead costs, i.e. **Selling** and **general and administrative costs** and **royalties expenses** increased Euro 5.5 million, reaching Euro 35.8 million in 2023.

EBITDA stood at Euro 22.6 million (Euro 22.4 million in H1 2022).

EBIT was Euro 14.5 million after amortisation and depreciation of Euro 4.3 million and the depreciation of right-of-use of Euro 3.8 million.

Consolidated net financial charges/income, including exchange gains and losses, reported a charge of Euro 2.2 million, compared to income of Euro 150 thousand in the same period of the previous year. The net charge is due to the widely reported and general increase in the average cost of money, alongside the deteriorated currency management result.

The **pre-tax profit** was Euro 12.4 million, compared to a Euro 15.7 million in H1 2022.

Current and deferred taxes in the year amounted to Euro 4.9 million, with the effective tax rate having increased, mainly due to the reduction in the Patent Box benefit.

The **net profit** of Euro 7.4 million compares to Euro 10.7 million in the previous year.

Segment disclosure

The Financial Highlights by Group segment were as follows:

- **Clothing, footwear and accessories**: the segment reports net royalties and sourcing commissions of Euro 32.7 million, compared to Euro 34.9 million in the same period of the previous year, while direct sales increased to Euro 146.6 million (compared to Euro 127.0 million in 2022). The H1 2023 EBIT of Euro 14.3 million compares with Euro 15.5 million in 2022. The segment net profit was Euro 7.7 million in H1 2023 compared to Euro 10.8 million in 2022.
- **"Property"**: property management reported a profit of Euro 238 thousand (Euro 64 thousand in H1 2022).

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>	June 30, 2023	December 31, 2022	June 30, 2022
Property	40,133	40,930	41,374
Brands	59,134	59,095	59,075
Right-of-use assets	30,773	29,911	32,246
Non-current assets	75,977	74,514	66,982
Current assets	240,865	248,663	215,011
Total assets	446,882	453,114	414,688
Group shareholders' equity	146,990	149,146	133,726
Non-current liabilities	99,844	106,548	89,216
Current liabilities	200,048	197,420	191,746
Total liabilities and shareholders' equity	446,882	453,114	414,688

In terms of fixed asset movements, tangible assets increased as a result of investments to develop computer programmes (Euro 1.4 million), to purchase EDP and furniture and fittings (Euro 1.2 million), in addition to sales outlet improvements for Euro 1.2 million.

Group shareholders' equity decreased from Euro 149.1 million at December 31, 2022 to Euro 147 million in 2023, following the distribution of dividends for Euro 9 million (of which Euro 8.4 million has been effectively settled).

Financial position

<i>(Euro thousands)</i>	June 30, 2023	December 31, 2022	June 30, 2022	Changes vs December 31, 2022	Changes vs June 30, 2022
Net financial position – Short-term	(52,854)	(41,862)	(41,543)	(10,993)	(11,312)
Financial payables – Medium-term	(44,021)	(51,756)	(30,617)	7,734	(13,404)
Finance leases	(153)	(259)	(380)	106	227
Net financial position with banks	(97,028)	(93,876)	(72,540)	(3,153)	(24,489)
Payables for earn-out	(9,738)	(17,081)	(13,598)	7,343	3,860
Payables for rights-of-use	(31,570)	(30,734)	(33,118)	(836)	1,549
Net Financial Position	(138,336)	(141,691)	(119,256)	3,354	(22,940)
Debt/equity ratio	0.94	0.95	0.89	(0.01)	0.05

Net financial position with banks rose from net debt of Euro 93.9 million at December 31, 2022, to Euro 97 million at June 30, 2023. Dividends of Euro 8.4 million were distributed in H1 2023 and treasury shares acquired for approx. Euro 1.2 million. The Group also invested Euro 5.1 million in fixed assets.

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 three-year period 2023-25. During the first half of the year, the Group settled the first portion of the earnout due to the previous shareholders, based on the final 2022 result, for Euro 7.3 million.

Right-of-use payables rose approx. Euro 0.8 million compared to December 31, 2022, due to new shop openings and the renewal of expired or maturing lease contracts, net of payments in the period.

The **Net financial position** therefore decreased from Euro -141.7 million at December 31, 2022 to Euro -138.3 million at June 30, 2023.

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, the share capital of BasicNet S.p.A. comprises 54,000,000 ordinary shares.

The key stock market figures for the years 2023 and 2022 are reported in the following table:

	June 30, 2023	December 31, 2022	June 30, 2022
Earnings/(loss) per share	0.1489	0.5994	0.2124
Price at period end	5.34	5.31	5.78
Maximum price in the period	6.03	6.69	6.69
Minimum price in the period	5.23	4.53	4.55
Market capitalisation	288,360	286,740	312,120
Total number of shares	54,000,000	54,000,000	54,000,000
No. Shares outstanding	49,906,700	50,112,500	50,523,000

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	11.601%	Held by way of discretionary asset management. The company in addition holds “cash settled equity swaps” financial instruments on BasicNet shares equal to 1.672%.
BasicNet S.p.A.	7.580%	Treasury shares in portfolio
Francesco Boglione	7.088%	Held indirectly through Francesco Boglione S.r.l. for 1.941%, with the remaining 5.147% held directly.
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.

2022 featured Russia's invasion of Ukraine and the consequent international tensions which continued throughout the year. The conflict to-date has not had significant direct impacts on the Group's operations. The Group companies do not purchase products from the areas affected by the conflict and outstanding transactions with the two countries have been settled on schedule.

Risks related to the 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 and will maintain the level of attention necessary to act promptly amid any new pandemic outbreaks.

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

Group trade receivables derive from licensee royalty income, Sourcing Centre commissions billed, the sales of finished products and property revenues from third parties.

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 Kappa S.r.l., K-Way S.p.A., BasicItalia S.p.A., Kappa France S.a.s. and K-Way France S.a.s. to the Sourcing Centers.

Receivables from Italian and French footwear and apparel retailers within the subsidiaries are monitored continually by the credit department of the company alongside specialised legal recovery firms and partners 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.

Property revenues from third parties do not present substantial default 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. In February 2023, Section VI referred the case to Section V of the Supreme Court.

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. (changed its legal format to a "S.r.l." and its name to Kappa 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. In February 2023, the Piedmont Second Instance Tax Court rejected the Tax Agency's grounds of appeal, upholding the first instance decision favorable to the Group.

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. In January 2023, the Turin First Instance Tax Court upheld the appeals filed by the Group Companies.

In October 2022, assessment notices relating to 2016 were received, with further demands of approx. Euro 0.4 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. In late February, the Turin First Instance Tax Court suspended the execution of the challenged acts and set a hearing on the merits for June 2023.

On June 21, 2023, the first level judgement of the Tax Court fully accepted the combined appeals of Basic Properties America Inc., BasicTrademark S.A. (which changed its legal format to a "S.r.l." and its name to Kappa 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 relation to fiscal year 2016.

Law No. 197 of December 29, 2022 (Budget Law 2023) provided for a series of defining institutions of the tax claim ("tax truce"); consequently, its entry into force entailed a nine-month suspension of the deadlines for appealing all judgments, regarding definable disputes, which would have ordinarily expired between January 1 and July 31, 2023. Therefore, as of September 30, the ordinary terms for any appeal by the Tax Agency in the second instance (for the 2015-2016 fiscal years) or in the Court of Cassation (for the 2011-2014 fiscal years) will begin.

As of today's date, the Group companies have had their claims recognised in the first instance for all the years in dispute and in the second instance for the years 2011 to 2014.

Commercial disputes*FISI pre-emption right*

BasicItalia S.p.A. has exercised, on June 3, 2021, 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.

The judgment in the case on the merits, issued on February 23, 2023, confirms this protective order issued on July 14, 2022 and the position of BasicItalia S.p.A., namely that from the moment of BasicItalia S.p.A.'s acceptance of the conditions offered by FISI, and thus from June 3, 2021, a new sponsorship contract was concluded between BasicItalia S.p.A. and FISI for the 2022/23 seasons until the 2025/26 season, also recognising a right of first refusal in favour of Basic Italia S.p.A. for the following four-year period.

As a result, the court ordered FISI to fulfil its contractual obligations, prohibiting FISI from entering into supply and sponsorship contracts with third parties other than BasicItalia S.p.A. and from using in its competitive activities clothing items with trademarks other than those indicated in the contract between BasicItalia S.p.A. and FISI.

Regarding damages, the Court ruled that the damage resulting from FISI's breach of duty can only be fully assessed and quantified following the last competitive season until at least 2025/2026.

FISI appealed the judgment by writ of summons served on March 27, 2023, requesting to suspend and/or revoke the provisional enforceability of the judgment and to uphold the appeal on the basis of the conclusions advanced by FISI in the first instance judgment and, by way of counterclaim, to establish BasicItalia's failure to comply with the provisions of the Contract and to declare the termination of the Contract for non-performance with an order to pay damages.

A hearing on the merits at the Milan Court of Appeals has been set for September 14, 2023. Meanwhile, on July 20, FISI's request for a stay of the enforceability of the first instance ruling was granted by the Court of Appeals, pending further consideration of the documents in the appeal proceedings.

TREASURY SHARES

On April 13, 2023, 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, 2023, the Company held 4,093,300 treasury shares (7.58% of the share capital), for a total investment of Euro 15.1 million.

HUMAN RESOURCES

At June 30, 2023, the Group headcount was 1,019, as follows:

Category	Human Resources at June 30, 2023	Human Resources at June 30, 2022
Executives	37	37
White-collar	944	769
Blue-collar	38	123
Total	1,019	929

2023 SIGNIFICANT EVENTS**"Kappa" transaction**

The corporate reorganisation project to bring under the direct control of BasicNet all of the individual brand-owning companies, begun at the beginning of 2022, shall be completed by the end of the present year. For this purpose, SupergaRetail S.r.l. and SebagoRetail S.r.l. were established in the first half of the year: the two new companies, set up to manage the direct domestic retail activities of their respective brands, became fully operational as of July 1, 2023.

The project does not entail any change in the Group's ownership structure or equity structure.

SUBSEQUENT EVENTS TO THE YEAR-END AND OUTLOOK

Tax audit of July 3, 2023

On July 3, 2023, officials from the Tax Agency, Provincial Office II of Turin, Controls Office, gained access to the headquarters of BasicNet S.p.A. to initiate a so-called "targeted" inspection concerning the 2017 tax period.

In particular, the officials were in charge of checking the correct determination of tax credits, as per Article 165 of the Income Tax Law, related to income produced abroad by BasicNet S.p.A., in addition to other entities belonging to the tax consolidation having as consolidator the aforementioned BasicNet S.p.A., which in Italy have benefited from the "Patent box" tax break, as per Article 1, paragraphs 39-47, of Law No. 190 of 23/12/2014 (Stability Law 2015) and subsequent amendments.

The Company responded promptly to the auditors requests by providing the documentation as requested.

The relevant Office formally concluded its audit activities on the morning of July 28 this year, with the issuance of the relative Formal Notice of Findings, without raising any issues for further consideration.

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. Results from operations however remain contingent on the evolving global general economic and geopolitical environment.

* * *

Turin, July 28, 2023

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 49.

BASICNET GROUP CONSOLIDATED INCOME STATEMENT

<i>(Euro thousands)</i>	<i>Note</i>	H1 2023		H1 2022		Changes	
Consolidated direct sales	(8)	146,597	100.00	126,975	100.00	19,622	15.45
Cost of sales	(9)	(84,163)	(57.41)	(77,319)	(60.89)	(6,845)	(8.85)
GROSS MARGIN		62,434	42.59	49,656	39.11	12,778	25.73
Royalties and sourcing commissions	(10)	32,694	22.30	34,939	27.52	(2,245)	(6.43)
Other income	(11)	3,892	2.65	3,869	3.05	23	0.58
Sponsorship and media costs	(12)	(18,234)	(12.44)	(18,043)	(14.21)	(191)	(1.06)
Personnel costs	(13)	(22,346)	(15.24)	(17,623)	(13.88)	(4,723)	(26.80)
Selling, general and administrative costs, royalties expenses	(14)	(35,806)	(24.42)	(30,354)	(23.91)	(5,452)	(17.96)
Amortisation and depreciation	(15)	(8,096)	(5.52)	(6,921)	(5.45)	(1,175)	(16.98)
EBIT		14,538	9.92	15,523	12.22	(985)	(6.34)
Net financial income (charges)	(16)	(2,180)	(1.49)	150	0.12	(2,330)	Y/N
Management of equity investments	(17)	(3)	(0.00)	(3)	(0.00)	-	0.00
PROFIT BEFORE TAXES		12,355	8.43	15,670	12.34	(3,315)	(21.15)
Income taxes	(18)	(4,926)	(3.36)	(4,938)	(3.89)	12	0.23
NET PROFIT		7,429	5.07	10,732	8.45	(3,303)	(30.78)
Earnings per share:	(19)						
Basic		0.1489		0.2124		(0.064)	(29.90)
Diluted		0.1489		0.2124		(0.064)	(29.90)

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

<i>(Euro thousands)</i>	<i>Note</i>	H1 2023	H1 2022	Changes
<i>Profit for the period (A)</i>		<i>7,429</i>	<i>10,732</i>	<i>(3,303)</i>
Effective portion of the Gains/(losses) on cash flow hedges		598	(1,218)	1,816
Re-measurement of post-employment benefits (IAS 19) ^(*)		215	(54)	269
Gains/(losses) from translation of accounts of foreign subsidiaries		(166)	606	(772)
Tax effect on other profits/(losses)		(203)	304	(507)
<i>Total other gains/(losses), net of tax effect (B)</i>	<i>(33)</i>	<i>444</i>	<i>(362)</i>	<i>806</i>
Total Comprehensive Profit (A)+(B)		7,873	10,370	(2,497)

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

BASICNET GROUP CONSOLIDATED BALANCE SHEET

<i>(Euro thousands)</i>	<i>Note</i>	June 30, 2023	December 31, 2022	June 30, 2022
Intangible assets	(20)	68,608	67,479	66,886
Right-of-use assets	(21)	30,773	29,911	32,246
Goodwill	(22)	42,110	41,853	38,400
Property, plant and equipment	(23)	55,920	56,503	53,297
Equity invest. & other financial assets	(24)	875	794	1,248
Interests in joint ventures	(25)	192	184	193
Deferred tax assets	(26)	7,539	7,727	7,407
Total non-current assets		206,017	204,451	199,677
Net inventories	(27)	137,233	124,983	108,393
Trade receivables	(28)	65,526	80,887	62,902
Other current assets	(29)	14,123	9,852	13,509
Prepayments	(30)	9,496	12,454	10,525
Cash and cash equivalents	(31)	12,910	19,476	18,915
Derivative financial instruments	(32)	1,577	1,011	767
Total current assets		240,865	248,663	215,011
TOTAL ASSETS		446,882	453,114	414,688

<i>(Euro thousands)</i>	<i>Note</i>	June 30, 2023	December 31, 2022	June 30, 2022
Share capital		31,717	31,717	31,717
Reserve for treasury shares in portfolio		(15,117)	(13,955)	(11,791)
Other reserves		122,961	101,347	103,068
Net Profit		7,429	30,037	10,732
TOTAL GROUP SHAREHOLDERS' EQUITY	(33)	146,990	149,146	133,726
Provisions for risks and charges	(34)	1,773	1,792	120
Loans	(35)	44,174	52,014	30,997
Payables for rights-of-use	(37)	31,570	30,734	33,118
Other financial payables	(38)	9,738	9,749	13,598
Employee and Director benefits	(39)	3,246	3,279	3,601
Deferred tax liabilities	(40)	7,401	7,004	6,449
Other non-current liabilities	(41)	1,942	1,976	1,333
Total non-current liabilities		99,844	106,548	89,216
Bank payables	(36)	65,765	61,338	60,458
Trade payables	(42)	101,203	100,074	104,781
Tax payables	(43)	13,678	9,737	13,725
Other current liabilities	(44)	11,818	17,069	8,732
Accrued expenses	(45)	4,562	6,148	3,620
Derivative financial instruments	(46)	3,022	3,054	430
Total current liabilities		200,048	197,420	191,746
TOTAL LIABILITIES		299,892	303,968	280,962
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		446,882	453,114	414,688

CONSOLIDATED CASH FLOW STATEMENT OF THE BASICNET GROUP

<i>(Euro thousands)</i>	June 30, 2023	June 30, 2022
A) OPENING SHORT-TERM BANK DEBT	(26,439)	6,325
B) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit	7,429	10,732
Amortisation and depreciation	8,096	6,921
Changes in working capital	7,249	(12,373)
Net changes in employee and director benefits	(32)	(1,300)
Management of equity investments	3	3
Others, net	(169)	(83)
	22,576	3,900
C) CASH FLOW FROM INVESTING ACTIVITIES		
Fixed asset investments	(5,096)	(9,130)
Acquisition K-Way France	(7,343)	(11,886)
Acquisition of financial assets:	(89)	-
	(12,528)	(21,016)
D) CASH FLOW FROM FINANCING ACTIVITIES		
Loan repayments	(7,835)	(4,539)
Repayment of loans for rights-of-use	(3,603)	(3,268)
Acquisition of treasury shares	(1,162)	(4,373)
Dividend payments	(8,435)	(6,093)
	(21,035)	(18,273)
E) CASH FLOW IN THE PERIOD	(10,987)	(35,388)
F) CLOSING SHORT-TERM BANK DEBT	(37,426)	(29,064)

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

<i>(Euro thousands)</i>	Share Capital	Treas. shares	Reserves & retained earnings	Translation reserve	IAS 19 Remeas. Reserve	IFRS 16 Reserve	Cash Flow Hedge reserve	Group Result	Total Group Net Equity
Balance at January 1, 2022	31,717	(30,648)	111,161	1,167	(352)	(733)	1,180	20,330	133,822
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>		-	-	<i>606</i>	<i>(41)</i>	<i>-</i>	<i>(927)</i>	<i>10,732</i>	<i>10,370</i>
Balance at June 30, 2022	31,717	(11,791)	102,168	1,773	(393)	(733)	253	10,732	133,726
	Share Capital	Treas. shares	Reserves & Retained earnings	Translation reserve	IAS 19 Remeas. reserve	IFRS 16 reserve	Cash Flow Hedge reserve	Group Result	Total Group Net Equity
Balance at January 1, 2023	31,717	(13,955)	102,168	1,483	(25)	(733)	(1,547)	30,038	149,146
Allocation of 2022 result as per Shareholders' Meeting motion of April 13, 2023:									
- Reserves & Retained earnings		-	21,046	-	-	-	-	(21,046)	-
- Dividends distributed		-	-	-	-	-	-	(8,992)	(8,992)
Acquisition of treasury shares		(1,162)	-	-	-	-	-	-	(1,162)
H1 2023 Result								7,429	7,429
- Gains/(losses) recorded directly to the change in consolidation scope difference reserve		-	125	-	-	-	-	-	125
Other comprehensive income statement items:									
- Gains/(losses) recorded directly to translation reserve		-	-	(166)	-	-	-	-	(166)
- Gains/(losses) recorded directly to equity for IAS 19 remeasurement		-	-	-	163	-	-	-	163
- Gains/(losses) recorded directly to cash flow hedge reserve		-	-	-	-	-	447	-	447
<i>Total comprehensive income</i>				<i>(166)</i>	<i>163</i>	<i>-</i>	<i>447</i>	<i>7,429</i>	<i>7,873</i>
Balance at June 30, 2023	31,717	(15,117)	123,339	1,317	138	(733)	(1,100)	7,429	146,990

CONSOLIDATED NET FINANCIAL POSITION

<i>(Euro thousands)</i>	June 30, 2023	December 31, 2022	June 30, 2022
Cash and cash equivalents	12,910	19,476	18,915
Bank overdrafts and bills	(21,704)	(5,977)	(19,174)
Import advances	(28,633)	(39,938)	(28,805)
<i>Sub-total net liquidity available</i>	<i>(37,427)</i>	<i>(26,439)</i>	<i>(29,064)</i>
Short-term portion of medium/long-term loans	(15,428)	(15,423)	(12,479)
Payables for the purchase of equity investments	-	(7,332)	-
Short-term net financial position	(52,854)	(49,194)	(41,543)
Medium/long term loans	(44,021)	(51,756)	(30,617)
Payables for rights-of-use	(31,570)	(30,734)	(33,118)
Payables for exercise future share acquisitions	(9,738)	(9,749)	(13,598)
Finance lease payables	(153)	(259)	(380)
<i>Sub-total loans and leasing</i>	<i>(85,482)</i>	<i>(92,498)</i>	<i>(77,713)</i>
Consolidated Net Financial Position	(138,336)	(141,691)	(119,256)

The following table shows the composition of the Group's net debt compared with the same figure for December 31, 2022 and June 30, 2022, 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>	June 30, 2023	December 31, 2022	June 30, 2022
A. Cash	136	168	159
B. Other cash equivalents	12,774	19,308	18,756
C. Securities held for trading	-	-	-
D. Cash & cash equivalents (A)+(B)+(C)	12,910	19,476	18,915
E. Current financial receivables	-	-	-
F. Current bank borrowings	(50,337)	(45,915)	(47,979)
G. Current portion of non-current debt	(15,428)	(15,423)	(12,479)
H. Other current financial payables	-	-	-
I. Current financial debt (F)+(G)+(H)	(65,765)	(61,338)	(60,458)
J. Net current financial debt (I)-(E)-(D)	(52,855)	(41,862)	(41,543)
K. Non-current bank payables	(85,482)	(99,829)	(77,713)
L. Bonds issued	-	-	-
M. Other non-current financial payables	(1,445)	(2,044)	336
N. Trade payables and other non-current payables	-	-	-
O. Non-current financial debt (K)+(L)+(M)	(86,927)	(101,873)	(77,377)
P. Net financial debt (J) + (O)	(139,782)	(143,734)	(118,920)

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>	June 30, 2023	June 30, 2022
A) OPENING NET FINANCIAL POSITION	(141,691)	(61,743)
B) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit	7,429	10,732
Amortisation and depreciation	8,096	6,921
Management of equity investments	3	3
Changes in working capital	7,249	(12,373)
Net changes in employee and director benefits	(32)	(1,300)
Others, net	(168)	(83)
	22,577	3,900
C) CASH FLOW FROM INVESTING ACTIVITIES		
Fixed asset investments	(5,096)	(9,130)
Acquisition K-Way France	-	(37,504)
Acquisition of financial assets	(89)	-
	(5,185)	(46,634)
D) CASH FLOW FROM FINANCING ACTIVITIES		
Registration payables for Right-of-use	(4,440)	(4,313)
Acquisition of treasury shares	(1,162)	(4,373)
Dividend payments	(8,435)	(6,093)
	(14,037)	(14,779)
E) CASH FLOW IN THE PERIOD	3,354	(57,513)
F) CLOSING NET FINANCIAL POSITION	(138,336)	(119,256)

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 28, 2023. 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, 2023 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 policies utilised for the preparation of the Condensed Consolidated Half-Year Financial Statements at June 30, 2023 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, 2023

The following is a list of the new standards, interpretations and amendments with application as from January 1, 2023, for which the assessments carried out did not reveal any significant effects on the half-year financial statements.

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 - Insurance Contracts, a complete new standard relating to insurance contracts which covers recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts issued in 2005. IFRS 17 applies to all types of insurance contracts (for example: life, non-life, direct insurance, re-insurance) regardless of the type of entity that issues them, as well as certain guarantees and financial instruments with characteristics of discretionary participation.

The general objective of IFRS 17 is to present an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the provisions of IFRS 4, which are largely based on the maintenance of previous accounting standards, IFRS 17 provides a complete model for insurance contracts that covers all relevant accounting aspects.

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

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies and error correction. They also clarify how entities should use valuation techniques and inputs to develop accounting estimates.

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

Disclosure of Accounting policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply judgements to accounting policy disclosures. The amendments are intended to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to provide their "significant" accounting policies with a requirement to provide disclosures about their "material" accounting policies; in addition, guidance is added on how entities apply the concept of materiality in making accounting policy disclosure decisions.

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

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Taxes narrow the scope of the exception to initial recognition, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities.

These amendments did not have any impact on the Group consolidated 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 half-year 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 49.

4. CONSOLIDATION PRINCIPLES

The consolidated half-year financial statements were prepared including the Financial Statements at June 30, 2023 of the Group companies included in the consolidation scope, appropriately adjusted in accordance with the accounting policies 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, 2023		December 31, 2022		June 30, 2022	
	Average	At period end	Average	At period end	Average	At period end
US Dollar	1.0808	1.0866	1.0483	1.0666	1.0850	1.0387
HK Dollar	8.4767	8.5157	8.2100	8.3163	8.4934	8.1493
Japanese Yen	147.6629	157.1600	137.2988	140.6600	133.4956	141.5400
UK Sterling	0.8732	0.8583	0.8534	0.8869	0.8413	0.8582
Swiss Franc	0.9882	0.9788	1.0009	0.9847	1.0241	0.9960
Vietnamese Dong	25,446	25,618	22,515	25,183	24,919	24,170

The criteria adopted for the consolidation were as follows:

- 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.
- 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;
- 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, 2023 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 joint ventures are consolidated at equity, as established by IFRS 11 – Joint arrangements.

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.

State Aid received by the Group and subject to mandatory publication in the National State Aid Register, can be freely consulted in the register, Transparency section, to which reference should be made.

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, Kappa S.r.l. and its subsidiaries KappaRetail S.r.l. and the Kappa France Group, Jesus Jeans S.r.l., Fashion S.r.l., Sebago S.r.l., BasicAir S.r.l., Superga S.r.l., K-Way S.p.A. and its subsidiaries K-WayRetail S.r.l., K-WayRetail SUISSE S.A. and K-Way France S.a.s., BasicItalia S.p.A. and its subsidiaries BasicRetail S.r.l., SebagoRetail S.r.l. and SupergaRetail S.r.l.;
- "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 32.7 million in H1 2023, compared to Euro 34.9 million in the same period of the previous year. Direct sales are also reported of Euro 146.6 million, compared to sales in the previous year of Euro 127.0 million. The contribution margin on sales was Euro 62.4 million, compared to Euro 49.7 million in 2022. The revenue margin was 42.6% (39.1% in 2022). Personnel costs increased on the same period of the previous year, due mainly to the inclusion of the cost concerning the approx. 90 personnel employed by K-Way France for the entire period, compared to their consolidation from April in the comparative period. The segment reports a profit of Euro 7.7 million compared to Euro 10.8 million in the previous year.
- the "Property" segment reports a profit of Euro 238 thousand, compared to Euro 64 thousand in 2022.

H1 2023	Clothing, footwear and accessories	Property	Inter-segment eliminations	Consolidated
Direct sales – third parties	146,597	-	-	146,597
(Cost of sales)	(84,163)	-	-	(84,163)
GROSS MARGIN	62,434	-	-	62,434
Royalties and sourcing commissions – third parties	32,694	-	-	32,694
Other income - third parties	2,980	3,120	(2,208)	3,892
(Sponsorship and media costs)	(18,234)	-	-	(18,234)
(Personnel costs)	(22,298)	(48)	-	(22,346)
(Selling, general and administrative costs, royalties expenses)	(35,016)	(1,538)	748	(35,806)
Amortisation and depreciation	(8,257)	(1,296)	1,457	(8,096)
EBIT	14,303	238	(3)	14,538
Financial income	3,742	16	61	3,819
(Financial charges)	(5,363)	(636)	-	(5,999)
Share of profit/(loss) of investments	(3)	-	-	(3)
PROFIT/(LOSS) BEFORE TAXES	12,679	(382)	58	12,355
Income taxes	(4,987)	60	1	(4,926)
NET PROFIT/(LOSS)	7,692	(322)	59	7,429
<i>Significant non-cash items:</i>				
Amortisation and depreciation	(8,257)	(1,296)	1,457	(8,096)
Total non-cash items	(8,257)	(1,296)	1,457	(8,096)
<i>Segment assets and liabilities:</i>				
Assets	420,821	49,474	(23,414)	446,882
Liabilities	280,485	40,401	(20,994)	299,892

H1 2022	Clothing, footwear and accessories	Property	Inter-segment eliminations	Consolidated
Direct sales – third parties	126,975	-	-	126,975
(Cost of sales)	(77,319)	-	-	(77,319)
GROSS MARGIN	49,656	-	-	49,656
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)
EBIT	15,539	64	(80)	15,523
Financial income	4,812	-	-	4,812
(Financial charges)	(4,660)	(66)	64	(4,662)
Share of profit/(loss) of investments	(3)	-	-	(3)
PROFIT/(LOSS) BEFORE TAXES	15,688	(2)	(16)	15,670
Income taxes	(4,934)	(5)	1	(4,938)
NET PROFIT/(LOSS)	10,754	(7)	(15)	10,732
<i>Significant non-cash items:</i>				
Amortisation and depreciation	(7,242)	(922)	1,243	(6,921)
Total non-cash items	(7,242)	(922)	1,243	(6,921)
<i>Segment assets and liabilities:</i>				
Assets	412,751	43,883	(41,946)	414,688
Liabilities	286,517	33,874	(39,429)	280,962

7. BUSINESS COMBINATIONS

In April of the previous year, the acquisition of the entire share capital of K-Way France S.a.s. was completed: for the correct reading of the data reported in these consolidated half-year financial statements, it should be noted that the Group's H1 2022 income statement therefore included the full consolidation of the French licensee of the K-Way brand for the second semester of the year only.

During 2023, the Group settled the first portion of the earnout due to the previous shareholders, based on the final 2022 result, for Euro 7.3 million. The additional portion, which will be definitively determined on the basis of the final results of the 2023-25 three-year period, has been estimated at Euro 9.7 million and is recognised to Other financial payables (Note 38).

8. CONSOLIDATED DIRECT SALES

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

	H1 2023	H1 2022
Sales Italy	94,643	82,240
EU countries other than Italy	46,597	40,903
Rest of the World	5,357	3,832
Total consolidated direct sales	146,597	126,975

Direct sales revenues relate to merchandise sold by Kappa S.r.l., K-Way S.p.A., BasicItalia S.p.A., K-Way France S.a.s. and Kappa France S.a.s. and its respective subsidiaries through both the wholesale and retail channels (Euro 146.3 million) and sample merchandise sales (Euro 0.3 million). Sales on the home market accounted for 64.5%, while approx. 31.8% of sales were in other EU countries, with the remaining approx. 3.7% outside the EU.

The composition of revenues from direct sales by distribution channel is presented in the following table:

	H1 2023	H1 2022
Multibrand sales	101,233	99,690
Franchising sales	41,164	23,570
Online sales	3,924	3,231
Sample sales	276	484
Total consolidated direct sales	146,597	126,975

9. COST OF SALES

	H1 2023	H1 2022
Goods purchased – Overseas	77,504	87,072
Freight charges and accessory purchasing cost	8,018	17,442
Cost of outsourced logistics	5,464	4,230
Goods purchased – Italy	4,755	4,202
Samples purchased	1,343	1,622
Packaging	587	779
Change in inventory of raw materials, ancillary, consumables and goods	(12,250)	(39,512)
Others	(1,258)	1,484
Total cost of sales	84,163	77,319

“Goods purchased” refer to the finished products acquired by Kappa S.r.l., 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 for resale to the licensees or to the agents.

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 2023	H1 2022
Europe (EU and non-EU)	13,124	12,492
America	6,027	6,640
Asia and Oceania	10,664	12,850
Middle East and Africa	2,879	2,957
Total	32,694	34,939

11. OTHER INCOME

	H1 2023	H1 2022
Prior year income	845	1,286
Signing fees from commercial licensees	863	659
Income and chargebacks from aircraft	330	512
Rental income	495	278
Income from promo sales	51	72
Recovery of condominium expenses	176	72
Other income	1,132	990
Total other income	3,892	3,869

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

“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 2023	H1 2022
Sponsorship and marketing	13,640	14,384
Advertising	3,362	2,844
Promotional expenses	1,232	815
Total sponsorship and media costs	18,234	18,043

The account “sponsorship” refers to communication investments incurred directly to which the Group contributes, described in detail in the Directors’ Report.

“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 2023	H1 2022
Wages and salaries	16,106	12,740
Social security charges	5,459	4,217
Post-employment benefits	781	666
Total	22,346	17,623

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 2023 was 946 - broken down as 36 executives, 873 white-collar and 37 blue-collar employees - compared to 883 in 2022.

The increase is mainly due to the personnel at the new sales points. The inclusion of K-Way France for the full consolidation scope also resulted in an increase in the item for Euro 1.3 million.

14. SELLING, GENERAL AND ADMINISTRATIVE COSTS AND ROYALTIES EXPENSES

	H1 2023	H1 2022
Selling and royalty service expenses	9,252	7,220
Rental, accessory and utility expenses	5,268	4,827
Commercial expenses	7,194	5,168
Professional consultants	2,878	2,986
Directors and Statutory Auditors emoluments	2,480	2,448
Doubtful debt provision	1,443	985
Bank charges	1,030	961
Insurance	825	841
Hire	805	793
Taxes and duties	794	706
Costs related to Human Resources	666	483
Purchases of consumables and paperwork	584	287
Extraordinary charges	348	603
Other transport costs	218	258
Company expenses	196	184
Other general expenses	1,825	1,604
Total selling, general and administrative costs, and royalties expenses	35,806	30,354

“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.

"Commercial expenses" include costs for trade fairs and events, commercial consultancy, travel expenses, entertainment expenses and other charges to support sales activities.

"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.basinet.com Shareholder' Meeting 2023 section, to which reference should be made.

"Other general expenses" includes stamp and legal fees and other minor costs.

15. AMORTISATION & DEPRECIATION

	H1 2023	H1 2022
Amortisation	1,534	1,473
Right-of-use	3,827	3,253
Depreciation	2,735	2,195
Total amortisation & depreciation	8,096	6,921

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 2023	H1 2022
Interest income	39	29
Bank interest charges	(605)	(30)
Interest on medium/long term loans	(855)	(261)
Property lease interest	(6)	(4)
Interest IFRS 16	(227)	(271)
Loan and current account fees	(112)	(115)
IAS 19 interest	(17)	(8)
Others	(158)	(111)
Total financial income and charges	(1,941)	(771)
Exchange gains	2,522	4,783
Exchange losses	(2,761)	(3,862)
Net exchange gains/(losses)	(239)	921
Total financial income/(charges)	(2,180)	150

Net exchange losses amounted to Euro 239 thousand, against gains of Euro 921 thousand in the previous year; net financial charges servicing the debt amounted to Euro 1.9 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. It consists mainly of:

- current income taxes of Euro 3.8 million, primarily Euro 2.9 million of IRAP (regional business tax), Euro 0.9 million of IRES (corporate income tax) and Euro 1.1 million of income taxes of the foreign subsidiaries;
- the Patent Box benefit for Euro 0.6 million;
- the assessment and release of deferred tax liabilities totalling Euro 0.4 million;

The reconciliation of the theoretical tax rate with the effective tax rate is reported in the table below:

	H1 2023	H1 2022
Profit before taxes	12,355	15,670
Income tax rate	24.0%	24.0%
<i>Theoretical IRES</i>	<i>(2,965)</i>	<i>(3,761)</i>
Effect of differences between Italian and foreign tax rates	713	114
Permanent differences	(1,372)	(491)
Taxes from previous periods	(282)	(276)
Patent Box benefit	614	1,010
IRAP	(872)	(1,028)
Deferred assets not recognised on losses	(762)	(522)
Other changes	-	16
EFFECTIVE TAX CHARGE	(4,926)	(4,938)
Effective tax rate	39.9%	31.6%

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 France Group, whose future tax benefit shall in any case be utilisable by the Group, in addition to the reduced benefit arising from the application of the new Patent Box regulations.

19. EARNINGS PER SHARE

The basic earnings per share, for H1 2023, 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>	H1 2023	H1 2022
Profit/(loss)	7,428,746	10,731,663
Weighted average number of ordinary shares	49,906,700	50,523,000
Basic earnings per ordinary share	0.1489	0.2124

At June 30, 2023 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 2023 and 2022 relates to the number of treasury shares acquired in the year.

EXPLANATORY NOTES TO THE BALANCE SHEET

20. INTANGIBLE ASSETS

	June 30, 2023	December 31, 2022	June 30, 2022
Concessions, brands and similar rights	59,777	59,745	59,349
Software development	4,996	4,741	4,693
Other intangible assets	3,785	2,918	2,740
Industrial patents	50	75	104
Total intangible assets	68,608	67,479	66,886

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
Historical cost at 1.1.23	72,307	52,595	13,238	833	138,973
<i>Investments</i>	<i>198</i>	<i>1,291</i>	<i>1,139</i>	<i>1</i>	<i>2,629</i>
<i>Disposals and other changes</i>	<i>(43)</i>	<i>51</i>	<i>-</i>	<i>(53)</i>	<i>(45)</i>
Historical cost at 30.06.23	72,462	53,937	14,377	781	141,557

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

	Concessions, brands and similar rights	Software development	Other intangible assets	Industrial patents	Total
Accum. Amort. at 1.1.23	(12,562)	(47,854)	(10,320)	(758)	(71,494)
<i>Amortisation</i>	<i>(166)</i>	<i>(1,053)</i>	<i>(274)</i>	<i>(8)</i>	<i>(1,501)</i>
<i>Disposals and other changes</i>	<i>43</i>	<i>(34)</i>	<i>2</i>	<i>35</i>	<i>46</i>
Accum. Amort. at 30.06.23	(12,685)	(48,941)	(10,592)	(731)	(72,949)

The net book value of intangible assets is reported below:

	Concessions, brands and similar rights	Software development	Other intangible assets	Industrial patents	Total
Opening net book value at 1.1.23	59,745	4,741	2,918	75	67,479
<i>Investments</i>	<i>198</i>	<i>1,291</i>	<i>1,139</i>	<i>1</i>	<i>2,629</i>
<i>Disposals and other changes</i>	<i>-</i>	<i>17</i>	<i>2</i>	<i>(18)</i>	<i>1</i>
<i>Amortisation</i>	<i>(166)</i>	<i>(1,053)</i>	<i>(274)</i>	<i>(8)</i>	<i>(1,501)</i>
Closing net book value at 30.06.23	59,777	4,996	3,785	50	68,608

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, 2023, the Kappa and Robe di Kappa brands report a book value of Euro 15.3 million, with the Superga brand reporting a book value of Euro 21.2 million; the K-Way brand was valued at Euro 9.4 million, the Sebago brand at Euro 12.1 million and the Briko brand at Euro 0.9 million. The Kappa, Robe di Kappa, Superga, K-Way, Briko and Sebago brands are considered intangible assets with indefinite useful life and as such are subject to an impairment test at least annually.

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

At June 30, in application of the provisions of IAS 36 on at least annual impairment testing and in view of the fact that the profitability forecasts drawn up in the financial statements at December 31, 2022 for all the CGU's were achieved 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 1.1 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”).

	June 30, 2023	December 31, 2022	June 30, 2022
Right-of-use	30,773	29,911	32,246
Total right-of-use	30,773	29,911	32,246

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

	June 30, 2023	December 31, 2022
Historical cost at 01.01	60,224	50,704
Initial balance from acquisition	-	8,025
Investments and renovations	3,013	4,406
Disposals and other changes	(345)	(2,911)
Historical cost at period end	62,892	60,224

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

	June 30, 2023	December 31, 2022
Accum. Deprec. at 01.01	(30,313)	(27,585)
Depreciation	(3,827)	(6,932)
Disposals and other changes	2,021	4,204
Accum. Deprec. at period end	(32,119)	(30,313)

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

	June 30, 2023	December 31, 2022
Net book value at 01.01	29,911	23,119
Initial balance from acquisition	-	8,025
Investments and renovations	3,013	4,406
Disposals and other changes	1,676	1,293
Amortisation and depreciation	(3,827)	(6,932)
Net book value at period end	30,773	29,911

22. GOODWILL

	June 30, 2023	December 31, 2022	June 30, 2022
Goodwill	42,110	41,853	38,400
Goodwill	42,110	41,853	38,400

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 (now Kappa France Group), Euro 24.5 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 5.9 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, 2023.

23. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2023	December 31, 2022	June 30, 2022
Buildings	40,133	40,930	41,406
Furniture and other assets	10,236	9,706	8,979
Plant & machinery	3,677	3,787	865
EDP	1,699	1,888	1,844
Industrial & commercial equipment	175	191	203
Total property, plant and equipment	55,920	56,503	53,297

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

	Property	Furniture and other assets	Plant & machinery	EDP	Industrial and commercial equipment	Total
Historical cost at 1.1.23	61,567	28,037	6,639	18,161	1,355	115,759
<i>Investments</i>	<i>111</i>	<i>1,524</i>	<i>216</i>	<i>284</i>	<i>11</i>	<i>2,146</i>
<i>Disposals and other changes</i>	<i>-</i>	<i>(53)</i>	<i>(8)</i>	<i>(159)</i>	<i>(1)</i>	<i>(221)</i>
Historical cost at 30.06.23	61,678	29,508	6,847	18,286	1,365	117,684

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

	Property	Furniture and other assets	Plant & machinery	EDP	Industrial and commercial equipment	Total
Accum. Deprec. at 1.1.23	(20,637)	(18,332)	(2,852)	(16,273)	(1,163)	(59,257)
<i>Depreciation</i>	<i>(909)</i>	<i>(978)</i>	<i>(318)</i>	<i>(403)</i>	<i>(26)</i>	<i>(2,634)</i>
<i>Disposals and other changes</i>	<i>-</i>	<i>37</i>	<i>-</i>	<i>89</i>	<i>1</i>	<i>127</i>
Accum. Deprec. at 30.06.23	(21,546)	(19,273)	(3,170)	(16,587)	(1,188)	(61,764)

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

	Property	Furniture and other assets	Plant & machinery	EDP	Industrial and commercial equipment	Total
Net book value at 1.1.23	40,930	9,706	3,787	1,888	191	56,503
<i>Investments</i>	<i>111</i>	<i>1,524</i>	<i>216</i>	<i>284</i>	<i>11</i>	<i>2,146</i>
<i>Depreciation</i>	<i>(909)</i>	<i>(978)</i>	<i>(318)</i>	<i>(403)</i>	<i>(26)</i>	<i>(2,634)</i>
<i>Disposals and other changes</i>	<i>-</i>	<i>(16)</i>	<i>(8)</i>	<i>(70)</i>	<i>-</i>	<i>(23)</i>
Net book value at 30.06.23	40,133	10,236	3,677	1,699	176	55,920

“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 period amounted to Euro 2.1 million, principally relating to the acquisition of furniture and EDP for the opening of new stores.

24. EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS

	June 30, 2023	December 31, 2022	June 30, 2022
Investments in:			
– Other companies	-	-	349
Total investments	-	-	349
Other receivables, guarantees	875	794	899
Total financial receivables	875	794	899
Total investments & other financial assets	875	794	1,248

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

25. INVESTMENTS IN JOINT VENTURES

	June 30, 2023	December 31, 2022	June 30, 2022
Investments in:			
– Joint venture	192	184	193
Total investments in joint ventures	192	184	193

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, 2023	December 31, 2022	June 30, 2022
Deferred tax assets	7,539	7,727	7,407
Total deferred tax assets	7,539	7,727	7,407

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, 2023			December 31, 2022		
	Amount of temporary differences	Rate % (*)	Tax effect	Amount of temporary differences	Rate % (*)	Tax effect
<i>Deferred tax assets:</i>						
- Excess doubtful debt provision not deductible	(16,215)	24.1%	(3,914)	(15,862)	24.1%	(3,819)
- Inventory obsolescence provision	(3,307)	27.1%	(898)	(3,214)	27.2%	(873)
- Prudent exchange differences, net	(572)	24.0%	(137)	(28)	24.0%	(7)
- Misc. charges temporarily non-deductible	(872)	25.5%	(223)	(1,346)	25.1%	(338)
- Effect IFRS 16 - lease payables	(498)	28.3	(141)	(656)	27.9%	(183)
-Effect IFRS9 – fin. instruments	(1,445)	23.6%	(341)	(2,044)	24.1%	(493)
Total DTA on temporary temporary [A]	(22,910)		(5,654)	(23,148)		(5,711)
<i>Deferred tax liabilities:</i>						
- Amortisation/Depreciation tax basis	13,817	27.9%	3,855	11,790	27.9%	3,289
- Statutory-tax difference on amortisation, depreciation, and valuations	12,934	28.2%	3,641	13,286	28.1%	3,730
- Effect IAS 19 – Employee Benefits	268	23.0%	62	(118)	27.1%	(32)
- Effect IAS 38 – plant costs	18	27.9	5	18	27.9%	5
-Effect IFRS 3 – goodwill amort.	723	30.4%	206	683	27.9%	208
Total DTL on temporary differences [B]	27,759		7,768	25,658		7,199
Losses carried forward [C]	(8,961)	25.9%	(2,251)	(8,688)	25.9%	(2,210)
Deferred tax (liabilities) assets, net [A+B+C]	(4,112)		(137)	(6,179)		(722)
Of which:						
Deferred tax assets			(7,539)			(7,727)
Deferred tax liabilities			7,401			7,004

(*) 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 3.9 million) and non-deductible inventory obsolescence provisions (approx. Euro 0.9 million), in addition to Euro 2.3 million of unlimited loss carry forwards for 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 3.9 million) and differences between statutory and fiscal amortisation (Euro 3.6 million).

27. NET INVENTORIES

	June 30, 2023	December 31, 2022	June 30, 2022
Raw materials, ancillaries and consumables	85	85	87
Finished products and goods	141,260	128,541	112,825
Inventory obsolescence provision	(4,112)	(3,643)	(4,519)
Total net inventories	137,233	124,983	108,393

Finished inventories include goods in transit at the balance sheet date which at June 30, 2023 amount to approx. Euro 22.9 million compared to Euro 31.8 million at June 30, 2022, goods held at Group brand stores for Euro 7.3 million, compared to Euro 7.4 million at June 30, 2022 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, 2022.

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, 2023	December 31, 2022	June 30, 2022
Inventory obsolescence provision at 01.01	3,643	4,970	5,041
Provisions in the period	1,129	1,243	845
Utilisations	(660)	(2,570)	(1,367)
Inventory obsolescence provision at 30.06	4,112	3,643	4,519

28. TRADE RECEIVABLES

	June 30, 2023	December 31, 2022	June 30, 2022
Gross value	85,532	100,415	82,007
Doubtful debt provision	(20,006)	(19,528)	(19,105)
Total trade receivables	65,526	80,887	62,902

“Trade receivables” refer for Euro 60.1 million to goods sold by proprietary licensees compared to Euro 55.4 million at December 31, 2022 against which a doubtful debt provision was recorded of Euro 10.1 million (Euro 9.2 million at December 31, 2022) and for Euro 24.8 million to royalties and sourcing commissions (Euro 44.5 million at December 31, 2022) against which a doubtful debt provision was recorded of Euro 9.8 million (Euro 10.1 million at December 31, 2022).

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, 2023	December 31, 2022	June 30, 2022
Doubtful debt provision at 01.01	19,528	17,949	17,949
Initial balance from acquisition	-	-	-
Provisions in the period	1,443	3,115	985
Exchange adjustments	-	-	696
Utilisations	(965)	(1,536)	(524)
Doubtful debt provision at 30.06	20,006	19,528	19,105

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, 2023	December 31, 2022	June 30, 2022
Tax receivables	10,069	6,643	11,207
Other receivables	4,054	3,209	2,301
Total other current assets	14,123	9,852	13,509

Current “tax receivables” principally relate to withholding taxes on royalties for Euro 5.5 million, VAT receivables for Euro 3.3 million, IRES and IRAP receivables of Euro 0.4 million, in addition to minor amounts.

30. PREPAYMENTS

	June 30, 2023	December 31, 2022	June 30, 2022
Expenses pertaining to future collections	1,609	3,351	4,817
Sponsorship and media	2,466	4,495	2,357
Others	5,421	4,608	3,351
Total prepayments	9,496	12,454	10,525

The “expenses pertaining to future collections” include the costs relating to new Collections to be brought to the market, as well as presentations costs for the collections.

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, 2023	December 31, 2022	June 30, 2022
Bank and postal deposits	12,774	19,308	18,756
Cash and valuables in hand	136	168	159
Total cash and cash equivalents	12,910	19,476	18,915

“Bank deposits” refer to temporary current account balances principally due to receipts from clients.

32. DERIVATIVE FINANCIAL INSTRUMENTS

	June 30, 2023	December 31, 2022	June 30, 2022
Derivative financial instruments	1,577	1,011	767
Total	1,577	1,011	767

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

33. SHAREHOLDERS' EQUITY

	June 30, 2023	December 31, 2022	June 30, 2022
Share capital	31,717	31,717	31,717
Treasury shares	(15,117)	(13,955)	(11,791)
Other reserves	122,961	101,347	103,068
Net Profit	7,429	30,037	10,732
Total Shareholders' Equity	146,990	149,146	133,726

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 April, as approved by the Shareholders' AGM of BasicNet S.p.A. of April 13, 2023, in relation to the allocation of the 2022 net profit, a dividend of Euro 0.18 per share was distributed to each of the ordinary shares in circulation, for a total pay-out at June 30 of approx. Euro 8.4 million. The related reduction in shareholders' equity is Euro 0.6 million greater, due to dividends not yet paid to the respective shareholders and recognised to other current liabilities.

With the purchases during the period of 205,800 treasury shares in execution of the authorising shareholder motions of May 30, 2022 and April 13, 2023, at June 30, 2023, there were 4,093,300 treasury shares in portfolio, equal to 7.58% of the share capital.

The account “other reserves” comprises:

- the “cash flow hedge reserve”, negative for Euro 1 million, changed in the year due to the fair value measurement of cash flow hedges held at June 30, 2023;

- the “re-measurement reserve for defined benefit plans (IAS 19)”, positive for Euro 138 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 1.3 million, entirely concerns conversion differences into Euro of the financial statements of the US, Asian, Swiss and English subsidiaries;
- “retained earnings” of Euro 123 million increased on the end of 2022 by Euro 21.1 million, following the increase of Euro 21 million for the previous year’s retained earnings.

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

	June 30, 2023	June 30, 2022	Changes
Effective part of the Gains/(losses) on cash flow instruments generated in the period (currency hedges)	543	(1,063)	1,606
Effective part of the Gains/(losses) on cash flow instruments generated in the period (interest rate hedges)	55	(155)	210
Effective part of the Gains/losses on cash flow hedge instruments	598	(1,218)	1,816
Re-measurement of defined benefit plans (IAS 19)	215	(54)	269
Gains/(losses) from translation of accounts of foreign subsidiaries	(166)	606	(772)
Tax effect relating to the Other items of the comprehensive income statement	(203)	304	(507)
Total other gains/(losses), net of tax effect	444	(362)	806

(*) 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, 2023			June 30, 2022		
	Gross value	Tax Charge/Benefit	Net value	Gross value	Tax Charge/Benefit	Net value
Effective part of Gains/losses on cash flow hedge instruments	598	(151)	447	(1,218)	291	(927)
Remeasurement gains/(losses) Defined benefit plans (IAS 19)	215	(52)	163	(54)	13	(41)
Gains/(losses) from translation of accounts of foreign subsidiaries	(166)	-	(166)	606	-	606
Total other gains/(losses), net of tax effect	647	(203)	444	(666)	304	(362)

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

34. PROVISIONS FOR RISKS AND CHARGES

	June 30, 2023	December 31, 2022	June 30, 2022
Provisions for risks and charges	1,773	1,792	120
Total provisions for risks and charges	1,773	1,792	120

The provision for risks and charges relates to the Agents Termination Indemnity Provision (FIRR) in Kappa S.r.l., BasicItalia S.p.A. and K-Way S.p.A., the provisions for commercial disputes and disputes with the licensee network.

35. LOANS

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

		31/12/2022	Repay.	30/06/2023	Short-term portion	Medium/long term portion
Banco BPM Mortgage Loan	Real Estate	30,713	1,575	29,138	3,150	25,988
MPS Loan	Purchase brand Sebago	4,875	1,625	3,250	3,250	-
Unsecured loan Banco BPM	Purchase brand Kappa Japan	5,625	750	4,875	1,500	3,375
FCG Loan L.662/96 Intesa SanPaolo	BasicNet liquidity	5,156	688	4,469	1,375	3,094
FCG Loan L.662/96 Intesa SanPaolo	BasicItalia liquidity	5,156	688	4,469	1,375	3,094
FCG Loan L.662/96 Banco BPM	K-Way Retail liquidity	4,125	550	3,575	1,100	2,475
FCG Loan L.662/96 Banco BPM	Purchase brand Kappa Japan	5,500	688	4,813	1,375	3,438
BPI loan	Kappa France liquidity	1,001	167	834	333	501
Abanca "Covid-19" subsidised loan	Kappa Sport Iberia liquidity	167	33	135	67	68
Santander "Covid-19" subsidised loan	Kappa Sport Iberia liquidity	329	69	260	141	120
Intesa Sanpaolo loan	Kappa France liquidity	1,200	400	800	800	-
BNP Mortgage	Boutique K-Way La Baule	314	29	286	57	229
BPI Mortgage	Boutique K-Way La Baule	343	29	314	57	257
HSBC Mortgage	Boutique K-Way Montpellier	203	23	180	46	134
BNP Mortgage	Boutique K-Way Nice	334	39	295	79	216
SGE Mortgage	Boutique K-Way Lyon	277	43	234	87	147
SGE Mortgage	Boutique K-Way Temple	110	23	87	47	40
BNP Mortgage	Boutique K-Way Temple	169	42	127	85	43
SGE Mortgage	Boutique K-Way Temple	176	43	133	87	46
SGE Mortgage	Boutique K-Way Biarritz	207	27	181	54	126
BPI Mortgage	Boutique K-Way Biarritz	206	38	168	75	94
PGE BNP Mortgage	K-Way France liquidity	432	80	353	121	231
PGE HSBC Mortgage	K-Way France liquidity	279	42	237	84	154
PGE SGE Mortgage	K-Way France liquidity	279	42	237	84	154
Balance		67,178	7,729	59,449	15,428	44,021

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

	June 30, 2023	December 31, 2022	June 30, 2022
Medium/long term loans:			
- due within 5 years	33,784	39,943	30,560
- due beyond 5 years	10,237	11,813	57
Total medium/long-term loans	44,021	51,756	30,617
Leasing payables	153	259	380
Total leasing payables (maturity within 5 years)	153	259	380
Total loans	44,174	52,014	30,997

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

At June 30, 2023 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 404.8 million, broken down as follows:

<i>(in millions of Euro)</i>	June 30, 2023	December 31, 2022	June 30, 2022
Cash facility	283.8	267.4	244.5
Factoring	14.2	14.2	14.2
Letters of credit and swaps	46.3	39.8	41.3
Medium/long term loans	59.5	67.2	43.1
Property leases	-	1.0	-
Equipment leasing	1.0	-	-
Total	404.8	389.6	343.1

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

36. BANK PAYABLES

	June 30, 2023	December 31, 2022	June 30, 2022
Bank payables due within one year:			
- short-term portion of medium/long-term loans	15,428	15,423	12,479
- bank overdrafts and bills	21,704	5,977	19,174
- import advances	28,633	39,938	28,805
Total bank payables	65,765	61,338	60,458

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, 2023 is as follows:

	Interest Rate		Total
	Fixed	Variable	
Short-term	24,392	41,373	65,765
Medium/long term	25,633	18,541	44,174
Total	50,025	59,914	109,939

The average interest rate on medium/long term loans was 3.1%.

37. PAYABLES FOR RIGHT-OF-USE

	June 30, 2023	December 31, 2022	June 30, 2022
Payables for rights-of-use	31,570	30,734	33,118
Total payables for right-of-use	31,570	30,734	33,118

In H1, new contracts or renewals of existing agreements amounting to Euro 5.3 million were recognised, respective payables of Euro 3.6 million were settled, and payables reduced due to contractual changes or early terminations for Euro 0.9 million.

38. OTHER FINANCIAL PAYABLES

	June 30, 2023	December 31, 2022	June 30, 2022
Payables for earn-out	9,738	9,749	13,598
Total other financial payables	9,738	9,749	13,598

The item refers entirely to the residual earnout to the previous shareholders of K-Way France, payment of which will be made between 2024 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 2.7 million and the termination indemnities of Directors of Euro 580 thousand.

40. DEFERRED TAX LIABILITIES

	June 30, 2023	December 31, 2022	June 30, 2022
Deferred tax liabilities	7,401	7,004	6,449
Total deferred tax liabilities	7,401	7,004	6,449

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

41. OTHER NON-CURRENT LIABILITIES

	June 30, 2023	December 31, 2022	June 30, 2022
Guarantee deposits	1,942	1,976	1,333
Medium/long term tax payables	-	-	-
Total other non-current liabilities	1,942	1,976	1,333

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

42. TRADE PAYABLES

“Trade payables” are all payable in the short-term and increased by approx. Euro 1.1 million compared to December 31, 2022, due to the normal commercial dynamics related to business seasonality.

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, 2023	December 31, 2022	June 30, 2022
Tax payables:			
IRES	8,385	5,563	8,947
Employee contributions	738	628	690
Group VAT	4,380	3,120	3,496
Other	175	426	592
Total tax payables	13,678	9,737	13,725

Current tax payables include provisions for IRES and IRAP, in addition to the corresponding national, federal or regional taxes of the overseas subsidiaries, to be settled at the reporting date.

44. OTHER CURRENT LIABILITIES

	June 30, 2023	December 31, 2022	June 30, 2022
Payables for the purchase of equity investments	-	7,332	-
Payables to employees and directors	4,873	3,811	4,983
Social security institutions	2,822	2,836	2,644
Accrued expenses	211	1,069	178
Shareholder dividend account	562	5	5
Other payables	3,350	2,016	923
Total other current liabilities	11,818	17,069	8,732

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.

45. DEFERRED INCOME

	June 30, 2023	December 31, 2022	June 30, 2022
Royalties for period/subsequent period	37	1,215	-
Sponsored goods revenues	3,247	4,261	2,722
Other deferred income	1,278	671	898
Total deferred income	4,562	6,147	3,620

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, 2023	December 31, 2022	June 30, 2022
Derivative financial instruments	3,022	3,054	430
Total	3,022	3,054	430

The amount includes the market value at June 30, 2023 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 2023 and 2024, on the basis of the goods orders already sent to suppliers, or still to be made but included in the budget. At June 30, 2023, commitments were in place on estimated future purchases, for USD 113.1 million, broken down into 42 transactions with differing maturities: 25 transactions in the second half of 2023 (for USD 66.1 million), 17 transactions in the first half of 2024 (for USD 47 million) at variable exchange rates set between USD/Euro 1.006 and USD/Euro 1.17. A negative equity reserve was recorded of Euro 1.1 million, net of the tax effect. During H1

2023, forward purchase operations were utilised for approx. USD 14.8 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, 2023, the bank deposits were restricted for Euro 2 thousand; guarantees were also provided on leasing amounting to Euro 169 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 2.1 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 10.8 million;
- Kappa S.r.l.: 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 19.3 million;
- Kappa France S.a.s.: it has commitments undertaken through some Credit Institutions, which refer to the opening of documentary credits (Credoc) for the import of goods for approx. Euro 26 million;
- For BasicRetail S.r.l.: guarantees amounting to Euro 509 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 59 thousand;
- For K-WayRetail S.r.l.: Euro 155 thousand for guarantees on leases issued in favour of the Company;
- Sebago 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;
- K-Way France S.a.s.: the commercial activities concerning the direct sales points in Montpellier, Paris (Rue de Temple), La Baule, Lyon, Biarritz and Nice are pledged as collateral for the respective loans.

48. 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, 2023
	Income Statement	Shareholders' Equity			
Assets:					
Equity invest. & other financial assets	-	-	-	875	875
Interests in joint ventures	-	-	-	192	192
Cash and cash equivalents	-	-	12,910	-	12,910
Trade receivables	-	-	65,526	-	65,526
Other current assets	-	-	14,123	-	14,123
Derivative financial instruments	-	1,577	-	-	1,577
Liabilities:					
Medium/long-term loans	-	-	44,174	-	44,174
Bank payables	-	-	65,765	-	65,765
Trade payables	-	-	101,203	-	101,203
Other current liabilities	-	-	11,818	-	11,818
Derivative financial instruments	-	3,022	-	-	3,022

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 Kappa S.r.l., 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.

At June 30, 2023, unrealised exchange gains were recorded of Euro 303 thousand, while unrealised exchange losses were recorded of Euro 853 thousand, for a net exchange loss of Euro 550 thousand.

At the reporting date, there were 42 hedge transactions on US Dollar fluctuations, totalling USD 113.1 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, 2023 is shown below:

	June 30, 2023	%	June 30, 2022	%
Fixed rate	50,025	45.5%	33,273	36.4%
Variable rate	59,914	54.5%	52,182	63.6%
Gross debt	109,939	100.0%	91,455	100.0%

The interest rate fluctuation risks of some medium/term loans were hedged with conversion of the variable rate into fixed rates, as described in Note 46. On the remaining part of the debt, the Group is exposed to fluctuation risks.

Where at June 30, 2023 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 +454 thousand and Euro -454 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. 23.4% of trade receivables at June 30, 2023.

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.

49. 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., Kappa S.r.l., Sebago S.r.l. and BasicAir S.r.l. have adhered to the national fiscal regime as per Article 177/129 of the CFA.

Kappa France S.a.s. and, as subsidiaries, Sport Fashion Retail S.A.R.L. and Textiles d’Artois 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). This regime was further extended to the subsidiary K-Way France S.a.s., effective from the tax period beginning January 1, 2023.

The transactions with related parties for the period ended June 30, 2023 are reported below:

	Investments	Trade receivables	Trade Payables	Other Income	Costs
Interests in joint ventures:					
- Fashion S.r.l.	193	-	-	-	-
Remuneration of Boards and Senior Executives and other related parties	-	-	-	-	3,791

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.

50. SUBSEQUENT EVENTS

These events are outlined in the Directors’ Report.

51. 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.

52. 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. In February 2023, Section VI referred the case to Section V of the Supreme Court.

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. (changed its legal format to a "S.r.l." and its name to Kappa 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. In February 2023, the Piedmont Second Instance Tax Court rejected the Tax Agency's grounds of appeal, upholding the first instance decision favorable to the Group.

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. In January 2023, the Turin First Instance Tax Court upheld the appeals filed by the Group Companies.

In October 2022, assessment notices relating to 2016 were received, with further demands of approx. Euro 0.4 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. In late February, the Turin First Instance Tax Court suspended the execution of the challenged acts and set a hearing on the merits for June 2023.

On June 21, 2023, the first level judgement of the Tax Court fully accepted the combined appeals of Basic Properties America Inc., BasicTrademark S.A. (now Kappa 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 relation to fiscal year 2016.

Law No. 197 of December 29, 2022 (Budget Law 2023) provided for a series of defining institutions of the tax claim ("tax truce"); consequently, its entry into force entailed a nine-month suspension of the deadlines for appealing all judgments, regarding definable disputes, which would have ordinarily expired between January 1 and July 31, 2023. Therefore, as of September 30, the ordinary terms for any appeal by the Tax Agency in the second instance (for the 2015-2016 fiscal years) or in the Court of Cassation (for the 2011-2014 fiscal years) will begin.

As of today's date, the Group companies have had their claims recognised in the first instance for all the years in dispute and in the second instance for the years 2011 to 2014.

Commercial disputes

FISI pre-emption right

BasicItalia S.p.A. has exercised, on June 3, 2021, 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.

The judgment in the case on the merits, issued on February 23, 2023, confirms this protective order issued on July 14, 2022 and the position of BasicItalia S.p.A., namely that from the moment of BasicItalia S.p.A.'s acceptance of the conditions offered by FISI, and thus from June 3, 2021, a new sponsorship contract was concluded between BasicItalia S.p.A. and FISI for the 2022/23 seasons until the 2025/26 season, also recognising a right of first refusal in favour of Basic Italia S.p.A. for the following four-year period.

As a result, the court ordered FISI to fulfil its contractual obligations, prohibiting FISI from entering into supply and sponsorship contracts with third parties other than BasicItalia S.p.A. and from using in its competitive activities clothing items with trademarks other than those indicated in the contract between BasicItalia S.p.A. and FISI.

Regarding damages, the Court ruled that the damage resulting from FISI's breach of duty can only be fully assessed and quantified following the last competitive season until at least 2025/2026.

FISI appealed the judgment by writ of summons served on March 27, 2023, requesting to suspend and/or revoke the provisional enforceability of the judgment and to uphold the appeal on the basis of the conclusions advanced by FISI in the first instance judgment and, by way of counterclaim, to establish BasicItalia's failure to comply with the provisions of the Contract and to declare the termination of the Contract for non-performance with an order to pay damages.

A hearing on the merits at the Milan Court of Appeals has been set for September 14, 2023. Meanwhile, on July 20, FISI's request for a stay of the enforceability of the first instance ruling was granted by the Court of Appeals, pending further consideration of the documents in the appeal proceedings.

For the Board of Directors

The Chairperson

Marco Daniele Boglione

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

	Registered Office	Corporate purpose	Share capital		Parent company holding (%)
PARENT COMPANY					
BasicNet S.p.A.					
Directly held subsidiaries:					
- BasicAir S.r.l. single shareholder company	Turin (Italy)	Company owning the Cessna Citation VII aircraft.	EURO	3,000,000	100
- BasicItalia S.p.A. single shareholder company	Turin (Italy)	Italian licensor for Sebago and Superga, direct stores of the BasicNet Group.	EURO	2,650,000	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
- Basic Properties America, Inc.	Richmond (Virginia – USA)	Sub-license of brands for the American market	USD	2,000	100
- BasicVillage S.p.A. - single shareholder company	Turin (Italy)	Management of the properties owned in Turin - Largo M. Vitale 1, C.so Regio Parco, 43, C.so Regio Parco, 33, Strada della Cebrosa 106, and Milan - Via dell'Aprica 12.	EURO	412,800	100
- Jesus Jeans S.r.l. single shareholder company	Turin (Italy)	Initially set up to manage the Jesus Jeans brand.	EURO	10,000	100
- Kappa S.r.l. single shareholder company	Turin (Italy)	Company owning the Kappa, Robe di Kappa, Briko brands and distributor for the brands, managing direct-to-public outlets for the brands' products.	EURO	1,300,000	100
- K-Way S.p.A. single shareholder company	Turin (Italy)	Company owning the K-Way brand and distributor for the brand, managing direct-to-public outlets for brand products.	EURO	10,050,000	100
- Sebago S.r.l. single shareholder company	Turin (Italy)	Owner of the Sebago brand and owner of the brand's global collection development and marketing activities.	EURO	50,000	100 ⁽¹⁾
- Superga S.r.l. single shareholder company	Turin (Italy)	Owner of the Superga brand and owner of the brand's global collection development and marketing activities.	EURO	50,000	100
Indirectly held subsidiaries:					
- through Kappa S.r.l.					
- Kappa France S.a.s.	Saint Herblain (France)	Kappa licensees for the territories of France, Spain, Portugal and United Kingdom.	EURO	2,207,600	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.

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	Registered Office	Corporate purpose	Share capital		Parent company holding (%)
Indirectly held subsidiaries (cont.):					
- through Kappa S.r.l.					
- KappaRetail S.r.l. single shareholder company	Turin (Italy)	Company operating certain retail outlets for products of the Kappa, Robe di Kappa brands	EURO	10,000	100
- through BasicItalia S.p.A.					
- BasicRetail S.r.l. single shareholder company	Turin (Italy)	Management of outlets owned by the Group and a number of sales points.	EURO	10,000	100
- SebagoRetail S.r.l. single shareholder company	Turin (Italy)	Company established in January 2023 to manage certain retail outlets for Sebago brand products.	EURO	10,000	100
- SupergaRetail S.r.l. single shareholder company	Turin (Italy)	Company established in January 2023 to manage certain retail outlets for Superga brand products.	EURO	10,000	100
- through K-WAY S.p.A.					
- 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
- through Kappa France S.a.s.					
- Kappa Retail Monaco S.a.r.l.	Monaco	Company that manages the store in Monaco.	EURO	15,000	100
- Kappa Sport Iberia S.L.	Madrid (Spain)	Sub-licensee for the Spanish and Portuguese territory	EURO	505,588	100
- Preppy Cotton S.A. (in liquidation)	Reidermoos (Switzerland)	Swiss company in liquidation.	EURO	101,105	100
- Sport Fashion Distribution UK Ltd (in liquidation)	Manchester (United Kingdom)	British company in liquidation.	GBP	1	100
- Sport Fashion Retail S.a.r.l.	Saint Herblain (France)	Company operating direct outlets in France.	EURO	5,000	100
- Textiles D'Artois S.a.r.l.	Haute Avesnes (France)	Company dedicated to sublimation projects on behalf of the Kappa France Group licensees.	EURO	3,000	100

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COMPANIES INCLUDED IN THE CONSOLIDATION UNDER THE EQUITY METHOD

	Registered Office	Corporate purpose	Share capital		Share capital Holding (%)
- Fashion S.r.l.	Turin (Italy)	Owner of the Sabelt brand under joint-venture	EURO	100,000	50 ⁽²⁾

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

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, 2023 to June 30, 2023, considering the characteristics of the company.

In addition, we declare 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 28, 2023

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 change in consolidated Shareholders' equity, the consolidated cash flows and the related explanatory notes of BasicNet S.p.A. and its subsidiaries (the "BasicNet Group") as of 30 June, 2023. 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, 2023 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 28, 2023

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