GROUP

2019 HALF-YEAR REPORT

DIRECTORS' REPORT

BASICNET GROUP CONDENSED HALF-YEAR FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Capitale Sociale Euro 31.716.673,04 i.v.
R.E.A. 631153 della C.C.I.A.A. di Torino
Numero Registro Imprese Torino
Partita I.V.A. e Codice Fiscale 04413650013

CORPORATE BOARDS of BasicNet S.p.A.

Board of Directors

Marco Daniele Boglione	**Chairman**
Daniela Ovazza	**Vice Chairman**
Federico Trono	**Chief Executive Officer**
Alessandro Boglione Lorenzo Boglione Veerle Bouckaert Paola Bruschi Elisa Corghi [1] Cristiano Fiorio [1] Francesco Genovese Alessandro Jorio Renate Marianne Hendlmeier [1] Adriano Marconetto [1] Carlo Pavesio	**Directors**

[1] Independent Directors

Remuneration Committee

Carlo Pavesio	**Chairperson**
Elisa Corghi Renate Marianne Hendlmeier Adriano Marconetto Daniela Ovazza	

Control and Risks Committee

Renate Marianne Hendlmeier	**Chairperson**
Elisa Corghi Adriano Marconetto	

Board of Statutory Auditors

Maria Francesca Talamonti	**Chairperson**
Sergio Duca Alberto Pession	**Statutory Auditors**
Giulia De Martino Maurizio Ferrero	**Alternate Auditors**

Independent Audit Firm

EY S.p.A.

DIRECTORS' REPORT

The interim report at June 30, 2019 for the first time includes the consolidation of the Kappa Europe Group, acquired on January 25, 2019, and the amendments introduced by IFRS 16 which for the BasicNet Group essentially concerned the method for recognising property lease contracts for the Group brand sales points.

The acquisition of the French Group Sport Finance, now renamed Kappa Europe SAS, marks the start of the strategic campaign to strengthen the Group licensees, with the objective of creating a new licensee, "powered by BasicNet", operating on Kappa's main and largest market (Europe) and providing the model for the other licensees.

The key financial indicators at June 30, 2019 follow, highlighting the impacts of the consolidation of the Kappa Europe Group and from application of IFRS 16:

- *aggregate sales* of Group brand products, developed worldwide by the licensee Network (no changes following acquisition of Kappa Europe Group, whose sales were already included in the 2018 total)
    - commercial licensees of Euro 350 million, Euro 285.1 million in H1 2018, +22.8% at current exchange rates (+19.7% at like-for-like exchange rates) and
    - productive licensees of Euro 134.9 million, Euro 113.7 million in H1 2018, +18.6% at current exchange rates (+11.8% at like-for-like exchange rates);

totalling Euro 484.8 million, compared to Euro 398.8 million in 2018, +21.6% at current exchange rates (+17.5% at like-for-like exchange rates);

- European market growth continues (+18%). Major American market growth (+54.8%), with significant recovery on Middle Eastern and African markets (+46.2%). Asian and Oceania markets grew 11.6%.
- *royalties and sourcing commissions* of Euro 26.8 million, +4.5% at current exchange rates, +2.3% at like-for-like exchange rates(Euro 25.7 million in H1 2018); The 2019 consolidated royalties and sourcing commissions do not include Euro 2.7 million maturing on revenues generated by the Kappa Europe Group, which joined the consolidation from January. At like-for-like consolidation scope, royalties and sourcing commissions were up 15.2% over H1 2018;
- direct consolidated sales totalled Euro 111 million, compared to Euro 67.1 million in 2018 (+65.4%). Excluding Kappa Europe's revenues, growth of 15.2% was achieved in the period.
- as a result, *consolidated revenues* amount to Euro 137.8 million (Euro 92.7 million in 2018), up 48.6% at current exchange rates (+47.9% at like-for-like exchange rates). This growth was supported by the entry of the French Group into the consolidation, net of which consolidated revenues grew 15.2% over H1 2018;
- *EBITDA* of Euro 20.3 million (Euro 13.1 million in H1 2018), +54.5%; the result was impacted by the investment in Kappa Europe and first-time application of IFRS 16 for the reclassification of lease charges to amortisation (amounting to Euro 2.6 million);
- EBIT of Euro 14.6 million (Euro 10.1 million in H1 2018), +43.8%;
- net profit of Euro 10.4 million (Euro 6.5 million in 2018), +60.2%;

- *financial debt* of Euro 86.9 million (Euro 57.2 million at June 30, 2018 and Euro 51.7 million at December 31, 2018). Application from January 1, 2019 of the new standard IFRS 16 resulted in a higher usage right payable of Euro 18 million. The impact on the net financial position from the acquisition of the Kappa Europe Group was Euro 19.7 million, of which Euro 2.8 million for the valuation of the put & call options on the residual 39% of Kappa Europe. Excluding the two factors outlined above, the financial debt of the BasicNet Group would have amounted to Euro 49.3 million. Dividends of Euro 6.5 million were distributed in the period (Euro 3.3 million in 2018), with Euro 1.3 million invested to acquire treasury shares.

In relation to the "alternative performance indicators", as defined by the ESMA/2015/1415 guidelines, we provide below a definition of the indicators used in the present Interim Directors' Report, as well as their reconciliation with the condensed half-year financial statement items:

- ***Commercial licensees or licensees:*** independent business owners, granted licenses to distribute Group brand products in their respective regions.
- ***Productive Licensees or sourcing centers:*** third-party firms to the Group. Their function is to manufacture and market merchandise and are located in various countries worldwide, depending on what type of goods they produce.
- ***Commercial licensee aggregate sales:*** sales by commercial licensees, recognised by the BasicNet Group to the "royalties and sourcing commissions" account of the income statement.
- ***Productive licensee aggregate sales:*** sales by productive licensees, recognised by the BasicNet Group to the "royalties and sourcing commissions" account of the income statement.
- ***Consolidated Revenues*** the sum of royalties, sourcing commissions and sales of the subsidiaries BasicItalia S.p.A., BasicRetail S.r.l. and Kappa Europe S.A.S., in addition to the parent company BasicNet S.p.A.
- ***EBITDA:*** "operating result" before "amortisation and depreciation".
- ***EBIT:*** "operating result".
- ***Contribution margin on direct sales:*** "gross profit";
- ***Net debt:*** total of current and medium/long-term financial payables, less cash and cash equivalents and other current financial assets.
- ***Basic earnings per share*** calculated as required by IFRS on the basis of the weighted average number of shares in circulation in the year.

THE GROUP AT A GLANCE

The BasicNet Group operates in the causal and sportswear leisurewear, footwear and accessories sector through the brands Kappa®, Robe di Kappa®, K-Way®, Superga®, Briko®, Jesus®Jeans, Sabelt® and Sebago®.

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 the following sectors (as outlined in detail in Note 6):

i) *license management (business system)*

ii) *proprietary licensees*

iii) *property management*

2019 SIGNIFICANT EVENTS

Acquisition of Sport Finance SAS and its subsidiaries

As previously indicated, at the end of January, the acquisition was completed by BasicItalia S.p.A. of 41% of the company Sport Finance SAS (now Kappa Europe SAS), based in Nantes - France and parent company of a Group of Kappa licensees in the territories of France, UK, Switzerland, Spain and Portugal. The shares were purchased for consideration of Euro 2.1 million, paid to a number of French financial institutions holding the shares. A share capital increase reserved to BasicItalia S.p.A. was thereafter subscribed for up to 61% of the share capital, for a total value of Euro 2.8 million, settled through the conversion of receivables held by the BasicNet Group for royalties, transferred to BasicItalia and therefore for an overall investment of Euro 4.9 million. The minority shareholding, amounting to 9,463 shares out of 24,264, for 39% of the post-increase share capital, is held by the founder of Sport Finance who will continue to act as chairman and chief financial officer.

The set of agreements signed for the acquisition with the current minority shareholders also stipulate a lock-up period on the corporate structure until July 31, 2024, except for the exercise of the put and call options. These options shall be exercisable during two windows in 2021 and 2024, at variable prices, on the achievement of the pre-fixed objectives based on normal economic-financial indicators, and which may be settled in cash or through parent company shares.

Convertible bonds issued by the former Sport Finance were repaid and 41% of the shares subscribed by the granting institutions for approx. Euro 2.3 million, through a loan issued by the parent company BasicItalia S.p.A. In addition, Kappa France SAS, a Kappa Europe SAS subsidiary, obtained from the French branch of IntesaSanPaolo a 5-year loan of Euro 4 million to replace part of the pre-existing debt of the Kappa Europe Group, which attracted higher charges.

Settlement with AS Roma S.p.A. and Soccer S.a.s.

At the beginning of January 2019, a settlement was reached between AS Roma S.p.A. and Soccer S.a.s. di Brand Management S.r.l., in closure of some of the disputes in progress. The effects are described in the paragraph "Risks relating to legal and tax disputes".

Incorporation of BasicAir S.r.l.

Also in January 2019, the company BasicAir S.r.l was incorporated, entirely held by BasicNet S.p.A.. The company acquired a used Cessna Citation VII aircraft, for an amount of Euro 1.2 million, in addition to purchase and recondition charges, which at the date of this report amounted to an additional Euro 1.3 million.

The acquisition of this asset is strategic for the Group in consideration of current development opportunities, boosted by the recent acquisition of the French licensee, the Kappa Europe project and the targeting of European Group store openings over the coming 5 years. Quick and easy travel in Europe may in fact create an extraordinary development opportunity for BasicNet in terms of business development for the main brands on the broader European market, the strategic development of the direct distribution of BasicItalia S.p.A., with the extension also to Europe of plug@sell operations, and also for the corporate integration of the new recently acquired French Group based in Nantes.

REGIONAL COMMERCIAL PERFORMANCES

Proprietary brand sales and production revenues of the global Group licensees - generator of royalties and sourcing commissions - were as follows:

(In Euro thousands) Group Brand Licensee Aggregate Sales (*)	H1 2019 Total	H1 2018 Total	Changes Total	Changes %
Commercial Licensees	349,974	285,096	64,878	*22.8%*
Productive Licensees (sourcing centers)	134,858	113,735	21,123	*18.6%*
Total	**484,832**	**398,831**	**86,001**	***21.6%***

(*) Data not audited

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

(In Euro thousands) Aggregate Sales of the Group Commercial Licensees (*)	H1 2019 Total	H1 2019 %	H1 2018 Total	H1 2018 %	Changes Total	Changes %
Europe	223,851	*64.0%*	189,627	*66.7%*	34,223	*18.0%*
The Americas	39,623	*11.3%*	25,589	*9.0%*	14,035	*54.8%*
Asia and Oceania	50,558	*14.4%*	45,295	*15.8%*	5,263	*11.6%*
Middle East and Africa	35,942	*10.3%*	24,585	*8.5%*	11,357	*46.2%*
Total	**349,974**	***100.0%***	**285,096**	***100.0%***	**64,878**	***22.8%***

(*) Data not audited

and of the productive licensees:

(In Euro thousands) Aggregate Sales of the Group Productive Licensees (*)	H1 2019 Total	H1 2019 %	H1 2018 Total	H1 2018 %	Changes Total	Changes %
Europe	10,399	*7.7%*	10,310	*9.1%*	91	*0.9%*
The Americas	8,154	*6.0%*	6,168	*5.4%*	1,985	*32.2%*
Asia and Oceania	115,347	*85.5%*	97,065	*85.3%*	18,282	*18.8%*
Middle East and Africa	958	*0.7%*	192	*0.2%*	766	*397.8%*
Total	**134,858**	***100.0%***	**113,735**	***100.0%***	**21,123**	***18.6%***

(*) Data not audited

REGIONAL COMMERCIAL PERFORMANCES

As part of the measures introduced to develop the Brands internationally in H1 2019, growth was generally driven by the Kappa® brand, with the "Authentic" collections contributing strongly, while Superga® and K-Way® also performed well. The re-launch of the Sebago® brand was also substantially in line with expectations.

Major **European market** growth (+18%) significantly contributed to consolidating distribution of the Sebago® brand and the excellent Kappa® brand growth throughout Europe - particularly in Italy and the countries managed by the new Kappa Europe. Superga® reported strong domestic market growth. K-Way® continues to grow, supported by its network of mono-brand stores, mainly located in Italy (30) and in France (19).

Commercial operations focused on the renewal of expiring licensing contracts. New sponsorships included for the Kappa® brand the new contracts with the Panathinaikos Football Club and AS Monaco teams, respectively by the Greek and French licensees. The Italian licensee signed contracts with the teams Genoa C.F.C. and Brescia Calcio S.p.A. for the upcoming football season.

Briko®, while featuring its glasses on numerous catwalks, presented to the market the new innovative and technologically-advanced Cerebellum One® helmet designed to improve cyclist safety.

With regards to Superga®'s co-branding operations, the main collaborations were with Marco de Vincenzo, the Finnish brand Makia, the French brand Bonton, and on the Italian market with Disney and the MC2 Saint Barth brand. The co-branding with Alexa Chung was reconfirmed for the third time. Co-branding with the SEASE brand on the Italian market was also agreed for Sebago®.

The **Americas market** overall grew 54.8%, with strong performances both for the Kappa® brand (mainly on the North American market) and for the Superga® brand across the continent.

New licenses for the Canadian market for the K-Way® brand and for the Mexican market for Kappa® and Superga® began during the period.

In terms of communication and sponsorship, the Brazilian licensee began a new sponsorship with Botafogo FC.

Asia and Oceania reported growth of 11.6%, with the Kappa® brand contributing very strongly following the recovery of the Korean market, while the Australian market grew significantly with excellent results both for the "Authentic" label and teamwear. Superga® growth was stable, with an excellent performance on the Australian, Japanese and Chinese markets, while slowing on the Korean and Singapore markets. Strong Sebago® sales in the Philippines and Australia continued.

New licensing contracts in China for Briko® and in Singapore for Sebago® began.

In terms of communications, also on the Asian market co-branding initiatives with the Singapore influencer Drea Chong, for Superga® and with the Korean brand Juun.J per Kappa® began.

The **Middle East and Africa** grew 46.2%. The strong South African market performance for the Kappa® and Superga® brands is also highlighted. For Sebago®, strong South African and North and West African results continued.

Licensing agreements for the distribution of the Kappa® and Superga® brands for the territories of South Africa, Namibia, Lesotho, Switzerland, Botswana, Mozambique and Zimbabwe were renewed in the period.

Group brand sales points

At June 30, Kappa® and Robe di Kappa® mono-brand stores and shop in shops opened by licensees globally numbered 907 (of which 107 in Italy), with Superga® mono-brand stores and shop in shops totalling 278 (of which 57 in Italy), along with 55 K-Way® sales points (of which 30 in Italy). Plug@sell® store revenues at like-for-like consolidation scope grew 10% on the same period of 2018.

FINANCIAL PERFORMANCE OVERVIEW

The key financial highlights are reported below:

BasicNet Group Key Financial Highlights

(Euro thousands)	**H1 2019**	**H1 2018**	**Changes**	**%**
Group Brand Aggregate Sales by the Network of commercial and productive licensees (*)	**484,832**	**398,831**	**86,001**	**21.6%**
Royalties and sourcing commissions	26,819	25,671	1,148	4.5%
Consolidated direct sales	110,962	67,080	43,882	65.4%
Contribution margin on net sales	49,627	27,864	21,763	78.1%
EBITDA (**)	20,312	13,144	7,168	54.5%
EBIT (**)	14,576	10,140	4,436	43.8%
Net profit	10,408	6,497	3,911	60.2%
Attributable to:				
- Shareholders of BasicNet S.p.A.	11,205	6,497	4,708	72.5%
- Minority shareholders	(797)	-	(797)	N.A.
Earnings per ordinary share (**)	0.23	0.11	0.12	99.2%

(*) Data not audited
(**) For the definition of the performance indicators, reference should be made to paragraph 3 of the present Report

Commercial and financial analysis

Commercial licensee aggregate sales of Euro 350 million were up 22.8% at current exchange rates, from Euro 285.1 million in the same period of 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 "operated 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. The growth - particularly strong in the first half of the year - is a good indicator of revenue development for the coming period.

Consolidated royalties and ***sourcing commissions*** of Euro 26.8 million were up 4.5% (+2.3% at like-for-like exchange rates) on Euro 25.7 million in H1 2018. As previously indicated, this figure was impacted by the change in the consolidation scope with the elimination of the royalties matured on sales of the licensee Kappa Europe, control of which was acquired last January (Euro 2.7 million).

Overall ***sales*** were Euro 111 million (Euro 67.1 million in H1 2018). The ***contribution margin*** on sales of Euro 49.6 million rose approx. 78.1% on H1 2018. The consolidation of the Kappa Europe Group contributed Euro 33.7 million to revenue growth and Euro 14.6 million to the margin. The revenue margin was 44.7% (41.5% in 2018) on the basis of higher-margin collections.

Financial income of Euro 2.7 million includes lease income and income from the settlement agreed by BasicItalia with AS Roma and Soccer for Euro 657 thousand, with regards to the tranche collected in January 2019.

Sponsorship and media spend of Euro 18.7 million compares to Euro 12.2 million in the same period of the previous year. The increase mainly concerns sponsorship contracts with various football and rugby teams by the French licensee.

Personnel costs increased from Euro 11.5 million in H1 2018 to Euro 15.9 million in 2019 due to 30 new hires and 187 personnel at the acquired French Group.

Overhead costs, i.e. ***Selling*** and ***general and administrative costs*** and ***royalties expenses*** amounted to Euro 24.2 million, increasing 6.4% on Euro 17.8 million in H1 2018. The growth includes the impact from the consolidation of the Kappa Europe Group.

EBITDA was Euro 20.3 million (Euro 13.1 million in H1 2018), +54.5%; the result was impacted by application in H1 2019 of IFRS 16 for the reclassification of lease charges to amortisation, excluding which EBITDA would have totalled Euro 17.6 million (+34.2%). The result was negatively impacted for Euro 1.9 million by the consolidation of Kappa Europe, which in the first half of the year presented a negative contribution related to the significant seasonality of the business and the sponsorship contracts, for which a turnaround is expected in the second half of the year.

EBIT, after amortisation and depreciation of Euro 3.1 million (in line with the previous year) and the amortisation of usage rights for Euro 2.6 million, totalled Euro 14.6 million, compared to Euro 10.1 million in H1 2018.

Consolidated net financial charges/income, including exchange gains and losses, reported a charge of Euro 782 thousand, compared to Euro 987 thousand in the same period of the previous year. The reduction is a result of the positive contribution from foreign currency items which report a net positive balance of Euro 555 thousand (compared to a negative Euro 373 thousand in the previous year). Financial charges in service of the debt total Euro 1.3 million, increasing both due to the inclusion of the charges on the debt of the French licensee and the notional charges on the usage right payable in application of IFRS 16 (Euro 170 thousand).

The ***consolidated pre-tax profit*** was Euro 13.8 million, compared to Euro 9.1 million in H1 2018.

Net of current and deferred taxes provisioned for Euro 3.3 million, the ***net profit*** of Euro 10.4 million compares to Euro 6.5 million in H1 2018.

Balance sheet overview

The changes in the balance sheet are reported below:

BasicNet Group Condensed Balance Sheet

(Euro thousands)	**June 30, 2019**	**December 31, 2018**	**June 30, 2018**
Property	21,136	21,583	21,931
Brands	46,631	47,124	46,974
Non-current assets	48,701	24,438	24,508
Current assets	201,955	142,368	128,534
Total assets	**318,423**	**235,513**	**221,947**
Group shareholders' equity	114,555	112,937	99,860
Non-current liabilities	50,953	29,392	31,262
Current liabilities	152,915	93,184	90,825
Total liabilities and shareholders' equity	**318,423**	**235,513**	**221,947**

The increase in non-current assets includes the recognition of usage rights as per IFRS 16 for Euro 18 million, against the recognition to financial payables of the fixed property lease charges for the entire residual duration of the long-term contracts.

Other changes to fixed assets concerned investment in the period in IT programme development (Euro 1 million), EDP and furniture and fitting spending (Euro 1.4 million), own brand management (Euro 0.2 million), property improvements (Euro 0.4 million), for the purchase of the aircraft (Euro 2.5 million), for moulds (Euro 0.2 million) and for the Goodwill relating to the acquisition (Euro 2.9 million).

BasicNet Group Summary Net Financial Position

(Euro thousands)	**June 30, 2019**	**December 31, 2018**	**June 30, 2018**	**Changes 30/6/2019 31/12/2018**	**Changes 30/6/2019 30/6/2018**
Net financial position – Short-term	(40,325)	(29,464)	(32,471)	(10,861)	(7,854)
Financial payables – Medium-term	(25,114)	(21,394)	(23,885)	(3,720)	(1,229)
Finance leases	(720)	(823)	(888)	103	168
Total net financial position	**(66,159)**	**(51,681)**	**(57,244)**	**(14,478)**	**(8,915)**
Payables for exercise future share acquisitions	(2,839)	-	-	(2,839)	(2,839)
Payables for usage rights	(17,996)	-	-	(17,996)	(17,996)
Consolidated Net Financial Position	**(86,994)**	**(51,681)**	**(57,244)**	**(35,313)**	**(29,750)**
Net Debt/Equity ratio (Net financial position/Shareholders' equity)	0.78	0.46	0.57	0.32	0.20

The ***consolidated net debt*** increased from Euro 51.7 million at December 31, 2018 to Euro 86.9 million at June 30, 2019. Application from January 1, 2019 of the new standard IFRS 16 resulted in a higher usage right payable of Euro 18 million. The impact on the net financial position from the acquisition of the Kappa Europe Group was Euro 19.7 million, of which Euro 2.8 million for the valuation of the put & call options on the residual 39% of Kappa Europe. Excluding the two factors outlined above, the financial debt of the BasicNet Group would have amounted to Euro 49.3 million. Dividends of Euro 6.5 million were distributed in the period (Euro 3.3 million in 2018), with Euro 1.3 million invested to acquire treasury shares, while investment activity was supported for Euro 8.8 million.

The Explanatory Notes report a breakdown of the Group net financial position as per Consob requirements.

THE BASICNET SHARE PRICE

The share capital of BasicNet S.p.A. consists of 60,993,602 ordinary shares of a nominal value of Euro 0.52 each.

	30/06/2019	31/12/2018	30/06/2018
SHARE PRICE INFORMATION			
Earnings per share	0.2367	0.4048	0.1188
Price at period end	4.760	4.43	3.78
Maximum price in the period	5.84	4.98	4.09
Minimum price in the period	4.24	4.24	3.44
Total number of shares	60,993,602	60,993,602	60,993,602
Weighted average number of shares outstanding in the period	47,332,641	54,409,070	54,674,226

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 Legs. 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 and other information held by the company, at the reporting date is as follows:

Shareholders	Holding
Marco Daniele Boglione (*)	33.639%
BasicNet S.p.A.	11.827%
Francesco Boglione (**)	6.275%
Kairos Partners SGR S.p.A.	5.448%

(*) held indirectly through BasicWorld S.r.l. for 33.128% and for the residual 0.511% directly.

(**) held indirectly thorugh Francesco Boglione S.r.l. for 1.719%, with the residual 4.556% held directly.

TREASURY SHARES

The Shareholders' AGM of April 19, 2019 authorised the purchase, on one or more occasions, of a maximum number of ordinary shares at a nominal Euro 0.52 each, which, taking account of those already held by the company, does not exceed the legal limits, for a total amount of not more than Euro 4,000,000.

At June 30, 2019, the Company held 7,213,622 treasury shares (11.827% of the share capital), for a total investment of over Euro 19.1 million. No further purchases were made in the current month and therefore at the date of this report the value of treasury shares in portfolio at current market prices was approx. Euro 36.3 million.

HUMAN RESOURCES

At June 30, 2019, the Group headcount was 811, as follows:

	Human Resources at June 30, 2019	Human Resources at June 30, 2018
Contractual category		
Executives	64	30
White-collar	722	537
Blue-collar	25	28
Total	**811**	**595**

Source: BasicGuys.com

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 crisis and social and general unrest, which may impact on consumer trends and the general economic outlook.

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 ecological 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. 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 ecological regulations and the signing of a commitment to comply with the Code of Conduct 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 marginally in UK Sterling and Japanese Yen.
The risks on fluctuations of the US Dollar on purchases are measured, preliminary, in the preparation of the budgets and finished products price lists, so as to adequately cover the impact of these fluctuations on sales margins.
Subsequently, royalty income and sourcing commissions from sales are utilised to cover purchases in foreign currencies, within the normal activities of the Group centralised treasury management.
For the foreign currency purchases not covered by foreign currency receipts, or in the case of significant time differences between receipts and payments, forward purchase and sales contracts (flexi-term) are underwritten.
The Group does not undertake derivative financial instruments for speculative purposes.

Credit risk

Royalty trade receivables are largely secured by bank guarantees, corporate sureties, letters of credit, guarantee deposits, or advance payment, provided by licensees.
Royalty trade receivables are largely secured by bank guarantees, corporate sureties, letters of credit, guarantee deposits, or advance payment, provided by licensees.
Souring commission receivables are covered by the payables of the subsidiary company BasicItalia S.p.A. to the sourcing centres.
Receivables from Italian footwear and apparel retailers within the subsidiary BasicItalia S.p.A. are monitored continually by the credit department of the company alongside specialised legal recovery firms and regional credit bodies throughout the country, commencing from the customer order. Receivables from the brand stores under franchises are paid weekly, related to their sales and do not present substantial insolvency risks.

Liquidity risk

The sector in which the Group operates is exposed to seasonal factors, which impact upon the timing of goods procurement compared to sales, in particular where the products are acquired on markets with favourable production costs and where the lead times are however much longer. These seasonal factors also impact upon the Group's financial cycle of the commercial operations on the domestic market.
Short-term debt to finance working capital needs comprises "import financing" and "self-liquidating bank advances" secured by the order backlog and by the use of temporary hot money lines. 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.

A.S. Roma contract termination

At December 31, 2018, the following disputes between BasicItalia S.p.A., AS Roma S.p.A. and Soccer S.a.s. di Brand Management S.r.l. were pending before the Rome Court: following the unilateral termination of the technical sponsorship contract at the end of 2012, which essentially concerned the reciprocal request for image damages following the rescission, in addition to the payment of miscellaneous and other mutual amounts under the contract.

Following the negotiations in November and December 2018 to reach an amicable settlement regarding the pending cases, on January 8, 2019, BasicItalia, AS Roma and Soccer S.a.S. signed a settlement stipulating the renouncement of the cases brought regarding mutual demands on image rights, the balance of Soccer S.a.s. for prior unpaid supplies of approx. Euro 1.6 million and the payment in settlement of Euro 1.5 million by AS Roma to BasicItalia. An agreement has not yet been reached on the mutual claims on the last sponsorship instalment, subsequent to the rescission date and of a similar amount of damages from early rescission, claimed by BasicItalia and as covered by the contract.

The effects of the settlement agreement accrue to financial year 2019. An initial tranche of the consideration agreed above was received on signing the agreement and the balance is due at the end of July 2019.

Subsequent liabilities are not expected to arise for the BasicNet Group regarding the dispute in terms of that not yet agreed.

K-WAY disputes in China

The dispute with the Chinese company Taizhou Boyang, owner of the K-WAY brand in China, is in progress - began in 2018 and continuing before the Chinese authorities on two fronts: BasicNet S.p.A.'s defense of its K-WAY registration for weather-proof clothing items, subject to a cancellation request for non-use heard at the second level, and the procedures initiated by BasicNet S.p.A. against Taizhou Boyang to obtain discontinuation of the use of any K-WEY and K-WAY brands, a declaration of bad faith, in addition to the cancellation of the K-WEY and K-WAY brand registrations, previously registered by Taizhou Boyang for non-weather-proof clothing and footwear.

Tax disputes

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 2014, 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 and currently no news has been received of further actions taken by the Tax Agency on the matter.

On December 28, 2018, a tax assessment was received from the Tax Agency by the subsidiary Basic Properties America, Inc., with registered 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 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. At the beginning of the present month of July, 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.

The Group does not consider the arguments in support of that advanced by the Tax Agency as founded, considering, among the technical arguments, that the recent judgment of the Court of Cassation of December 21, 2018 clearly established that for the bringing of a case of tax inversion it is necessary that the corporate vehicle is purely artificial, an argument which is not sustainable with regards to Basic Properties America, Inc.

In effect, the company was acquired by the Group in 1997 and has operated as a commercial company in the United States for a number of years and operates on the American continent with its own structure, suitable for the undertaking of sub-licensing activities and subject to tax in the United States, which is not a low-taxation country. At the end of May 2019, the Group presented an appeal against the tax assessments received by that date, together with the provisional suspension applications on the executive effects of the challenged tax assessments.

INTERCOMPANY TRANSACTIONS AND TRANSACTIONS WITH RELATED COMPANIES

The transactions with related parties, including inter-company transactions, are not atypical or unusual and form part of the ordinary business activities of the companies of the Group. They are regulated at market conditions and take account of the characteristics of the goods and services provided.
The information on transactions with related parties, including that required by Consob communication of July 28, 2006, is reported at Note 47 of the Condensed 2019 Half-Year Financial Statements.

SUBSEQUENT EVENTS AND OUTLOOK

Brand development will continue on the main markets. The strategic development projects of the Group are bolstered by the recent acquisition by BasicItalia of control of the Sport Finance Group (now Kappa Europe).

Group operating results in the second half of the year are again expected to be strong based on the order book and forecast royalties and sourcing commissions.

This forecast is subject to the general market performance, which is shrouded by a degree of economic and political uncertainty, as reflected in consumption figures and by currency price fluctuations.

Turin, July 25, 2019

for the Board of Directors

The Chairman

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 47.

CONSOLIDATED INCOME STATEMENT

(In Euro thousands)

	Note	**H1 2019**	%	**H1 2018**	%	**Changes**	%
Consolidated direct sales	*(7)*	110,962	*100.00*	67,080	*100.00*	43,882	*65.42*
Cost of sales	*(8)*	(61,335)	*(55.28)*	(39,216)	*(58.46)*	(22,119)	*(56.40)*
GROSS MARGIN		**49,627**	***44.72***	**27,864**	***41.54***	**21,763**	***78.11***
Royalties and sourcing commissions	*(9)*	26,819	*24.17*	25,671	*38.27*	1,148	*4.47*
Other income	*(10)*	2,659	*2.40*	1,103	*1.65*	1,556	*140.96*
Sponsorship and media costs	*(11)*	(18,685)	*(16.84)*	(12,179)	*(18.16)*	(6,506)	*(53.42)*
Personnel costs	*(12)*	(15,876)	*(14.31)*	(11,540)	*(17.20)*	(4,336)	*(37.57)*
Selling, general and administrative costs, royalties expenses	*(13)*	(24,232)	*(21.84)*	(17,774)	*(26.50)*	(6,423)	*(36.33)*
Amortisation & Depreciation	*(14)*	(5,736)	*(5.17)*	(3,005)	*(4.48)*	(2,732)	*(90.92)*
EBIT		**14,576**	***13.14***	**10,140**	***15.12***	**4,436**	***43.75***
Net financial income (charges)	*(15)*	(782)	*(0.70)*	(987)	*(1.47)*	205	*20.74*
Share of profit/(loss) of investments valued at equity	*(16)*	(13)	*(0.01)*	(13)	*(0.02)*	-	-
PROFIT BEFORE TAXES		**13,781**	***12.42***	**9,140**	***13.63***	**4,641**	***50.78***
Income taxes	*(17)*	(3,373)	*(3.04)*	(2,643)	*(3.94)*	(730)	*(27.63)*
NET PROFIT		**10,408**	***9.38***	**6,497**	***9.69***	**3,911**	***60.20***
Attributable to:							
- Shareholders of the company		11,205	*10.10*	6,497	*9.69*	4,708	*72.47*
- Minority shareholders	*(18)*	(797)	*(0.72)*	-	-	(797)	*N.A.*
Earnings per share	*(19)*						
Basic		0.2367		0.1188		0.118	*99.22*
Diluted		0.2367		0.1188		0.118	*99.22*

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CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(In Euro thousands)

	Note	**H1 2019**	**H1 2018**	**Changes**
Profit for the period (A)		***10,408***	***6,497***	***3,911***
Effective portion of the Gains/(losses) on cash flow hedges		(767)	1,332	(2,099)
Re-measurement of post-employment benefits (IAS 19) (*)		36	47	(10)
Gains/(losses) from translation of accounts of foreign subsidiaries		46	222	(176)
Tax effect on other profits/(losses)		224	(331)	555
Total other gains/(losses), net of tax effect (B)	*(32)*	***(461)***	***1,270***	***(1,731)***
Total Comprehensive Profit (A)+(B)		**9,947**	**7,767**	**2,180**
Total Comprehensive Profit attributable to:				
- Shareholders of BasicNet S.p.A.		10,165	7,767	2,398
- Minority interests		(218)		(218)

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

CONSOLIDATED BALANCE SHEET

(In Euro thousands)

ASSETS	*Note*	June 30, 2019	December 31, 2018	June 30, 2018
Intangible assets	*(20)*	70,308	53,225	53,503
Goodwill	*(21)*	11,863	9,232	9,516
Property, plant and equipment	*(22)*	32,377	29,397	29,465
Equity invest. & other financial assets	*(23)*	1,168	1,048	676
Interests in joint ventures	*(24)*	230	243	253
Deferred tax assets	*(25)*	522	-	-
Total non-current assets		**116,468**	**93,145**	**93,413**
Net inventories	*(26)*	81,850	44,379	51,509
Trade receivables	*(27)*	79,985	69,880	55,716
Other current assets	*(28)*	12,374	8,820	8,329
Prepayments	*(29)*	14,111	9,368	8,343
Cash and cash equivalents	*(30)*	12,983	9,616	4,349
Derivative financial instruments	*(31)*	651	305	288
Total current assets		**201,955**	**142,368**	**128,534**
TOTAL ASSETS		**318,423**	**235,513**	**221,947**

LIABILITIES	*Note*	June 30, 2019	December 31, 2018	June 30, 2018
Share capital		31,717	31,717	31,717
Reserve for treasury shares in portfolio		(19,107)	(17,827)	(16,140)
Other reserves		91,537	78,033	77,786
Net Profit		10,408	21,014	6,497
Minority interests		-	-	-
Total Shareholders' Equity	*(32)*	**114,555**	**112,937**	**99,860**
Provisions for risks and charges	*(33)*	192	50	24
Medium/long-term financial payables	*(34)*	46,670	22,217	24,773
Employee and Director benefits	*(36)*	2,872	4,040	3,816
Deferred tax liabilities	*(37)*	-	1,949	1,561
Other non-current liabilities	*(38)*	1,219	1,136	1,088
Total non-current liabilities		**50,953**	**29,392**	**31,262**
Bank payables	*(35)*	53,308	39,080	36,820
Trade payables	*(39)*	70,620	38,280	36,716
Tax payables	*(40)*	10,771	2,133	4,432
Other current liabilities	*(41)*	13,956	9,624	9,494
Accrued expenses	*(42)*	3,784	3,631	2,807
Derivative financial instruments	*(43)*	476	436	556
Total current liabilities		**152,915**	**93,184**	**90,825**
TOTAL LIABILITIES		**203,868**	**122,576**	**122,087**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**318,423**	**235,513**	**221,947**

CONSOLIDATED CASH FLOW STATEMENT

(In Euro thousands)

	June 30, 2019	December 31, 2018	June 30, 2018
A) OPENING SHORT-TERM BANK DEBT (*)	**(23,419)**	**(25,946)**	**(25,946)**
B) CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit	10,408	21,014	6,497
Amortisation & Depreciation	5,736	6,448	3,005
Result of companies valued under the equity method	13	23	13
Changes in working capital:			
. (Increase) decrease in trade receivables	9,718	(11,302)	2,862
. (Increase) decrease in inventories	(22,719)	2,138	(4,992)
. (Increase) decrease in other receivables	(2,093)	(3,677)	(2,160)
. Increase (decrease) in trade payables	9,957	4,412	2,848
. Increase (decrease) in other payables	1,495	2,300	3,183
Net change in post-employment benefit	207	505	282
Others, net	224	49	(62)
	12,947	**21,910**	**11,476**
C) CASH FLOW FROM INVESTING ACTIVITIES			
Investments in fixed assets:			
- tangible assets	(4,280)	(2,801)	(1,056)
- intangible assets	(3,433)	(2,613)	(1,318)
- financial assets	(121)	(386)	(15)
Change in consolidation scope	(3,138)	-	-
Realisable value for fixed asset disposals:			
- tangible assets	23	255	28
- intangible assets	241	39	39
- financial assets	-	-	-
	(10,707)	**(5,506)**	**(2,322)**
D) CASH FLOW FROM FINANCING ACTIVITIES			
Lease contracts (repayments)	(103)	(168)	(103)
Undertaking of medium/long-term loans	4,200	-	-
Loan repayments	(3,892)	(7,104)	(3,552)
Grant (repayment) of loans for usage rights	(1,071)	-	-
Repayment of Kappa Europe Group bond loan	(2,276)	-	-
Acquisition of treasury shares	(1,279)	(3,332)	(1,645)
Dividend payments	(6,468)	(3,273)	(3,273)
Conversion differences and others	158	-	-
	(10,732)	**(13,877)**	**(8,573)**
E) CASH FLOW IN THE PERIOD	**(8,492)**	**2,527**	**581**
F) CLOSING SHORT-TERM BANK DEBT	**(31,911)**	**(23,419)**	**(25,365)**

(*) Balance at January 1

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(In Euro thousands)

	Share Capital	**Treasury shares**	Reserves & Retained earnings	Translation reserve	**IAS 19 Remeas. reserve**	IFRS 16 reserve	Cash flow hedge reserve	Net Result	**Total Group Net Equity**
Balance at January 1, 2018	**31,717**	**(14,495)**	**69,575**	**986**	**(208)**	**-**	**(1,210)**	**10,646**	**97,011**
Allocation of 2017 result as per Shareholders' AGM resolution of April 27, 2018:									
- Reserves & Retained earnings		-	7,373	-	-	-	-	(7,373)	**-**
- Dividends distributed		-	-	-	-	-	-	(3,273)	**(3,273)**
Acquisition of treasury shares		(1,645)	-	-	-	-	-	-	**(1,645)**
H1 2018 Result		-	-	-	-	-	-	6,497	**6,497**
Other comprehensive income statement items:									
- Gains/(losses) recorded directly to translation reserve		-	-	222	-	-	-	-	**222**
- Gains/(losses) recorded directly to equity for IAS 19 remeasurement		-	-	-	36	-	-	-	**36**
- Gains recorded directly to cash flow hedge reserve		-	-	-	-	-	1,012	-	**1,012**
Total comprehensive income		*-*	*-*	*222*	*36*	*-*	*1,012*	*6,497*	***7,767***
Balance at June 30, 2018	**31,717**	**(16,140)**	**76,948**	**1,208**	**(172)**		**(198)**	**6,497**	**99,860**

	Share capital	**Treasury shares**	Reserves & Retained earnings	Translation reserve	**IAS 19 Remeas. reserve**	IFRS 16 reserve	Cash flow hedge reserve	Net Result	Total Group Net Equity
Balance at December 31, 2018	**31,717**	**(17,827)**	**76,948**	**1,332**	**(153)**	**-**	**(94)**	**21,014**	**112,937**
- Effects for IFRS 16 opening balances		-	-	-	-	(582)	-	-	**(582)**
- Gains/(losses) directly to the reserve for consolidation scope change differences		-	1	-	-	-	-	-	**1**
Balance at January 1, 2019	**31,717**	**(17,827)**	**76,949**	**1,332**	**(153)**	**(582)**	**(94)**	**21,014**	**112,356**
Allocation of 2018 result as per Shareholders' AGM resolution of 19/4/2019:									
- Reserves & Retained earnings		-	14,546	-	-	-	-	(14,546)	**-**
- Dividends distributed		-	-	-	-	-	-	(6,468)	**(6,468)**
Acquisition of treasury shares		(1,279)	-	-	-	-	-	-	**(1,279)**
H1 2019 Result		-	-	-	-	-	-	10,408	**10,408**
Other comprehensive income statement items:									
- Gains/(losses) recorded directly to translation reserve		-	-	46	-	-	-	-	**46**
- Gains/(losses) recorded directly to equity for IAS 19 remeasurement		-	-	-	28	-	-	-	**28**
- Gains recorded directly to cash flow hedge reserve		-	-	-	-	-	(535)	-	**(535)**
Total comprehensive income		*-*	*-*	*46*	*28*	*-*	*(535)*	*10,408*	***9,947***
Balance at June 30, 2019	**31,717**	**(19,107)**	**91,495**	**1,378**	**(124)**	**(582)**	**(628)**	**10,408**	**114,555**

CONSOLIDATED NET FINANCIAL POSITION

(In Euro thousands)

	June 30, 2019	December 31, 2018	June 30, 2018
Cash and cash equivalents	12,983	9,616	4,349
Bank overdrafts and bills	(24,261)	(10,735)	(16,988)
Import advances	(20,633)	(22,300)	(12,726)
Sub-total net liquidity available	*(31,911)*	*(23,419)*	*(25,365)*
Short-term portion of medium/long-term loans	(8,414)	(6,045)	(7,106)
Short-term net financial position	**(40,325)**	**(29,464)**	**(32,471)**
BasicVillage property loan	(2,700)	(3,300)	(3,900)
BasicItalia property loan	(1,322)	(1,525)	(1,729)
BNL loan	(3,125)	(3,750)	(4,375)
Banco BPM loan	(379)	(632)	(881)
MPS Loan	(10,563)	(12,187)	(13,000)
Kappa Europe Group loans	(7,025)	-	-
Payables for exercise future share acquisitions	(2,839)	-	-
Payables for usage rights	(17,996)	-	-
Leasing payables	(720)	(823)	(888)
Sub-total loans and leasing	*(46,670)*	*(22,217)*	*(24,773)*
Consolidated Net Financial Position	**(86,994)**	**(51,681)**	**(57,244)**

The statement required by Consob Communication No. 6064293 of July 28, 2006 is reported below.

		June 30, 2019	December 31, 2018	June 30, 2018
A.	Cash	135	112	109
B.	Other cash equivalents	12,848	9,504	4,240
C.	Securities held for trading	-	-	-
D.	**Cash & cash equivalents (A)+(B)+(C)**	**12,983**	**9,616**	**4,349**
E.	**Current financial receivables**	**-**	**-**	**-**
F.	Current bank payables	(44,894)	(33,035)	(29,714)
G.	Current portion of non-current debt	(8,414)	(6,045)	(7,106)
H.	Other current financial payables	-	-	-
I.	**Current financial debt (F)+(G)+(H)**	**(53,308)**	**(39,080)**	**(36,820)**
J.	**Net current financial debt (I)-(E)-(D)**	**(40,325)**	**(29,464)**	**(32,471)**
K.	Non-current bank payables	(46,670)	(22,217)	(24,773)
L.	Bonds issued	-	-	-
M.	Derivatives fair value	175	(130)	(267)
N.	**Non-current financial debt (K)+(L)+(M)**	**(46,495)**	**(22,347)**	**(25,040)**
O.	**Net financial debt (J)+(N)**	**(86,819)**	**(51,811)**	**(57,511)**

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 31 and 43).

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 25, 2019. The present document is subject to limited audit.

2. FORM AND CONTENT

The main accounting principles adopted in the preparation of the consolidated interim 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 consolidated interim 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 interim financial statements include the financial statements at June 30, 2019 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, Dutch, French, Spanish, English and Swiss subsidiaries, which utilise local accounting standards, as not obliged to adopt IAS/IFRS, the appropriate adjustments were made for the preparation of the consolidated interim financial statements in accordance with international accounting standards.

The accounting principles utilised for the preparation of the Condensed Consolidated Half-Year Financial Statements at June 30, 2019 are the same as those used for the previous year's Consolidated Financial Statements.

Accounting standards, amendments and interpretations applied from January 1, 2019

The accounting standards adopted for the preparation of the condensed consolidated half-year financial statements are those utilised for the 2018 consolidated financial statements of the Group, with the exception of the adoption of the new standards and amendments in force from January 1, 2019. The Group has not adopted in advance any accounting standard, interpretation or amendment issued but not yet in effect.

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leasing, IFRIC 4 Determining whether an agreement contains a lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the substance of transactions in the legal form of a lease. It establishes the principles for the recognition, measurement, presentation and disclosure of leasing contracts and requires lessees to recognise the majority of leasing contracts in the financial statements on the basis of a single accounting model.

The recognition method for the lessor indicated in IFRS 16 remains substantially unchanged compared to IAS 17. The lessors will continue to classify leases as operating or finance leases utilising the same classification principle as per IAS 17. Therefore, IFRS 16 shall not have impacts on leasing where the Group is a lessor.

The Group adopted IFRS 16 retrospectively, recognising the cumulative effect at the initial application date (modified retrospective method). The Group decided to utilise the practical expedient which permits application of the standard only to contracts previously identified as leases, applying IAS 17 and IFRIC 4 at the initial application date. The Group also utilised the exceptions under the standard on leasing contracts which, at the date of initial application, 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").

The contracts which are subject to IFRS 16, mainly concerning property leases, had the following effects on the financial statements (in Euro thousands):

Account	Balance 01/01/2019	Changes in consolidation scope	Increases	Decreases	Other changes	Balance 30/06/2019
Usage rights, net	16,700	1,558	1,679	(2,582)	(240)	17,115
Deferred tax assets	210	16	20	-	-	246
Payables for usage rights	17,451	1,617	1,679	(2,509)	(242)	17,996
Reserves	(540)	(42)	-	-	-	(582)

Income statement effects in the period

Account	Balance 30/06/2019
Leasing	2,680
Amortisation & Depreciation	(2,582)
Interest charges	(170)
Deferred taxes	20
Total	**(52)**

Summary of the new accounting policies

The new Group accounting policies on adoption of IFRS 16 are presented below:

Usage right assets

The Group recognises the usage right assets at the initial leasing date (i.e. the date on which the underlying asset is available for use). The usage right assets are measured at cost, net of accumulated amortisation and impairments, adjusted for any remeasurement of the lease liabilities. The cost of the usage right assets includes the amount of the lease liabilities recognised, the initial direct costs incurred and the payment of leases at the commencement date or before, net of any incentives received. Unless the Group does not have the reasonable certainty of obtaining ownership of the leased asset on conclusion of the leasing contract, the usage right assets are amortised on a straight-line basis for a period covering the lesser between the estimated useful life and the lease duration. Usage right assets are subject to Impairment.

Lease liabilities

At the lease commencement date, the Group recognises the lease liabilities measuring them at the present value of the payments due for the lease not yet settled at that date. The payments due include the fixed payments (including the fixed payments in substance), net of any lease incentives to be received, the variable lease payments which depend on an index or a rate and the amounts expected to be paid as guarantee on the residual value. The lease payments include also the exercise price of a purchase option where it is reasonably certain that this option shall be exercised by the Group and the lease termination penalty payments, where its duration takes account of the exercise by the Group of the termination option on the lease.

The variable lease payments not depending on an index or a rate are recognised as costs in the period in which the event or the condition generating the payment occurs. In calculating the present value of the payments due, the Group uses the marginal loan rate at the commencement date where the implied interest rate may not be easily determined. After the commencement date, the amount of the lease liability increases to take account of the interest on the lease liabilities and reduces to consider the payments made. In addition, the carrying amount of the lease payables is restated in the case of any changes to the lease or a review of the contractual terms with regards to the change in the fixed payments in substance; it is in addition restated amid changes to the valuation of the acquisition of the underlying asset.

Short-term leases and low value asset leases

The Group applies the exception for the recognition of short-term leases for machinery and equipment (i.e. leasing with a duration of 12 months or less from the commencement date and not containing a purchase option). The Group has also applied the exception for leases concerning assets of a modest value with regards to the leasing contracts on office equipment whose value is considered low (i.e. below Euro 5,000). The short-term lease charges and those for low value assets are recognised as costs on a straight-line basis over the lease duration.

IFRIC 23 - Uncertainties over income tax treatments

The interpretation sets out the accounting approach to income taxes where the tax treatment implies uncertainties impacting application of IAS 12 and does not apply to income or other taxes not falling within the scope of IAS 12, nor specifically includes requirements concerning interest or penalties relating to uncertain income tax treatments.

The Group applies a significant degree of judgment in identifying the uncertainties on the tax treatment of income taxes. As the Group operates in a complex multi-national environment, it has assessed whether the interpretation may have impacted its interim consolidated financial statements.

The Group has established that it is probable that its tax treatments (including those of the subsidiaries) will be accepted by the tax authorities. The interpretation therefore did not have any impact on the Group consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

As per IFRS 9, a debt instrument may be measured at amortised cost or at fair value in the comprehensive income statement, on the condition that the cash flows are "exclusively payments of principal and interest on the amount" (the SPPI criterion) and the instrument is classified to the appropriate business model. The amendments to IFRS 9 clarify that a financial asset complies with the SPPI criterion independently of the event or of the circumstance which causes the advance resolution of the contract and independently of who pays or receives a reasonable indemnity for the advance resolution of the contract.

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

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 establish the accounting rules where, during the reference period, there is a plan amendment, reduction or regulation. The amendments state that when a change, reduction or a regulation of a plan takes place during the year an entity is required to establish the service cost for the rest of the period subsequent to the change, reduction or regulation of the plan, utilising the benchmark actuarial assumptions to remeasure the net liability (asset) for defined benefits in a manner which reflects the benefits offered by the plan and the plan assets after this event. An entity is required, in addition, to establish the net interest for the remaining period after the change, reduction or regulation of the plan: the net liability (asset) for defined benefits which reflects the benefits offered by the plan and the assets of the plan after this event; and the discount rate utilised to re-parameter the net liability (asset) for defined benefits.

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

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments specify that an entity applies IFRS 9 for long-term interests in associates or joint ventures where the equity method is not applied but which, in substance, form part of the net investment in the associate or joint venture (long-term interests).

This clarification implies that the expected losses model on receivables of IFRS 9 is applied to these long-term investments. The amendments also clarify that, in application of IFRS 9, an entity shall not take into account any losses of associates or joint ventures or any loss in value of the investment, recorded as adjustments of the net investment in the associate or joint venture which derives from the application of IAS 28 - Investments in Associates and Joint Ventures.

These amendments did not have any impact on the consolidated financial statements as the Group does not have significant investments in associates and joint ventures.

Annual improvements 2015-2017 Cycle

IFRS - Business Combination

The amendments clarify that, where an entity obtains control of a business unit which is a joint operation, it applies the requirements for a business combination which is undertaken in a number of steps, including the remeasurement at fair value of the investment previously held in the assets and liabilities of the joint operation. In doing this, the acquirer revalues the interest previously held in the joint operation. The entity applies these amendments to business combinations for which the acquisition date coincides or is subsequent to the initial period from January 1, 2019, with early application permitted.

This change did not have any impact on the Group consolidated financial statements as no business combination in which joint control has been obtained is indicated.

IFRS 11 - Joint Arrangements

An entity participating in a joint venture, without having joint control, may obtain joint control of the joint operation in the case in which its assets constitute a business as defined by IFRS 3.

The amendments clarify that investments previously held in this joint operation are not remeasured. An entity applies these amendments to the operations in which it holds joint control from periods beginning January 1, 2019 or subsequently, with early application permitted.

This change did not have any impact on the Group consolidated financial statements as no business combination in which joint control has been obtained is indicated.

IAS 12 - Income Taxes

The amendments clarify that the effect of income taxes on dividends are connected to past transactions or events generating distributable profits rather than shareholder distributions. Therefore, an entity recognises the effects of income taxes on income deriving from dividends in the income statement, in other comprehensive income items or in shareholders' equity, in accordance with the method by which the entity previously recognised these past transactions or events.

The entity applies these amendments for the periods beginning January 1, 2019 or subsequently, with advance application permitted. Where the entity applies for the first time these amendments, it applies the effect of the taxes and dividends recognised from the beginning of the initial year. As current Group practices are in line with these amendments, the Group did not report any impact from these amendments on its consolidated financial statements.

IAS 23 Borrowing Costs

The amendments clarify that an entity considers as non-specific loans any loan undertaken which from the beginning was drawn down to develop an asset, in the case in which all actions necessary to prepare this asset for use or sale have been completed.

An entity applies these amendments to the financial charges incurred from the beginning of the period in which the entity applies these amendments for the first time. An entity applies these amendments for the periods beginning January 1, 2019 or subsequently, with advance application permitted.

The Group did not report any impact from these amendments on its 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 cash flow statement was prepared applying the indirect method. The format of the consolidated financial statements applied the provisions of Consob Resolution No. 15519 of July 27, 2006 and Notice No. 6064293 of July 28, 2006 on financial disclosure requirements. With reference to the afore-mentioned Consob Resolution No. 15519, in consideration of the insignificance of the overall amounts, transactions with related parties are described in Note 47 of the Consolidated Half-Year Financial Statements.

4. CONSOLIDATION PRINCIPLES

The Consolidated Half-Year Financial Statements were prepared including the Financial Statements at June 30, 2019 of the Group companies included in the consolidation scope, appropriately adjusted in accordance with the accounting principles adopted by the Parent Company.

The condensed consolidated half-year financial statements of the BasicNet Group are presented in Euro thousands, where not otherwise stated; the Euro is the functional currency of the Parent Company and the majority of the consolidated companies.

Financial statements in currencies other than the Euro are translated into the Euro applying the average exchange rate for the year for the income statement. 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, 2019		December 31, 2018		June 30, 2018	
	Average	At period end	Average	At period end	Average	At period end
US Dollar	1.1313	1.1380	1.1782	1.1450	1.2064	1.1658
HK Dollar	8.8703	8.8866	9.2350	8.9675	9.4577	9.1468
Japanese Yen	124.0603	122.6000	129.9610	125.8500	130.9430	129.0400
UK Sterling	0.8728	0.8966	0.8859	0.8945	0.8801	0.8861

The criteria adopted for the consolidation were as follows:

a) the assets and liabilities, as well as the income and charges of the financial statements consolidated under the line-by-line method are included in the financial statements of the Group, without consideration of the holding in the subsidiary. The carrying value of the investments are eliminated against the relative net equity of the subsidiaries. For the subsidiaries held less than 100%, minority interest results were allocated. Minority shareholders' equity was not allocated where a future purchase option exists on the minority shares, against which a payable of the estimated purchase value was recognised;

b) the positive differences resulting from the elimination of the investments against the book net equity at the acquisition date is allocated to the higher values attributed to the assets and liabilities acquired, and the residual part to goodwill. On the first-time adoption of IFRS, the Group has chosen not to apply *IFRS 3 - Business combinations* in retrospective manner for the acquisitions made prior to January 1, 2004;

c) the payables/receivables, costs/revenues between consolidated companies and the gains/losses resulting from inter-company operations are eliminated, as are the effects of mergers and the sale of business units between companies in the consolidation scope.

As illustrated in Attachment 1, at June 30, 2019 the Group is comprised 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 or joint arrangements in the Group.

Control exists where the Parent Company BasicNet S.p.A. simultaneously:

- exercises decision-making power over the investee, i.e. has the capacity to manage its main activities, therefore those activities which have a significant impact on the investee's results;
- has the right to variable profits or losses from its investment in the entity;
- has the capacity to utilise its decision-making power to establish the amount of profits devolving from its investment in the entity.

The existence of control is verified where events or circumstances indicate an alteration to one or more of the three factors determining control.
Investments in associates and joint ventures are consolidated at equity, as established respectively by IAS 28 - *Investments in associates and joint ventures* and by IFRS 11 – *Joint arrangements*.
An associate is a company in which the Group holds at least 20% of voting rights or exercises significant influence - however not control or joint control - on the financial and operational policies. A joint venture is a joint control agreement, in which the parties who jointly hold control maintain rights on the net assets of the entity. Joint control concerns the sharing, under an agreement, of the control of economic activities, which exists only where the decisions regarding such activities requires unanimity by all parties sharing control.
Associates and joint ventures are consolidated from the date in which significant influence or joint control begins and until the discontinuation of such. Under the equity method, the investment in an associated company or a joint venture is initially recognised at cost and 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. From January 2019, the group of Kappa Europe SAS subsidiaries was acquired. 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

Three operating segments were identified within the BasicNet Group: i) license and brand management, (ii) proprietary licensees and (iii) property management. The relevant information is reported in Note 6.

The information by geographic area has significance for the Group in relation to royalty income and consolidated 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 period and the outlook for the current year are reported in the Interim Directors' Report.

Information required by Law No. 124 of August 4, 2017, Article 1, paragraph 125

In accordance with Article 1, paragraph 125 of Law 124/2017, the Group has not received any grants from public bodies in excess of Euro 10 thousand.

EXPLANATORY NOTES TO THE INCOME STATEMENT

(in Euro thousands unless otherwise stated)

6. DISCLOSURE BY OPERATING SEGMENT

The BasicNet Group identifies three operating segments:

- "Licenses and Brands", which involves the management of overseas licensees and "sourcing centres" by the following Group companies: BasicNet S.p.A., Basic Properties B.V., Basic Properties America, Inc., BasicNet Asia Ltd., Basic Trademark S.A., Superga Trademark S.A., Jesus Jeans S.r.l., Fashion S.r.l., TOS S.r.l. and BasicAir S.r.l.;

- "Proprietary licensees", which involves the direct management of the sales channels, both in terms of sales to retail and consumers, through BasicItalia S.p.A. (proprietary licensee), its subsidiary BasicRetail S.r.l., and by the French company Kappa Europe SAS and its subsidiaries;

- "Property", which involves the management of the building at Turin – Largo Maurizio Vitale 1, known as "BasicVillage" and the adjacent building of Via Padova, 78 acquired at the end of 2016.

H1 2019	Licenses and brands	Proprietary licensees	Property	Inter-segment eliminations	Consolidated
Consolidated direct sales - third parties	1,042	109,920	-	-	110,962
Consolidated direct sales - inter-segment	*1,265*	*205*	-	*(1,470)*	-
(Cost of sales)	(2,148)	(60,448)	-	1,262	(61,335)
GROSS MARGIN	**159**	**49,676**	**-**	**(208)**	**49,627**
Royalties and sourcing commissions – third parties	26,819	-	-	-	26,819
Royalties and sourcing commissions – inter-segment	*9,461*	-	-	*(9,461)*	-
Other income - third parties	598	1,643	418	-	2,659
Other income – inter-segment	*203*	*7,097*	*1,418*	*(8,718)*	-
(Sponsorship and media costs)	(9,558)	(16,366)	-	7,239	(18,685)
(Personnel costs)	(5,761)	(10,093)	(21)	-	(15,876)
(Selling, general and administrative costs, royalties expenses – third parties)	(9,763)	(24,681)	(936)	11,148	(24,232)
Amortisation & Depreciation	(1,215)	(4,049)	(473)	-	(5,736)
EBIT	**10,942**	**3,227**	**406**	**-**	**14,576**
Financial income	453	2,053	134	-	2,640
(Financial charges)	(616)	(1,241)	-	-	(1,858)
Share of profit/(loss) of investments valued at equity	(13)	-	-	-	(13)
PROFIT BEFORE TAXES	**11,093**	**2,416**	**271**	**-**	**13,781**
Income taxes	(2,688)	(585)	(100)	-	(3,373)
NET PROFIT	**8,405**	**1,831**	**172**	**-**	**10,408**
Significant non-cash items:					
Amortisation & Depreciation	(1,215)	(4,049)	(473)	-	(5,736)
Write-downs	-	-	-	-	-
Total non-cash items	**(1,215)**	**(4,049)**	**(473)**	**-**	**(5,736)**
Investments in non-current assets	**4,252**	**5,993**	**255**	**-**	**10,500**
Segment assets and liabilities:					
Assets	**205,944**	**248,054**	**16,294**	**(151,869)**	**318,423**
Liabilities	**83,877**	**220,113**	**10,254**	**(110,376)**	**203,868**

H1 2018	Licenses and brands	Proprietary licensees	Property	Inter-segment eliminations	Consolidated
Consolidated direct sales - third parties	910	66,170	-	-	67,080
Consolidated direct sales - inter-segment	*927*	*142*	-	*(1,069)*	-
(Cost of sales)	(1,561)	(38,590)	-	935	(39,216)
GROSS MARGIN	**276**	**27,722**	**-**	**(134)**	**27,864**
Royalties and sourcing commissions – third parties	25,671	-	-	-	25,671
Royalties and sourcing commissions – inter-segment	*5,829*	-	-	*(5,829)*	-
Other income - third parties	417	283	403	-	1,103
Other income – inter-segment	*152*	*6,288*	*1,367*	*(7,807)*	-
(Sponsorship and media costs)	(9,069)	(9,379)	-	6,269	(12,179)
(Personnel costs)	(5,326)	(6,192)	(22)	-	(11,540)
(Selling, general and administrative costs, royalties expenses – third parties)	(7,595)	(16,836)	(844)	7,501	(17,774)
Amortisation & Depreciation	(1,049)	(1,496)	(460)	-	(3,005)
EBIT	**9,306**	**390**	**444**	**-**	**10,140**
Financial income	795	619	-	-	1,414
(Financial charges)	(986)	(1,242)	(173)	-	(2,401)
Share of profit/(loss) of investments valued at equity	(13)	-	-	-	(13)
PROFIT/(LOSS) BEFORE TAXES	**9,102**	**(233)**	**271**	**-**	**9,140**
Income taxes	(2,333)	(201)	(109)	-	(2,643)
NET PROFIT/(LOSS)	**6,769**	**(434)**	**162**	**-**	**6,497**
Significant non-cash items:					
Amortisation & Depreciation	(1,049)	(1,496)	(460)	-	(3,005)
Write-downs	-	-	-	-	-
Total non-cash items	**(1,049)**	**(1,496)**	**(460)**	**-**	**(3,005)**
Investments in non-current assets	**(1,017)**	**(1,037)**	**(320)**	**-**	**(2,374)**
Segment assets and liabilities:					
Assets	**199,833**	**106,067**	**17,109**	**(101,062)**	**221,947**
Liabilities	**90,134**	**94,730**	**11,455**	**(74,232)**	**122,087**

- The "Licenses and brands" segment includes royalties and sourcing commissions, increasing from Euro 31.5 million in H1 2018 to Euro 36.2 million in H1 2019. The segment net profit totalled Euro 8.4 million, compared to Euro 6.8 million in H1 2018;

- the "Proprietary Licensees" segment, comprising BasicItalia S.p.A. and its subsidiary BasicRetail S.r.l. and the French Group Kappa Europe SAS, reports revenues of Euro 110 million, against Euro 66.1 million in the previous year. The contribution margin on sales increased to Euro 49.6 million in 2018 from Euro 27.7 million in 2018. The revenue margin was 45.1% (41.8% in 2018). Personnel costs increased on the previous year due to the development of retail operations and the opening of a number of new sales points and the entry of 187 personnel of the French Group acquired. The segment reports a profit of approx. Euro 1.8 million compared to a loss of Euro 434 thousand in the previous year;

- the "Property" segment, relating to the building at Largo Maurizio Vitale 1, Turin and the adjacent building acquired at the end of 2016, reports a profit of Euro 172 thousand compared to Euro 162 thousand in 2018.

7. CONSOLIDATED DIRECT SALES

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

	H1 2019	H1 2018
Italy	70,229	61,523
EU countries other than Italy	36,792	3,151
Rest of the World	3,941	2,406
Total consolidated direct sales	**110,962**	**67,080**

Direct sales revenues relate to merchandise sold by BasicItalia S.p.A., by BasicRetail S.r.l. and by the subsidiaries of Kappa Europe SAS, both through National and Regional Servicing Centres and directly to the public (Euro 110 million) and by BasicNet S.p.A. for sample merchandise sales (Euro 775 thousand). Sales on the home market accounted for 63%, while approx. 33% of sales were in other EU countries, with the remaining approx. 4% outside the EU. The subsidiaries of Kappa Europe SAS operate in the territories of France, UK, Spain, Portugal and Switzerland.

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

	H1 2019	H1 2018
Multibrand sales	82,844	42,925
Franchising sales	23,158	20,650
Online sales	4,185	2,594
Sample sales	775	910
Total consolidated direct sales	**110,962**	**67,080**

8. COST OF SALES

	H1 2019	H1 2018
Goods purchased – Overseas	66,212	33,216
Freight charges and accessory purchasing cost	8,420	4,205
Cost of outsourced logistics	3,478	2,045
Goods purchased – Italy	2,817	2,709
Samples purchased	1,633	1,274
Packaging	381	250
Changes in inventory of raw materials, ancillary, consumables and goods	(22,447)	(4,967)
Others	840	484
Total cost of sales	**61,335**	**39,216**

"Goods purchased" refer to the finished products acquired by BasicItalia S.p.A. and the subsidiaries of Kappa Europe SAS. Sample purchases were made by BasicNet S.p.A. for resale to the licensees.
The increase in the cost of sales, which includes from the first half of 2019 the amounts relating to the Kappa Europe Group, was less than proportional than revenue growth, resulting in an increase in the margin (Note 6).

9. 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 period are commented upon in the Interim Directors' Report.

The breakdown by region is reported below:

	H1 2019	H1 2018
Europe (EU and non-EU)	10,020	12,166
The Americas	3,479	2,826
Asia and Oceania	10,856	9,145
Middle East, Africa	2,465	1,534
Total	**26,819**	**25,671**

10. OTHER INCOME

	H1 2019	H1 2018
Rental income	324	315
Recovery of condominium expenses	67	73
Other income	2,268	715
Total other income	**2,659**	**1,103**

The "recovery of condominium expenses" concerns the recharge to lessees of utility costs.
"Other income" includes prior year accruals' reversals, the recharge of expenses to third parties and other indemnities against counterfeiting and unauthorised usage protection actions. These include in addition

Euro 0.6 million relating to the settlement agreement with AS Roma, described in the Directors' Report, collected in January 2019 and income of the Kappa Europe Group for Euro 0.5 million.

11. SPONSORSHIP AND MEDIA COSTS

	H1 2019	H1 2018
Sponsorship and marketing	14,179	10,730
Advertising	3,809	986
Promotional expenses	697	463
Total sponsorship and media costs	**18,685**	**12,179**

The account "sponsorship" refers to communication investments incurred directly to which the Group contributes, described in detail in the Interim 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.

The change substantially concerns the sponsorship activities of the Kappa Europe Group in the territories within its scope.

12. PERSONNEL COSTS

	H1 2019	H1 2018
Wages and salaries	11,509	8,419
Social security charges	3,788	2,589
Post-employment benefits	578	532
Total	**15,876**	**11,540**

The number of employees at the reporting date, by category, is reported in the table below:

	Human Resources at June 30, 2019	Human Resources at June 30, 2018
Contractual category		
Executives	64	30
White-collar	722	537
Blue-collar	25	28
Total	**811**	**595**

The average number of employees during the half-year was 612, broken down as 29 executives, 557 white-collar employees and 26 blue-collar employees.

The increase in personnel costs for a total of 216 new employees, for 187 employees concerns the acquisition of Kappa Europe SAS and its subsidiaries, with the remainder concerning new hires in period, mainly in the marketing and product research and development areas.

13. SELLING, GENERAL AND ADMINISTRATIVE COSTS AND ROYALTIES EXPENSES

	H1 2019	H1 2018
Selling and royalty service expenses	6,974	4,202
Rental, accessory and utility expenses	3,315	4,991
Commercial expenses	4,148	2,451
Directors and Statutory Auditors emoluments	3,012	2,144
Doubtful debt provision	1,042	813
Other general expenses	5,741	3,173
Total selling, general and administrative costs, and royalties expenses	**24,232**	**17,774**

"Selling and royalty service expenses" principally include commissions to agents of the subsidiaries undertaking direct sales and royalties on sports team merchandising contracts and co-branding operations. "Commercial expenses" include costs relating to selling activities, comprising trade fairs and exhibitions, communication costs for advertising campaigns, stylists, graphics and commercial and travel expenses.

"Rental, accessory and utility expenses" relate to sales points directly managed by the Group or business units leased to franchisees. The decrease related to a combined effect of new contracts and the reversal of the charges which, by their nature, fall within the scope of IFRS 16 for approx. 2.6 million.

"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 19, 2019, are in line with the company remuneration policy, pursuant to Article 78 of Consob Regulation No. 11971/97 and subsequent amendments and integrations, and are reported in the Remuneration Report pursuant to Article 123-ter of the CFA, which is available on the company's website www.basicnet.com Shareholder' Meeting 2019 section, to which reference should be made.

The account "other general expenses" includes legal and professional fees, bank charges, other taxes, consumption materials, hire charges, and corporate and other minor expenses.

The increase in this aggregate of Euro 6.4 million is mainly due to the consolidation of the Kappa Europe Group.

14. AMORTISATION & DEPRECIATION

	H1 2019	H1 2018
Amortisation	4,056	1,550
Depreciation	1,680	1,455
Total amortisation & depreciation	**5,736**	**3,005**

Amortisation on intangible assets includes Euro 220 thousand of key-money write-down relating to some sales points closed in the period or 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.

The increase in depreciation of property, plant and equipment includes for Euro 2.6 million the recognition of usage rights as per IFRS 16.

15. NET FINANCIAL INCOME (CHARGES)

	H1 2019	**H1 2018**
Interest income	27	18
Bank interest charges	(178)	(145)
Interest on medium/long term loans	(346)	(350)
Property lease interest	(7)	(10)
Others	(832)	(127)
Total financial income and charges	***(1,336)***	***(614)***
Exchange gains	1,692	1,349
Exchange losses	(1,138)	(1,722)
Net exchange gains/(losses)	***555***	***(373)***
Total financial income/(charges)	**(782)**	**(987)**

Net currency gains amounted to Euro 555 thousand, against losses of Euro 373 thousand in the same period of the previous year, as a result of US Dollar movements; net financial charges in service of the debt amounted to Euro 1.3 million compared to Euro 614 thousand in the previous year. The change relates for Euro 170 thousand to the effect on interest from the new standard IFRS 16 and the interest on the bond loan of the Kappa Europe Group of Euro 300 thousand, as specified in Note 34.

16. SHARE OF PROFIT/(LOSS) OF INVESTMENTS VALUED AT EQUITY

The account, introduced following the application of *IFRS 11 – Joint arrangements*, reflects the effect on the consolidated result for the period of the valuation at equity of the joint venture Fashion S.r.l..

17. INCOME TAXES

Income taxes of Euro 3.4 million comprise current taxes of Euro 4.6 million (of which Euro 0.7 million for IRAP), deferred tax charges of Euro 0.3 million, deferred tax income on losses of the Kappa Europe SAS of Euro 0.8 million, not within the tax consolidation of the BasicNet Group, and Euro 0.7 million of tax income related to the application of the "Patent Box".

18. MINORITY SHAREHOLDERS

The account concerns for 39% the post increase capital of the company Sport Fashion Holding, whose shares are held by the founder of Sport Finance.

19. EARNINGS PER SHARE

The basic earnings per share, for H1 2019, 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:

(in Euro)	**H1 2019**	**H1 2018**
Net profit attributable to owners of the Parent	11,205,308	6,497,042
Weighted average number of ordinary shares	47,332,641	54,674,226
Basic earnings per ordinary share	0.2367	0.1188

At June 30, 2019 there were no “potentially diluting” shares outstanding, therefore the diluted earnings per share coincides with the earnings per share.
The change in the weighted average number of ordinary shares outstanding between the periods relates to the number of treasury shares acquired in the period.

EXPLANATORY NOTES TO THE BALANCE SHEET

(IN EURO THOUSANDS UNLESS OTHERWISE STATED)

ASSETS

20. INTANGIBLE ASSETS

	June 30, 2019	December 31, 2018	June 30, 2018
Concessions, brands and similar rights	46,884	47,369	47,266
Software development	3,854	3,502	3,860
Other intangible assets	2,393	2,289	2,311
Industrial patents	62	65	66
Usage rights	17,115	-	-
Total intangible assets	**70,308**	**53,225**	**53,503**

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

	Concessions, brands & similar rights	Software development	Other intangible assets	Industrial patents	Usage rights	Total
Historic cost at 1.1.2019	**59,049**	**43,227**	**10,098**	**139**	**-**	**112,513**
Initial balance from IFRS 16	-	-	-	-	*31,736*	*31,736*
Initial balance from acquisition	-	*262*	-	-	*3,334*	*3,596*
Investments	*300*	*954*	*399*	*1*	*1,567*	*3,221*
Disposals and other changes	*(700)*	*212*	-	-	*(533)*	*(1,021)*
Write-downs	-	-	-	-	-	-
Historic cost at 30.06.2019	**58,648**	**44,653**	**10,499**	**139**	**36,105**	**150,045**

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

	Concessions, brands & similar rights	Software development	Other intangible assets	Industrial patents	Usage rights	Total
Acc. Amort. at 1.1.2019	**(11,680)**	**(39,725)**	**(7,809)**	**(74)**	**-**	**(59,288)**
Initial balance from IFRS 16	-	-	-	-	*(15,036)*	*(15,036)*
Initial balance from acquisition	-	*(205)*	-	-	*(1,664)*	*(1,869)*
Amortization	*(84)*	*(871)*	*(295)*	*(5)*	*(2,582)*	*(3,836)*
Disposals and other changes	-	-	-	-	*292*	*292*
Write-downs	-	-	-	-	-	-
Acc. Amort. at 30.06.2019	**(11,764)**	**(40,799)**	**(8,106)**	**(78)**	**(18,990)**	**(79,737)**

The net book value of intangible assets is reported below:

	Concessions, brands & similar rights	Software development	Other intangible assets	Industrial patents	Usage rights	Total
Opening net book value at 1.1.2019	**47,369**	**3,502**	**2,289**	**65**	**-**	**53,225**
Initial balance from IFRS 16	-	-	-	-	*16,700*	*16,700*
Initial balance from acquisition	-	*57*	-	-	*1,670*	*1,727*
Investments	*300*	*954*	*399*	*1*	*1,567*	*3,221*
Disposals and other changes	*(700)*	*212*	-	-	*(241)*	*(730)*
Amortisation	*(84)*	*(871)*	*(295)*	*(5)*	*(2,582)*	*(3,836)*
Write-downs	-	-	-	-	-	-
Closing net book value at 30.06.2019	**46,884**	**3,854**	**2,393**	**62**	**17,115**	**70,307**

The increase in "concessions, brands and similar rights" is due to the capitalisation of costs incurred for the registration of trademarks in new European 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.

The value of the divestment is due to the execution of the contract for the acquisition of the Briko brand signed in March 2016 with Briko S.p.A., which resulted in the non-applicability of the variable portion of the final price, assessed as Euro 0.7 million, and the consequent reduction in the value of the Brand to Euro 0.9 million.

At June 30, 2019, the Kappa and Robe di Kappa brands report a book value of Euro 4.2 million (Euro 1.4 million net of fiscal amortisation), with the Superga brand reporting a book value of Euro 21.2 million (Euro 12.7 million net of fiscal amortisation), the K-Way brand was valued at Euro 8.2 million (Euro 3.1 million net of fiscal amortisation), the Sebago brand book value at approx. Euro 12 million (Euro 10.3 million net of fiscal amortistion) and the Briko brand at Euro 0.9 million (Euro 0.7 million net of fiscal amortisation). 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. At June 30, 2019, there were no impairment indicators and therefore the relative tests were not carried out.

The book value of the Sabelt brand, for which the Group is global licensee for the "fashion" categories, held through the joint venture, is included in the value of the investment.

The account "software development" increased approx. Euro 1 million for investments and decreased Euro 0.9 million for amortisation in the period.

The account "other intangible assets" principally includes improvements related to the franchising project and recorded investments of Euro 0.4 million and amortisation in the period of Euro 0.3 million.

Intangible assets include for Euro 17.1 million the recognition of usage rights as per IFRS 16.

21. GOODWILL

	June 30, 2019	December 31, 2018	June 30, 2018
Goodwill	11,863	9,232	9,516
Goodwill	**11,863**	**9,232**	**9,516**

The account "goodwill" includes the goodwill arising on the business combination with the Spanish licensee (totalling Euro 6.7 million) and the French licensee (Euro 1.2 million), in addition to goodwill paid for the acquisition of retail outlets, known as key money (Euro 1.1 million). It increased Euro 2.9 million in 2019 against goodwill recognised following the acquisition of the French Group Kappa Europe SAS.

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.

In relation to the goodwill arising on the acquisition of the two European licensees, the rather strong results reported by the Kappa brand to which they relate, exceeding the expected cash flows, confirm the absence of impairment indicators.

For the key money, no impairment indicators were identified, except for some sales points closed or 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. For these sales points, a write-down of Euro 220 thousand was made (Note 14).

22. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2019	December 31, 2018	June 30, 2018
Property	21,136	21,583	21,931
Furniture and other assets	8,294	5,318	5,330
Plant and machinery	827	705	559
EDP	1,919	1,607	1,483
Industrial and commercial equipment	199	184	162
Total property, plant and equipment	**32,377**	**29,397**	**29,465**

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

	Property	Furniture and other assets	Plant and machinery	EDP	Industrial and commercial equipment	Total
Historic cost at 1.1.2019	**37,268**	**17,688**	**2,210**	**14,601**	**1,075**	**72,841**
Initial balance from acquisition	*44*	*1,096*	*-*	*351*	*-*	*1,491*
Investments	*53*	*3,387*	*223*	*597*	*19*	*4,280*
Disposals and other changes	*-*	*(34)*	*-*	*(30)*	*1*	*(62)*
Historic cost at 30.06.2019	**37,365**	**22,137**	**2,433**	**15,520**	**1,095**	**78,550**

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

	Property	Furniture and other assets	Plant and machinery	EDP	Industrial and commercial equipment	Total
Acc. Deprec. at 1.1.2019	**(15,685)**	**(12,370)**	**(1,505)**	**(12,995)**	**(889)**	**(43,443)**
Initial balance from acquisition	*(44)*	*(789)*	*-*	*(258)*	*-*	*(1,091)*
Depreciation	*(500)*	*(686)*	*(100)*	*(387)*	*(7)*	*(1,679)*
Disposals and other changes	*-*	*1*	*-*	*38*	*-*	*39*
Acc. Deprec. at 30.06.2019	**(16,228)**	**(13,843)**	**(1,605)**	**(13,601)**	**(895)**	**(46,173)**

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

	Property	Furniture and other assets	Plant and machinery	EDP	Industrial and commercial equipment	Total
Opening net book value at 1.1.2019	**21,583**	**5,318**	**705**	**1,607**	**184**	**29,397**
Initial balance from acquisition	*-*	*308*	*-*	*93*	*-*	*401*
Investments	*53*	*3,387*	*223*	*597*	*19*	*4,280*
Depreciation	*(500)*	*(686)*	*(100)*	*(387)*	*(7)*	*(1,679)*
Disposals and other changes	*-*	*(32)*	*-*	*8*	*1*	*(23)*
Closing net book value at 30.06.2019	**21,136**	**8,294**	**827**	**1,919**	**199**	**32,377**

"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 and to adjacent buildings owned by Basic Village S.p.A. acquired at the end of 2016.

Total gross investments in the period amounted to Euro 4.3 million, principally relating the acquisition of the aircraft for Euro 2.5 million by the newly incorporated BasicAir S.r.l. and, for the difference, to the acquisition of furniture and EDP for the opening of new stores.

23. EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS

	June 30, 2019	December 31, 2018	June 30, 2018
Investments in:			
- Other companies	125	-	-
Total investments	***125***	***-***	***-***
Other receivables, guarantees	1,103	1,048	676
Total financial receivables	***1,103***	***1,048***	***676***
Total investments & other financial assets	**1,168**	**1,048**	**676**

"Other receivables" principally refer to deposits on real estate property.

24. INVESTMENTS IN JOINT VENTURES

	June 30, 2019	December 31, 2018	June 30, 2018
Investments in:			
- Joint ventures	230	243	253
Total investments in joint ventures	**230**	**243**	**253**

Investments in joint ventures concern the value of the investment in Fashion S.r.l., held 50%. The company owns the Sabelt brand. From January 1, 2014, this category of investment has been valued at equity, as per IFRS 11.

25. DEFERRED TAX ASSETS

	June 30, 2019	December 31, 2018	June 30, 2018
Deferred tax assets	522	-	-
Total deferred tax assets	**522**	**-**	**-**

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, 2019			December 31, 2018			
	Amount of temporary differences	Rate %	Tax effect	Amount of temporary differences	Rate %	Tax effect	Changes 2019/2018
Deferred tax assets:							
- Excess doubtful debt provision not deductible	(7,269)	24.00%	(1,807)	(6,517)	24.00%	(1,564)	(243)
- Inventory obsolescence provision	(4,571)	24.00%	(1,125)	(4,293)	24.00%	(1,058)	(66)
- Misc. charges temporarily non-deductible	(2,763)	27.90%	(782)	(3,032)	27.90%	(814)	31
- Effect IAS 19 – Employee Benefits	(105)	24.00%	(30)	(71)	24.00%	(17)	(13)
- Effect IFRS 16 - lease payables	(877)	27.90%	(245)	-	24.00%	-	(245)
- Effect IAS 39 – financial instruments	(347)	24.00%	(83)	(130)	24.00%	(30)	(53)
Total	**(15,931)**		**(4,073)**	**(14,044)**		**(3,484)**	**(589)**
Deferred tax liabilities:							
- Dividends not received	-	24.00%	-	23	24.00%	5	(5)
- Prudent exchange differences, net	244	24.00%	60	327	24.00%	80	(20)
- Amortisation/Depreciation tax basis	14,429	27.90%	4,025	13,743	27.90%	3,810	215
- Effect IAS 38 – plant costs	16	27.90%	5	16	27.90%	5	-
- Effect of IAS 17 - finance leases and other tax differences on buildings	3,576	27.90%	998	3,714	27.90%	1,036	(38)
- Effect IAS39 – financial instruments	522	29.30%	153	-	29.30%	-	153
- Effect IFRS 3 – goodwill amortisation	1,854	27.90%	517	1,777	27.90%	496	22
Total	**20,641**		**5,757**	**19,600**		**5,432**	**325**
Kappa Europe Group losses	(7,036)	31.35%	(2,208)	-	-	-	-
Deferred tax liability/(asset) as per financial statements			**(522)**			**1,948**	

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 1.8 million) and non-deductible inventory obsolescence provisions (approx. Euro 1.1 million), in addition to Euro 2.2 million for Kappa Europe Group losses.

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 4 million), differences between statutory and fiscal amortisation (Euro 1 million) and goodwill amortisation fiscally deductible (Euro 0.5 million).

26. NET INVENTORIES

	June 30, 2019	December 31, 2018	June 30, 2018
Raw material, ancillaries and consumables	59	-	-
Finished products and goods	87,319	48,846	55,857
Inventory obsolescence provision	(5,528)	(4,467)	(4,348)
Total net inventories	**81,850**	**44,379**	**51,509**

Finished inventories include goods in transit at the balance sheet date which at June 30, 2019 amount to approx. Euro 7.5 million compared to Euro 6 million at December 31, 2018, goods held at Group brand stores for Euro 6.9 million, compared to Euro 8.9 million at December 31, 2018 and goods to be shipped against orders, to be delivered at the beginning of the following period, for Euro 11.9 million compared to Euro 5.6 million at December 31, 2018.

The increase includes for Euro 23.6 million the effect from the consolidation of the Kappa Europe Group.

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, 2019	June 30, 2018
Inventory obsolescence provision at 1.1	**4,467**	**4,874**
Initial balance from acquisition	480	-
Provisions in the period	1,647	979
Utilisations	(1,067)	(1,505)
Inventory obsolescence provision at 30.06	**5,528**	**4,348**

27. TRADE RECEIVABLES

	June 30, 2019	December 31, 2018	June 30, 2018
Gross value	89,429	77,518	62,883
Doubtful debt provision	(9,444)	(7,638)	(7,167)
Total trade receivables	**79,985**	**69,880**	**55,716**

All amounts are due within 12 months. 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 increase includes for Euro 22.3 million the effect of the consolidation of the Kappa Europe Group, net of the relative write-down provision.

The movements during the year were as follows:

	June 30, 2019	June 30, 2018
Doubtful debt provision at 1.1	**7,638**	**8,293**
Initial balance from acquisition	1,685	-
Provisions in the period	1,042	813
Utilisations	(920)	(1,938)
Doubtful debt provision at 30.06	**9,444**	**7,167**

The provision in the period is calculated based on specific needs which may arise, integrated by provisions made on a statistical basis. Utilisations in the period concern provisions made in previous periods on specific positions for which losses were verified in the period; the utilisation is therefore not related to the performance in the period.

28. OTHER CURRENT ASSETS

	June 30, 2019	December 31, 2018	June 30, 2018
Tax receivables	11,223	6,339	6,336
Other receivables	1,151	2,481	1,992
Other current assets	**12,374**	**8,820**	**8,329**

"Tax receivables" principally relate to IRES and IRAP paid for Euro 2.6 million, VAT receivables for Euro 3.7 million and withholding taxes on royalties for Euro 4.9 million.

"Other receivables" include the premium paid to the insurance company against Directors Termination Indemnities to be paid to the Chairman of the Board of Directors on departure for Euro 0.5 million and other minor items for the residual.

29. PREPAYMENTS

	June 30, 2019	December 31, 2018	June 30, 2018
Expenses pertaining to future collections	5,291	5,260	4,711
Sponsorship and media	5,556	2,007	1,915
Others	3,263	2,101	1,717
Total prepayments	**14,111**	**9,368**	**8,343**

The "expenses pertaining to future collections" concern part of the design and manufacturing costs of collections to be sold subsequently, for which the corresponding revenues have not yet accrued.

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, with the difference due to the effect of the consolidation of the Kappa Europe Group. The "other prepayments" include various costs for samples, services, utilities, insurance and other minor amounts incurred by the companies of the Group, which are recorded on an accruals basis.

30. CASH AND CASH EQUIVALENTS

	June 30, 2019	December 31, 2018	June 30, 2018
Bank and postal deposits	12,848	9,504	4,240
Cash in hand and similar	135	112	109
Total cash and cash equivalents	**12,983**	**9,616**	**4,349**

"Bank deposits" refer to temporary current account balances principally due to receipts from clients. In particular, they are held at: BasicNet S.p.A. (Euro 2.7 million), BasicItalia S.p.A. (Euro 1.1 million), BasicRetail S.r.l. (Euro 0.9 million), Basic Properties America Inc. (Euro 2.5 million), Basic Air S.r.l. (Euro 1.2 million), the Kappa Europe SAS Group (Euro 3.9 million) and, for the difference, the other Group companies (Euro 0.6 million).

31. DERIVATIVE FINANCIAL INSTRUMENTS

	June 30, 2019	December 31, 2018	June 30, 2018
Derivative financial instruments	651	305	288
Total	**651**	**305**	**288**

The account includes for Euro 651 thousand the market value at June 30, 2019 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 2019 and 2020, on the basis of the goods orders already sent to suppliers, or still to be made but included in the budget. At June 30, 2019, commitments were in place on estimated future purchases, for USD 66.20 million and GBP 1.8 million, divided into 29 operations with variable maturities in 2019 (for USD 14.07 million and Euro 1.8 million) and in 2020 (for USD 52.13 million), at fixed exchange rates between USD/Euro 1.19 and USD/Euro 1.2225. During H1 2019, forward purchase operations were utilised for US Dollars for Euro 9.5 million of the subsidiary BasicItalia S.p.A. and the relative effects were recognised to the income statement. A positive equity reserve was recorded of approx. Euro 377 thousand, net of the tax effect.

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 IRS perfectly hedges the item to which the original cash flows stem, as in this case, and continues to be effective.

SHAREHOLDERS' EQUITY & LIABILITIES

32. SHAREHOLDERS' EQUITY

	June 30, 2019	December 31, 2018	June 30, 2018
Share capital	31,717	31,717	31,717
Treasury shares	(19,107)	(17,827)	(16,140)
Other reserves	91,537	78,033	77,787
Net Profit	10,408	21,014	6,497
- Company shareholders	*11,205*	*21,014*	*6,497*
- Minority shareholders	*(797)*	-	-
Total Shareholders' Equity	**114,555**	**112,937**	**99,860**

The "share capital" of the Parent Company, amounting to Euro 31,716,673.04, is divided into 60,993,602 ordinary shares of Euro 0.52 each, fully paid-in.

During H1 2019, 247,550 treasury shares were acquired in accordance with Shareholders' Meetings motions, as illustrated in the Interim Directors' Report, which together with the 6,966,072 shares held at the end of the previous year, totalled 7,213,622 at June 30, 2019 (11.827% of the Share Capital).

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

	June 30, 2019	June 30, 2018	Changes
Effective part of the Gains/(losses) on cash flow instruments generated in the period (currency hedges)	(846)	1,198	(2,044)
Effective part of the Gains/(losses) on cash flow instruments generated in the period (interest rate hedges)	78	134	(56)
Effective part of the Gains/losses on cash flow hedge instruments	***(767)***	***1,332***	***(2,099)***
Re-measurement of defined benefit plans (IAS 19)	36	47	(10)
Gains/(losses) from translation of accounts of foreign subsidiaries	46	222	(176)
Tax effect relating to the Other items of the comprehensive income statement	224	(331)	555
Total other gains/(losses), net of tax effect	**(461)**	**1,270**	**(1,731)**

The tax effect relating to Other gains/(losses) is as follows:

	June 30, 2019			June 30, 2018		
	Gross value	**Tax Charge/ Benefit**	**Net value**	**Gross value**	**Tax Charge/ Benefit**	**Net value**
Effective part of Gains/losses on cash flow hedge instruments	(767)	233	(535)	1,332	(320)	1,012
Gains/losses for re-measurement of defined benefit plans (IAS 19)	36	(9)	28	47	(11)	36
Gains/(losses) from translation of accounts of foreign subsidiaries	46	-	46	222	-	222
Total other gains/(losses), net of tax effect	**(685)**	**224**	**(461)**	**1,601**	**(331)**	**1,270**

33. PROVISIONS FOR RISKS AND CHARGES

	June 30, 2019	December 31, 2018	June 30, 2018
Provisions for risks and charges	192	50	24
Total provisions for risks and charges	**192**	**50**	**24**

The provision for risks and charges relates to the Agents Termination Indemnity Provision (FIRR) in BasicItalia S.p.A. and the provisions for minor disputes of Kappa Europe SAS.

34. MEDIUM/LONG-TERM FINANCIAL PAYABLES

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

	31/12/2018	Change in consolidation scope	Repayments	New loans	30/06/2019	Short-term portion	Medium/long-term portion
"Basic Village property loan"	4,500	-	(600)	-	3,900	1,200	2,700
"BasicItalia property loan"	1,932	-	(203)	-	1,729	407	1,323
"Intesa Loan"	1,875	-	(1,875)	-	-	-	-
"BNL Loan"	5,000	-	(625)	-	4,375	1,250	3,125
"MPS Loan"	13,000	-	-	-	13,000	2,438	10,563
"Banco BPM Loan"	1,130	-	(250)	-	880	500	380
Kappa Europe SAS Group loan							
Akrea loan	-	200	-	-	200	100	100
BNP loan	-	200	-	-	200	100	100
Banque Populaire Atlantique loan	-	200	-	-	200	100	100
BPI KFF loan	-	563	(113)	-	450	225	225
CA loan	-	200	-	-	200	75	125
CE loan	-	200	-	-	200	75	125
BPI SPF loan	-	2,000	-	-	2,000	333	1,667
PA loan	-	200	(25)	-	175	100	75
Kappa Europe bank syndicate loan	-	1,728	(192)	-	1,536	384	1,152
SG loan	-	200		-	200	100	100
KSI loan	-	92	(9)		83	25	58
Popular loan	-	-	-	200	200	100	-
Intesa loan	-	-	-	4,000	4,000	800	3,200
Total Kappa Europe loans		*5,783*	*(339)*	*4,200*	*9,644*	*2,618*	*7,026*
Balance	**27,437**	**5,783**	**(3,892)**	**4,200**	**33,530**	**8,413**	**25,114**

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

	June 30, 2019	December 31, 2018	June 30, 2018
Medium/long term loans:			
- due within 5 years	24,781	21,394	23,072
- due beyond 5 years	333	-	813
Total medium/long-term loans	***25,114***	***21,394***	***23,885***
Leasing payables	720	823	888
Total leasing payables (maturity within 5 years)	***720***	***823***	***888***
Payables for usage rights	17,996	-	-
Total payables for usage rights	***17,996***	***-***	***-***
Total loans	**43,831**	**22,217**	**24,773**
Payables for exercise future share acquisitions	2,839	-	-
Total	**46,670**	**22,217**	**24,773**

The medium/long-term loans are comprised for Euro 3.9 million of the residual value of the loan provided by the Unicredit Group, for the purchase of the “BasicVillage” building located at Largo Maurizio Vitale, 1, Turin (“BasicVillage Property Loan”), for Euro 1.7 million the residual loan from Mediocredito Italiano S.p.A. (Intesa Sanpaolo S.p.A.) for the purchase of the building of BasicItalia S.p.A. located at Strada Cebrosa, 106 (“BasicItalia Property Loan”), for Euro 4.4 million the medium/long-term loan issued by Banca Nazionale del Lavoro S.p.A. in November 2016 (“BNL Loan”), for Euro 13 million the loan issued in July 2017 by MPS Capital Services Banca per le Imprese S.p.A. for the acquisition of the Sebago brand (“MPS Loan”) and the residual loan from Banco BPM for Euro 0.9 million, to support investment activities in the retail sector (“Banco BPM Loan”) and for Euro 9.6 million the Kappa Europe Group loans.

The “Basic Village property loan” granted by the Unicredit Group was for the acquisition of the building “Basic Village” at Largo M. Vitale 1, Turin. The loan was granted in September 2007 for Euro 18 million at a variable rate converted into a fixed rate (Note 43). Against this loan there is a mortgage on the property and a guarantee from the parent company BasicNet S.p.A. with maturity in September 2022.

The “BasicItalia Loan” granted by Banca Intesa Sanpaolo S.p.A. was for the purchase of the building “BasicItalia” at Strada Cebrosa 106, Turin. The loan was granted in October 2008 for Euro 6 million with repayment of the capital in fifty-nine quarterly equal instalments and maturity in September 2023. The loan is guaranteed by a mortgage on the property and by a guarantee from the parent company BasicNet S.p.A.

The “Intesa Loan” issued in April 2015 for Euro 15 million, of four-year duration, was fully repaid in the period.

The “BNL Loan” was disbursed in November 2016 for Euro 7.5 million; it has six-year duration and is repayable in quarterly instalments at a quarterly Euribor rate increased by 95 basis points. The contractual conditions do not include financial covenants. The loan contract stipulates the maintenance of a number of ownership conditions concerning BasicNet S.p.A., in particular that the overall investment (direct or indirect) of BasicWorld S.r.l. in BasicNet S.p.A. should not reduce below 30%. The loan is supported by a second level mortgage on the BasicVillage building in Turin and a first level mortgage on the adjacent building, acquired at the end of the year.

The “MPS Loan” was issued in July 2017 for Euro 13 million and is of six-year duration, repayable in quarterly instalments from December 2019 at a quarterly Euribor rate (although not below zero) plus 170 basis points. No financial covenants are stipulated, although the maintenance of a number of ownership conditions are required concerning BasicNet S.p.A., in particular that the overall investment (direct or indirect) of BasicWorld S.r.l. in BasicNet S.p.A. should not reduce below 30%. The loan is supported by a pledge on the shares of TOS S.r.l., owner of the Sebago brand, with obligation to maintain the full investment in the company by the Group.

The “Banco BPM Loan” was disbursed in February 2017 to Basic Italia S.p.A. for Euro 2 million; it has four-year duration and is repayable in quarterly instalments at a quarterly Euribor rate increased by 70 basis points. The contractual conditions do not include financial covenants.

The “Medium-term loans” of the Kappa Europe Group can substantially be broken into 4 categories:

1. Export loan of BPI France of an initial value of Euro 2 million, entirely outstanding, rate 4.44%;
2. Syndicate loan of 6 banks (Arkea, Casse d’Epairgne, BNP, Credit Agricole, Societé Génerale and Banque Palatine) to Kappa Europe of a residual Euro 1.7 million, Euribor quarterly rate + 200 base points;
3. BPI France and Kappa France (subsidiary of Kappa Europe) loan, of an initial value of Euro 1.5 million, outstanding for Euro 0.6 million, rate 3.95%;
4. Loan from seven lending institutions (previous six in addition to Banque Atlantique) to Kappa France for Euro 200 thousand each, entirely outstanding, Euribor Rate + 250 base points.

The loans benefitted from a grace period linked to the "settlement agreement" stipulated with the financial institutions, concluding on June 30, 2019.

Some of the lending institutions have also subscribed to shares totalling 40% of the share capital of Kappa Europe (previously Sport Finance SAS), which were acquired by BasicItalia in January 2019. Simultaneously, the same Institutions signed a bond loan of a total Euro 2 million, which was repaid in June 2019, in addition to interest matured for Euro 0.3 million.

During the period, Kappa France obtained from the French branch of Banca IntesaSanPaolo an unsecured 5-year loan, at half-year euribor + 185 base points, converted into a fixed finished rate of 1.65% percent, partially utilised for the repayment of the bond loan.

At June 30, 2019 the credit lines available from the banking system (bank overdrafts, commercial advances, medium/long-term loans, import financing, leasing and letters of credit), amount to Euro 243.4 million, broken down as follows:

(in Euro millions)	**June 30, 2019**	**December 31, 2018**	**June 30, 2018**
Cash facility	164.1	139.9	139.8
Factoring	14.2	1.5	1.5
Letters of credit and swaps	31.1	28.1	31.0
Medium/long term loans	33.0	30.5	31.0
Property leases	1.0	1.0	3.6
Total	**243.4**	**201.0**	**206.9**

The average interest paid for the BasicNet Group in the period is reported in the table at Note 35.

35. BANK PAYABLES

	June 30, 2019	**December 31, 2018**	**June 30, 2018**
Bank payables due within one year:			
- short-term portion of medium/long-term loans	8,414	6,045	7,106
- bank overdrafts and bills	24,261	10,735	16,988
- import advances	20,633	22,300	12,726
Total bank payables	**53,308**	**39,080**	**36,820**

The portion of medium/long-term loans due within one year is included under short-term bank debt as described in Note 34.

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, 2019 is as follows:

	Interest Rate		
	Fixed	**Variable**	**Total**
Short-term	14,788	38,517	53,306
Medium/long term	7,792	18,043	25,835
Total	**22,580**	**56,561**	**79,141**

The average variable rate of medium/long-term loans is 2.2%, while the short-term rate ranges between 0.11% and 0.28%.

36. EMPLOYEE AND DIRECTOR BENEFITS

The account includes the post-employment benefits for employees of Euro 2.8 million and the termination indemnities of Directors of Euro 83 thousand.

37. DEFERRED TAX LIABILITIES

	June 30, 2019	December 31, 2018	June 30, 2018
Deferred tax liabilities	-	1,949	1,561
Total deferred tax liabilities	**-**	**1,949**	**1,561**

Reference should be made to the comment at Note 25 of the present Notes.

38. OTHER NON-CURRENT LIABILITIES

	June 30, 2019	December 31, 2018	June 30, 2018
Guarantee deposits	1,219	1,136	1,088
Total other non-current liabilities	**1,219**	**1,136**	**1,088**

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

39. TRADE PAYABLES

The "trade payables" are payable in the short-term and increased by approx. Euro 32 million compared to June 30, 2018. The increase concerns for Euro 25 million the consolidation of the Kappa Europe Group, with the difference due to the normal commercial cycle and the variable timing of goods deliveries. At the date of the present report there are no initiatives for the suspension of supplies, payment injunctions or executive actions by creditors against BasicNet S.p.A. or other companies of the Group.

Trade payables are normally settled between 30 and 120 days. The book value of trade payables equates the relative fair value.

40. TAX PAYABLES

The breakdown of this account is shown in the following table:

	June 30, 2019	December 31, 2018	June 30, 2018
Group VAT	5,252	1,036	802
Income taxes	4,821	522	2,986
Employee contributions	611	491	547
Other	88	84	97
Total tax payables	**10,771**	**2,133**	**4,432**

Current tax payables include provisions for IRES and IRAP to be settled at the reporting date. The balance at June 30 includes income taxes provisioned at the end of the previous year, to be settled in the second half of the subsequent year and the estimate of income taxes payable on assessable income in the half-year. The amount includes income taxes for the period of Euro 4.6 million and Euro 184 thousand as the 2018 balance.

41. OTHER CURRENT LIABILITIES

	June 30, 2019	December 31, 2018	June 30, 2018
Accrued expenses	29	749	406
Payables to employees and directors	5,292	3,514	4,646
Other payables	8,635	5,361	4,442
Total other current liabilities	**13,956**	**9,624**	**9,494**

The account "accrued expenses" principally includes deferred employee remuneration.

"Payables to employees and Directors" mainly concern salaries and expenses for reimbursement settled in the subsequent month.

"Other payables" at June 30, 2019 principally include social security charges (Euro 2.5 million), royalty payments on account from licensees (Euro 0.4 million) and other miscellaneous amounts Euro (5.6 million).

42. DEFERRED INCOME

	June 30, 2019	December 31, 2018	June 30, 2018
Royalties	2,029	1,046	-
Sponsored goods revenues	469	1,079	891
Other deferred income	1,284	1,506	1,916
Total deferred income	**3,784**	**3,631**	**2,807**

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.

43. DERIVATIVE INANCIAL INSTRUMENTS

	June 30, 2019	December 31, 2018	June 30, 2018
Derivative financial instruments	476	436	556
Total	**476**	**436**	**556**

The account includes for Euro 357 thousand the adjustments to market value of the interest rate hedging operations on the medium-term "BasicVillage property loan" (Note 34) and on the medium/long-term "Intesa Loan" of the company Kappa Europe SAS and signed with leading financial counterparties, which converted the variable interest rates into fixed interest rates, respectively at 6.04% and 1.635% (cash flow hedge) and for Euro 119 thousand the market value at June 30 of the US Dollar currency hedge instruments. A negative equity reserve was recorded of approx. Euro 271 thousand, net of the tax effect.

In the case of the Interest Rate Swap (IRS) agreed by the Company, 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 effective.

44. GUARANTEES GIVEN

With reference to the guarantees and commitments of the Group with third parties reference should be made to Note 34.

In February 2010, Intesa Sanpaolo S.p.A. and BasicItalia S.p.A. signed an agreement which would permit access to subsidised finance for the start-up of franchising stores of the Group, against which BasicItalia 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-compliant of the store owner. At June 30, 2019, the bank deposits of BasicItalia were restricted for Euro 240 thousand; guarantees were also provided on leasing amounting to Euro 720 thousand.

In accordance with that outlined above guarantees were granted of Euro 557 thousand by credit institutions in favour of the lessees of the stores of BasicRetail S.r.l. directly undertaking retail sales of the Group products.

Further commitments were undertaken by the subsidiary BasicItalia S.p.A. relating to the opening of import credit documentation (credit letters) for goods, through some Credit Institutions, totalling Euro 32.3 million (Euro 22.6 million at June 30, 2018), in addition to a surety issued by a leading bank in guarantee of the contractual commitments related to a sponsorship contract for Euro 6.5 million.

With regards to commitments for future rental charges to be settled on contractual maturity, reference should be made to Note 43 "Guarantees given" of the consolidated financial statements at December 31, 2018 as there were no significant changes in the period.

The shares of the subsidiary Superga Trademark S.A. are subject to a pledge in favour of Intesa Sanpaolo S.p.A. in guarantee of the loan issued in April 2015 and the shares of TOS S.r.l. 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.

45. 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 amortized cost	Non-listed investments valued at cost	Book value at 30.06.2019
	Income statement	Shareholders' Equity			
Assets:					
Equity invest. & other financial assets	-	-	-	1,168	**1,168**
Interests in joint ventures	-	-	-	230	**230**
Trade receivables	-	-	79,985	-	**79,985**
Other current assets	-	-	12,374	-	**12,374**
Derivative financial instruments	-	651	-	-	**651**
Liabilities:					
Bank payables	-	-	53,308	-	**53,308**
Medium/long-term loans	-	-	46,670	-	**46,670**
Trade payables	-	-	70,620	-	**70,620**
Other current liabilities	-	-	13,956	-	**13,956**
Derivative financial instruments	-	476	-	-	**476**

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 of commodity prices relating to raw materials (wool, cotton, rubber, synthetic fibre etc.) incorporated in the finished products which BasicItalia S.p.A. acquires 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, 2019, unrealised exchange gains were recorded of Euro 285 thousand, while unrealised exchange losses were recorded of Euro 32 thousand, for a net unrealised exchange gain of Euro 253 thousand.

At the interim reporting date, 29 currency hedging operations were in place for a total of USD 14.07 million and GBP 1.8 million. The relative effects are illustrated in the account Derivative financial instruments, outlined in Note 31.

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, 2019 is shown below:

	June 30, 2019	%	June 30, 2018	%
Fixed rate	22,580	28.5%	19,886	32.3%
Variable rate	56,561	71.5%	41,705	67.7%
Gross debt	**79,141**	**100.0%**	**61,591**	**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 43.
On the remaining part of the debt, the Group is exposed to fluctuation risks.

Where at June 30, 2019 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 159 thousand and Euro -159 thousand.

Credit risk

The doubtful debt provision (Note 27) which includes provisions against specific credit positions and a general provision on an historical analysis of receivables, represents approx. 10.8% of trade receivables at June 30, 2019.

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 35).

The table below illustrates the cash flow timing of payments on medium/long-term debt.

	Book value	Future interest income/ (expense)	Contractual cash flows	Within 1 year	From 1 to 5 years	After 5 years
"BasicVillage property loan"	3,900	400	4,300	1,400	2,899	-
"BasicItalia property loan"	1,729	91	1,820	444	1,376	-
"BNL Loan"	4,375	67	4,442	1,280	3,162	-
"Banco BPM Loan"	882	6	888	507	381	-
"MPS Loan"	13,000	532	13,532	2,653	10,879	-
Kappa Europe SAS Group loans:						
- Akrea loan	200	6	206	104	102	-
- BNP loan	200	6	206	104	102	-
- Banque Populaire Atlantique loan	200	5	205	104	101	-
- BPI KFF loan	450	21	471	240	231	-
- CA loan	200	6	206	80	126	-
- CE loan	200	7	207	80	127	-
- BPI SPF loan	2,000	233	2,233	409	1,484	340
- PA loan	175	5	180	104	76	-
- Kappa Europe bank syndicate loan	1,536	37	1,573	399	1,174	-
- SG loan	200	5	205	104	101	-
- Popular loan	200	1	201	201	-	-
- KSI loan	82	3	85	30	55	-
- Intesa loan	4,000	183	4,183	863	3,319	-
Lease payables	720	15	735	433	303	-
Payables for exercise future share acquisitions	2,839	-	2,839	2,839	-	-
Payables for usage rights	17,996	993	18,989	5,387	12,658	944
Total financial liabilities	**55,084**	**2,621**	**57,507**	**17,765**	**38,655**	**1,284**

Default risk and debt covenants

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.

46. 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.

A.S. contract termination

At December 31, 2018, the following disputes between BasicItalia S.p.A., AS Roma S.p.A. and Soccer S.a.s. di Brand Management S.r.l. were pending before the Rome Court: following the unilateral termination of the technical sponsorship contract at the end of 2012, which essentially concerned the reciprocal request for image damages following the rescission, in addition to the payment of miscellaneous and other mutual amounts under the contract.

Following the negotiations in November and December 2018 to reach an amicable settlement regarding the pending cases, on January 8, 2019, BasicItalia, AS Roma and Soccer S.a.S. signed a settlement stipulating the renouncement of the cases brought regarding mutual demands on image rights, the balance of Soccer S.a.s. for prior unpaid supplies of approx. Euro 1.6 million and the payment in settlement of Euro 1.5 million by AS Roma to BasicItalia. An agreement has not yet been reached on the mutual claims on the last sponsorship instalment, subsequent to the rescission date and of a similar amount of damages from early rescission, claimed by BasicItalia and as covered by the contract.

The effects of the settlement agreement accrue to financial year 2019. An initial tranche of the consideration agreed above was received on signing the agreement and the balance is due at the end of July 2019.

Subsequent liabilities are not expected to arise for the BasicNet Group regarding the dispute in terms of that not yet agreed.

K-WAY disputes in China

The dispute with the Chinese company Taizhou Boyang, owner of the K-WAY brand in China, is in progress - began in 2018 and continuing before the Chinese authorities on two fronts: BasicNet S.p.A.'s defense of its K-WAY registration for weather-proof clothing items, subject to a cancellation request for non-use heard at the second level, and the procedures initiated by BasicNet S.p.A. against Taizhou Boyang to obtain discontinuation of the use of any K-WEY and K-WAY brands, a declaration of bad faith, in addition to the cancellation of the K-WEY and K-WAY brand registrations, previously registered by Taizhou Boyang for non-weather-proof clothing and footwear.

Tax disputes

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 2014, 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 and currently no news has been received of further actions taken by the Tax Agency on the matter.

On December 28, 2018, a tax assessment was received from the Tax Agency by the subsidiary Basic Properties America, Inc., with registered 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 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. At the beginning of the present month of July, 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.

The Group does not consider the arguments in support of that advanced by the Tax Agency as founded, considering, among the technical arguments, that the recent judgment of the Court of Cassation of December 21, 2018 clearly established that for the bringing of a case of tax inversion it is necessary that the corporate vehicle is purely artificial, an argument which is not sustainable with regards to Basic Properties America, Inc. In effect, the company was acquired by the Group in 1997 and has operated as a commercial company in the United States for a number of years and operates on the American continent with its own structure, suitable for the undertaking of sub-licensing activities and subject to tax in the United States, which is not a low-taxation country. At the end of May 2019, the Group presented an appeal against the tax assessments received by that date, together with the provisional suspension applications on the executive effects of the challenged tax assessments.

47. 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 consolidating companies, BasicItalia S.p.A., BasicRetail S.r.l., BasicVillage S.p.A., Jesus Jeans S.r.l., Basic Trademark S.A., Superga Trademark S.A., Basic Properties BV, TOS S.r.l. and Basic Air S.r.l. and its subsidiaries have adhered to the national fiscal regime as per Article 177/129 of the Income Tax Law.

The transactions with related parties for the period ended June 30, 2019 are reported below:

	Investments	Trade receivables	Trade Payables	Other Income	Costs
Interests in joint ventures:					
- Fashion S.r.l.	230	-	7	-	-
Remuneration of Boards and Senior Executives and other related parties	-	-	-	-	3,187

The remuneration concerns emoluments and all other payments, pension-related or social security deriving from the role of Director or Statutory Auditor in BasicNet S.p.A. and the other companies within the consolidation scope.
In relation to the other related parties, we highlight the legal consulting activities undertaken by Studio Legale Pavesio e Associati and by Studio Legale Cappetti, of the Director Carlo Pavesio and by Studio Boidi & Partners, in which Massimo Boido has a 35% holding and is a strategic executive in BasicWorld S.r.l. These transactions, not material compared to the overall values, were at market conditions.
The collections owned by BasicNet S.p.A., which are utilised for media events, shows, press gatherings together with the Brands and/or products of the Group, are subject to a put and call agreement with BasicWorld S.r.l.. The agreement is for a duration until July 31, 2020 and provides for an exercise price of the Call Option by BasicWorld equal to the cost incurred by BasicNet for the purchase of the Collection, as resulting from the accounting entries of BasicNet, in addition to a financial interest charge equal to the average rate applied to BasicNet at the exercise option date.

48. SUBSEQUENT EVENTS

These events are outlined in the Directors' Report.

49. CONSOB COMMUNICATION NO. DEM/6064293 OF JULY 28, 2006

In accordance with Communication DEM/6064293 of July 28, 2006, this document presents the information on the impact from the change to the consolidation scope following the acquisition of Kappa Europe Group and from the initial application of IFRS 16 on the balance sheet and financial position, on the result, and on the Group cash flow.

For the Board of Directors

The Chairman

Marco Daniele Boglione

ATTACHMENT 1
Page 1 of 2

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:					
- Basic Properties B.V.	Amsterdam (NL)	Sub-license concession of patent rights to local licensees.	EURO	18,160	100
- BasicVillage S.p.A. - Single shareholder company	Turin (Italy)	Management of the buildings at Turin - Largo M. Vitale, 1 and C.so Regio Parco, 43.	EURO	412,800	100
- BasicItalia S.p.A. single shareholder company	Turin (Italy)	Italian licensor, direct stores of BasicNet Group.	EURO	7,650,000	100
- BasicNet Asia Ltd.	Hong Kong (China)	Control activity of the licensees and sourcing centre in Asia.	HKD	10,000	100
- TOS S.r.l. single shareholder company	Turin (Italy)	Owner of the brand Sebago.	EURO	10,000	100 (1)
- Jesus Jeans S.r.l. single shareholder company	Turin (Italy)	Owner of the Jesus Jeans brand.	EURO	10,000	100
- BasicAir S.r.l. Single shareholder company	Turin (Italy)	Company owning the Cessna Citation VII aircraft	EURO	3,000,000	100
Indirectly held subsidiaries:					
– through Basic Properties B.V.					
- Basic Trademark S.A.	Luxembourg	Owner of some brands of the BasicNet Group.	EURO	1,250,000	100
- Superga Trademark S.A.	Luxembourg	Owner of the brand Superga.	EURO	500,000	100 (2)
- Basic Properties America, Inc.	Richmond (Virginia – USA)	Sub-license of the brands for the US, Canada and Mexico markets.	USD	8,469,157.77	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
- Kappa Europe SAS	Saint Herblain (France)	Holding company of a Group of Kappa brand licensees in European territories	EURO	2,426,400	61

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.

2) shares subject to pledges with voting rights at Extraordinary Shareholders' Meeting for Banca Intesa Sanpaolo S.p.A. in guarantee of the loan issued in April 2015.

ATTACHMENT 1
Page 2 of 2

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

	Registered office	Corporate purpose	Share capital		Parent company holding (%)
Indirect subsidiaries (continued):					
- through Kappa Europe SAS.					
- Kappa France SAS	Saint Herblain (France)	Kappa licensees for the territories of France, Spain, Portugal and United Kingdom	EURO	2,060,000	100
- Sport Fashion Distribution S.A.S.U.	Saint Herblain (France	Licensee of the New York Yankees and Canterbury brands	EURO	5,000	100
- SFD France S.A.S.U.	Saint Herblain (France)	Kappa Europe Group company employing the salesforce for France	EURO	5,000	100
- Sport Fashion Distribution UK Ltd	Manchester (United Kingdom)	Manages the distribution of Kappa Europe Group products in United Kingdom	LIRE STERLIN G	1	100
- Sport Fashion Licensing S.A.S.U.	Saint Herblain (France)	Kappa Europe Group company distributing products from minor license contracts or related to specific events	EURO	5,000	100
- Sport Fashion Retail S.A.R.L.	Saint Herblain (France)	Company managing the outlet in Saint Herblain	EURO	5,000	100
- Preppy Cotton S.A.	Reidermoos (Switzerland)	Kappa licensee for Switzerland for the Kappa Europe Group	EURO	101,105	100
- Publicite Decoux S.A.R.L.	Pompaire (France)	Screen printing activities and sale and hire of advertising items	EURO	13,600	26.47
- Textiles D'Artois S.A.R.L.	Haute Avesnes (France)	Company dedicated to sublimation projects on behalf of the Kappa Europe Group licensees	EURO	3,000	100
- through Kappa France SAS.					
- Kappa Sport Iberia S.L.	Madrid (Spain)	Sub-licensee for the Spanish and Portuguese territory	EURO	505,588	100

COMPANIES INCLUDED IN THE CONSOLIDATION UNDER THE EQUITY METHOD

	Registered office	Corporate purpose	Share capital		Holding (%)
- through BasicNet S.p.A.					
- Fashion S.r.l.	Turin (Italy)	Owner of the Sabelt brand under joint-venture	EURO	100,000	50 [(3)]

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

ATTACHMENT 2

DECLARATION

OF THE HALF-YEAR FINANCIAL STATEMENTS AS PER ARTICLE 81-*TER* OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999 AND SUBSEQUENT AMENDMENTS AND SUPPLEMENTS

The undersigned Marco Daniele Boglione as Executive Chairman, Federico Trono as Chief Executive Officer of BasicNet S.p.A., and Paola Bruschi as Executive Officer for Financial Reporting of BasicNet S.p.A., affirm, and also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:

- the conformity in relation to the characteristics of the company and
- the effective application of the administrative and accounting procedures for the Condensed Consolidated Half-Year Financial Statements for the period from 01/01/2019 to 30/06/2019.

No significant aspect emerged concerning the above.

We also declare that:

- the condensed half-year financial statements:
  a) were prepared in accordance with international accounting standards, recognised in the European Union pursuant to EU regulation No. 1606/2002 of the European Parliament and Council, of July 19, 2002;
  b) correspond to the underlying accounting documents and records;
  c) provide a true and fair view of the economic, balance sheet and financial situation of the Issuer and of the companies included in the consolidation;
- the Interim Directors' Report includes a reliable analysis of the significant events in the first six months of the year and their impact on the condensed half-year financial statements, with a description of the principal risks and uncertainties for the remaining six months. This Report also contains a reliable analysis of the significant operations with related parties.

Marco Daniele Boglione
Chairperson

Federico Trono
Chief Executive Officer

Paola Bruschi
Executive Officer for Financial Reporting