2014 ANNUAL REPORT

AND ACCOUNTS

DIRECTORS' REPORT

**GROUP CONSOLIDATED FINANCIAL STATEMENTS
AND EXPLANATORY NOTES**

**BASICNET S.P.A. FINANCIAL STATEMENTS
AND EXPLANATORY NOTES**

Capitale Sociale Euro 31.716.672,04 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

CONTENTS

CORPORATE BOARDS of BasicNet S.p.A.

Board of Directors

Marco Daniele Boglione	**Chairman**
Daniela Ovazza	**Vice Chairman**
Franco Spalla	**Chief Executive Officer**
Paola Bruschi Paolo Cafasso Giovanni Crespi (1) Alessandro Gabetti Davicini Adriano Marconetto (1) Carlo Pavesio Elisabetta Rolando	**Directors**

(1) Independent Directors

Remuneration Committee

Carlo Pavesio	**Chairman**
Adriano Marconetto	
Daniela Ovazza	

Control and Risks Committee

Giovanni Crespi	**Chairman**
Alessandro Gabetti Davicini	
Adriano Marconetto	

Board of Statutory Auditors

Massimo Boidi	**Chairman**
Carola Alberti Maurizio Ferrero	**Standing Auditors**
Fabio Pasquini Alessandra Vasconi	**Alternate Auditors**

Independent Audit Firm

PricewaterhouseCoopers S.p.A.

"We bring together a large number of entrepreneurs across the world for a common goal. We manage all the critical data along the supply chain. We earn service commissions for approx. one-third of the added value generated by the entire process, capitalising all the enhanced value of the trademarks from the development of sales. We achieve this through continually sourcing state-of-the-art software technologies and peerless internet integration to manage all the processes of our business".

Marco Boglione - 1999

Dear Shareholders,

For 2014 we report very strong results - both from a commercial and financial viewpoint.
The Consolidated Net Profit amounted to Euro 12.4 million and the Parent Company BasicNet S.p.A. posted a Net Profit in excess of Euro 10 million: both results have more than doubled on 2013.

The 2014 Key Financial Highlights:

- *aggregate sales* of Group products (Kappa®, Robe di Kappa®, Superga®, K-Way®, Lanzera®, AnziBesson®, Jesus® Jeans and Sabelt®) by licensees globally of Euro 446.8 million, up 12.9% on 2013;
- growth on the American (+26.9%), Middle Eastern and African (+26.9%), Asia and Oceania (+19.4%) and European (+8%) markets;
- significant development of Superga® and K-Way® sales - respectively up 51% and 28%; Kappa®; Robe di Kappa® sales up 4%;
- *consolidated royalties and sourcing commissions* of Euro 41.2 million (Euro 39.8 million in 2013);
- *sales* of the BasicItalia Italian licensee company and its subsidiaries total Euro 120 million, up 7.9% on 2013. Contribution margin on direct sales of Euro 52.6 million, up Euro 9.9 million (+23%) on 2013;
- *consolidated overhead costs* reduce 8.6% compared to 2013, benefitting from the optimisation of the operating structure in 2013;
- *EBIT* of Euro 23 million (Euro 12.2 million in 2013), increasing 87.9% on 2013;
- *consolidated pre-tax profit* of Euro 20.6 million and a *consolidated net profit* of Euro 12.4 million, up 176% on the previous year;
- *net debt* further reduces to Euro 45.6 million, from Euro 53 million at December 31, 2013 - with a *debt/equity ratio*, including property mortgages of Euro 12.9 million, of 0.56 (0.79 at December 31, 2013).

Parent Company Key Financial Highlights:

- EBIT of Euro 8.4 million (Euro 7.2 million in 2013);
- net profit of Euro 10.1 million (Euro 4.6 million in 2013), which benefitted from a significant amount of dividends from investees;
- net cash position of Euro 40.8 million, improving 34% on 2013.

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

• ***Group brand licensee aggregate sales:***	Sales by Group Brand licensees, not including sales of third party brands, for which BasicNet S.p.A. offers the "operated by BasicNet" service.
• ***EBITDA:***	"operating result before amortisation, depreciation and write-downs"
• ***EBIT:***	"operating result before financial charges and taxes";
• ***Overhead costs:***	Total of the income statement accounts: "sponsorship and media costs", "personnel costs", "selling, general and administrative expenses" and "royalties expenses".
• ***Contribution margin on sales:***	"gross margin from commercial management".
• ***Consolidated net profit:***	"Group result after taxes";
• ***Net financial debt:***	Total of consolidated current and medium/long-term financial payables, less cash and cash equivalents and other current financial assets.

2014 OPERATIONAL OVERVIEW AND EVENTS

Commercial activities

The actions taken to develop the international presence of the Brands in 2014 included:

- for the Kappa® and Robe di Kappa® brands, present in 118 countries across the world, new agreements for Costa Rica, for the distribution of underwear in France, Spain and Portugal, for the *"teamwear"* collection in the United States and Canada and, finally, for glasses in Turkey. In the initial months of 2015, agreements were signed for Chile and Paraguay and for the production and distribution in Italy of judoji Kappa4Judo. Commercial operations also focused on the renewal of expiring contracts, such as those for the major European markets, a number of Central American countries and Hong Kong. The opportunity was also taken to identify stronger performing licensees on certain markets;
- new licensing contracts were signed for the Superga® brand in Mexico, Angola, Chile, India, Indonesia, Australia, Belgium and Luxembourg, with coverage now extending to 98 countries;
- for the K-Way® brand a new licensing agreement was signed for South Korea, while in Japan the operating partner was replaced. The brand is now available in 18 markets;
- growth of 15.4% on 2013 reported for the Lanzera® brand, with the license renewed for the US last year;
- for the smaller Brands, the focus was limited to maintenance activities, principally in Italy, ahead of a more extensive development as the general market recovers.

Group brand sales points

The development of the retail channel continued with new openings by licensees of K-Way® brand stores in Europe and a number of new Superga® store openings throughout the world. The first Kappa® sales point was opened in South Africa, in Johannesburg.

At December 31, 2014, Group brand stores in Italy managed by the BasicItalia S.p.A licensee numbered 258.

Sponsorship and communication

Kappa® Brand

The Kappa® brand is historically associated with high profile sponsorships. The brand sponsors over 120 teams, of which 60 football teams, in over 30 countries and on 5 continents.

In Europe, the brand sponsors over 20 football teams in Italy, France, Germany Scandinavia and Spain. In other sports, the Kappa® brand sponsors three major Rugby clubs in France and in Eastern Europe ice hockey teams.

In Italy, communication activities were traditionally focused on - in addition to the numerous sponsorships of teams and athlete endorsements - the sponsorship of a number of national sporting federations. The partnerships which in 2014 gave the greatest visibility to the brand were those with the Italian Winter Sports Federation, which participated in February in the Sochi Winter Olympics and the Fencing Federation, involved in the World Championships which proved a great success, together with the federations representing Canoeing, Golf and Judo, Wrestling and Karate.

Football is the sport with the most sponsorships on the American continent, with the brand sponsoring 9 teams in Brazil, 4 in Mexico and 4 in Argentina. The sponsorship of the National basketball team in Argentina is also highlighted.

In Asia, deals are in place with the National football team of Oman and the National Basketball team of Singapore, in addition to numerous football teams in the United Arab Emirates, South Korea, Thailand, Malaysia and Vietnam. In the initial months of 2015, the sponsorship of the Korean Ski Association was agreed, which will boost the visibility to the Brand in the country - also as the Federation will host the next Winter Olympic Games in South Korea in 2018.

In Africa, four football teams are sponsored in South Africa, in addition to a club in Tunisia.

Finally, in Oceania, two football clubs in the Australian first division are sponsored, in addition to the National team of the Fiji Islands.

In terms of events, Kappa® in Italy sponsors the Kappa FuturFestival, which has a growing appeal in the electronic music world, welcoming thousands of young people from across the globe to Turin.

Superga® Brand

For Superga® significant co-branding initiatives were developed with well-known stylists and prestigious international clothing and footwear brands, including Versus Versace and Ops!, a Campania-based jewelry and watches brand, with capsule collections also created with the concept store AW LAB, a major Italia sporting goods store chain. Also on the communications front, the brand teamed up the London-based model Suki Waterhouse, the fashion blogger Leandra Medine, American author and creator of multi-award winning blogs such as "The Man Repeller" and the blogger Mariano Di Vaio.
For the English market, the American model Binx (Leona Walton) was chosen to showcase the 2015 collection, succeeding the previous brand ambassadors Alexa Chung, Rita Ora and Suki Waterhouse.
In February 2015, the US licensee Steve Madden presented a new "Superga® x Rodarte" co-branding, with a new collection of sneakers created in collaboration with the founders and stylists of Rodarte.

K-Way® Brand

The K-Way® Brand communications have been developed in synergy with co-branding initiatives for the creation of a broad range of capsule collections, in particular in France with the fashion house Maje, the Parisian boutique Cristian Lacroix and the concept store l'Eclaireur. The latest concern the co-branding agreement with "Size?", an English men's clothing store and in Italy, the co-branding agreement with the Rome-based leather goods brand Saddlers Union. The brand and products are a constant presence in leading international fashion, style and current affairs magazines.

In 2014, the new K-Way® collection, Le Vrai 3.0, dressed the staff of Artissima, with the brand sponsoring a new section of the major international art exhibition of Turin. K-Way® was also the sponsor of the 2014 Rally des Gazelles, category 4x4.

2014 FINANCIAL PERFORMANCE OVERVIEW

THE GROUP

BasicNet Group Key Financial Highlights

The condensed income statement for the year is reported below:

(In Euro thousands)	**FY 2014**	**FY 2013**	**Changes**
Licensee Aggregate Sales Group brands *	446,820	395,565 **	51,255
Royalties and sourcing commissions	41,202	39,806	1,396
Consolidated direct sales	120,506	111,696	8,810
EBITDA***	29,483	22,778	6,705
EBIT***	23,050	12,264	10,786
Group Net Profit	12,437	4,501	7,936
Basic earnings per share	0.2169	0.0781	0.139

* *Data not audited*

*** *The figure does not include extraordinary income stemming from the Sochi Winter Olympics for non Group brands*

*** *For the definition of the indicators reference should be made to paragraph 4 of the present Report*

Commercial and financial analysis

The breakdown of the Group brand licensee aggregate sales by geographic area is as follows:

(In Euro thousands) **Group brand licensee aggregate sales ***	**FY 2014**		**FY 2013****		**Changes**	
	Total	**%**	**Total**	**%**	**Total**	**%**
Europe	284,719	*63.72%*	263,619	*66.64%*	21,100	*8.00%*
The Americas	24,584	*5.50%*	19,378	*4.90%*	5,206	*26.87%*
Asia and Oceania	85,147	*19.06%*	71,293	*18.02%*	13,854	*19.43%*
Middle East and Africa	52,370	*11.72%*	41,275	*10.43%*	11,095	*26.88%*
Total	**446,820**	***100.00%***	**395,565**	***100.00%***	**51,255**	***12.96%***

* *Data not audited*

*** *The figure does not include extraordinary income stemming from the Sochi Winter Olympics for non-Group brands*

Aggregate Group brand sales of Euro 446.8 million increased 12.9% at like-for-like exchange rates, from Euro 395.6 million in 2013. The ongoing and intense international development of the Brands has delivered significant results across all non-European markets, with growth exceeding 22.8%. The European market overall reported growth of 8%.

Total *licensee aggregate sales*, including also *"operated by BasicNet"* brand sales, totalled Euro 449.6 million, up 18.6 million on 2013. In 2013, this result benefitted from extraordinary income stemming from the Sochi Winter Olympics and the Russian brand Bosco, for which BasicNet manages the supply chain and was sponsor, not just of the Russian Federation, but also of the Olympic event.

The sales of the main Group brands through the network of Global Licensees was as follows (in thousands of Euro):

	FY 2014		**FY 2013**		**Changes**	
Kappa e Robe di Kappa	310,495	*69.5%*	299,687	*75.8%*	10,808	*3.6%*
Superga	94,287	*21.1%*	62,447	*15.8%*	31,839	*51.0%*
K-Way	40,887	*9.2%*	31,926	*8.1%*	8,961	*28.1%*

The Kappa® and Robe di Kappa® brands, which overall represent 69% of aggregated sales, grew 3.6% on 2013, with strong performances on the South American and Middle Eastern markets; Superga®, with 21% of aggregated sales reported significant growth of 51%, spread across all territories in which it is present, although growth was particularly strong in Asia and in the European territories of Germany, UK and Turkey; finally, K-Way®, which represents 9% of aggregated sales, reported growth of 28%, principally concerning Italy, although the performances on a number of international markets have begun to take off.

As a result of increased revenues, ***consolidated royalties*** and ***souring commissions***, and therefore not including the royalties of the directly-held Italian licensees, increased to Euro 41.2 million, compared to Euro 39.8 million in the previous year.

Total sales of the investee BasicItalia S.p.A. and its subsidiaries amounted to Euro 120 million, improving 7.6% on Euro 111.4 million in 2013.

The ***contribution margin on sales*** of Euro 52.6 million compares to Euro 43 million in 2013 (+23%). The margin improved significantly from 38.2% in 2013 to 43.6% in 2014. The increase in the margin was achieved through the operations executed at the beginning of 2013, with improvements throughout the operating cycle, the launching of collections and supply chain actions and commercial policies implemented through the Group brand sales point network, whose benefits only became apparent during 2014.

Other income amounted to Euro 2 million, normalising on Euro 12.9 million in 2013, which included the signing fee of Euro 9.4 million, recognised by the South Korean licensee for the Kappa® and Robe di Kappa® brands, for the ten-year renewal of the license contract.

The actions undertaken in the second half of 2013 to optimise costs are apparent in the reduced ***overhead costs*** (-8%) compared to the previous year:

- ***sponsorship and media costs*** of Euro 15 million reduced 2.9% on the previous year;
- ***personnel costs*** reduced from Euro 19.2 million to Euro 18 million, accounting for 14.9% of revenues compared to 17.2% in 2013;
- ***selling, general and administrative costs and royalties expenses*** amounted to Euro 33.3 million compared to Euro 38.8 million in the previous year, accounting for 34.8% of revenues compared to 27.7%. The account includes the doubtful debt provision of approx. Euro 3 million, which is in line with the previous year.

EBITDA of Euro 29.5 million increased 29.4% (Euro 22.8 million in 2013).

Amortisation and depreciation amounted to Euro 6.4 million. The account includes write-downs for key money recognised to third parties on Italian sales points for Euro 655 thousand.

Consolidated EBIT of Euro 23 million rose significantly (+87.9%) on Euro 12.3 million in 2013, which included the previously mentioned signing fee of Euro 9.4 million and the provision for Euro 4.5 million for actions undertaken by the Italian subsidiaries to optimise operating efficiencies and costs.

Consolidated net financial charges, including exchange gains and losses, improved 39% compared to 2013, with reduced debt charges following both the lowering of the debt and currency gains.

Consolidated pre-tax profit of Euro 20.6 million, compared to Euro 8.4 million in 2013.

Consolidated net profit, after current and deferred taxes of approx. Euro 8.2 million, amounted to Euro 12.4 million compared to Euro 4.5 million in 2013;

Segment information

The Financial Highlights by Group segment were as follows:

- ***"Licenses and brands":*** concerns the management of the commercial licensee network and the sourcing centers by BasicNet S.p.A. and the Group company license holders.

  The segment reported increased revenues to Euro 51.8 million compared to Euro 46 million in 2013, on the basis of the performances by the licensees and the sourcing centers in the year. The EBIT totalled Euro 19.3 million, compared to Euro 24.9 million in 2013, which included income of Euro 9.4 million relating to the ten-year renewal of the South Korean license. The segment net profit was approx. Euro 12 million.

- ***"Proprietary licensees":*** comprising BasicItalia S.p.A. and its subsidiaries and subject to actions in the previous year to boost profitability, which delivered a significant improvement for the main indicators. In 2014 revenues totalled Euro 120 million compared to Euro 111 million in 2013 - with significant growth across all distribution channels - and an improved gross contribution margin on sales from Euro 43 million in 2013 to Euro 52.6 million in 2014. The sales from *plug@sell*® stores increased 3% at like-for-like consolidation scope on the previous year, with the margin increasing from 44% to 51%. These items contributed to a segment net profit of Euro 228 thousand compared to a loss of Euro 12 million in 2013, which however was impacted by non-recurring charges of Euro 4.5 million for write-downs and other provisions against the above-stated actions.

- ***"Property":*** relating to the building at Largo Maurizio Vitale 1, Turin and reporting a pre-tax profit of Euro 224 thousand compared to Euro 340 thousand in 2013, following the temporary closure of one of the rented commercial spaces, which re-opened in October. The segment income statement benefitted from the reduction of the interest rates servicing the debt.

The financial statements by segment are reported at Note 7 of the Notes to the consolidated financial statements.

Balance sheet overview

The changes in the *balance sheet* are reported below:

(In Euro thousands)	**December 31, 2014**	**December 31, 2013**	**Changes**
Property	22,854	23,572	(718)
Brands	34,189	34,204	(15)
Non-current assets	25,562	27,089	(1,527)
Current assets	115,770	118,096	(2,326)
Total Assets	**198,375**	**202,961**	**(4,586)**
Group shareholders' equity	80,711	67,615	13,096
Non-current liabilities	20,495	29,778	(9,283)
Current liabilities	97,169	105,568	(8,399)
Total liabilities and shareholders' equity	**198,375**	**202,961**	**(4,586)**

Financial position

⇒Consolidated figures

(In Euro thousands)	**December 31, 2014**	**December 31, 2013**	**Changes**
Net financial position – Short-term	(29,880)	(31,316)	1,436
Financial payables – Medium-term	(13,932)	(19,462)	5,530
Finance leases	(1,761)	(2,347)	586
Total net financial position	**(45,573)**	**(53,125)**	**7,552**
Net Debt/Equity ratio (Net financial position/Shareholders' equity)	0.56	0.79	(0.22)

⇒Parent Company BasicNet S.p.A. figures

(In Euro thousands)	**December 31, 2014**	**December 31, 2013**	**Changes**
Net financial position – Short-term	(4,663)	(3,591)	(1,072)
Financial payables – Medium-term	(2,679)	(6,603)	3,924
Finance leases	(28)	(43)	15
Financial position with third parties	**(7,370)**	**(10,237)**	**2,867**
Group financial receivables/(payables)	48,162	40,674	7,488
Financial position with the Group	**48,162**	**40,674**	**7,488**
Total net financial position	**40,792**	**30,437**	**10,355**

The movements in ***fixed assets*** relate to investments, amounting to Euro 5 million, for the development of software programmes for Euro 2.1 million, EDP and furniture and fittings for Euro 1.6 million and expenses incurred for the management of proprietary brands, goodwill and store improvements for Euro 1.3 million. The assets are depreciated for a total Euro 6.4 million.

Consolidated net debt, including medium-term loans and finance leases (Euro 1.8 million) and property loans (Euro 12.9 million), reduced from Euro 53.1 million at December 31, 2013 to Euro 45.6 million at December 31, 2014, with investments in the year of Euro 5 million and treasury share acquisitions of Euro 1.1 million.

Good ***working capital*** management saw a reduction in inventories of Euro 2 million. Trade receivables remains stable, against commercial growth of approx. 8%. Trade payables also decreased (Euro 5.6 million). Cash flow generated from operations (self-financing and change in working capital) totals approx. Euro 13.6 million, net of tax payments of Euro 5.3 million.

The ***debt/equity*** ratio at December 31, 2014 reduced to 0.56 (0.79% at December 31, 2013), including the mortgage loans on property acquired.

BasicNet reports a ***net cash position*** of Euro 40.8 million, increasing on Euro 30.4 million at December 31, 2013. Net debt to third parties reduced 28%.

The contractual covenants on medium/long term loans have been fully complied with.

THE PARENT COMPANY

BasicNet S.p.A. Key Financial Highlights

The parent company condensed income statement compared to the previous year is reported below:

(In Euro thousands)	**FY 2014**	**FY 2013**	**Changes**
Royalties and sourcing commissions	23,879	22,933	946
Direct sales and other income	8,824	8,383	441
EBITDA	10,303	8,974	1,329
EBIT	8,386	7,183	1,203
Dividends from subsidiaries	4,950	-	4,950
Net Profit	10,110	4,583	5,527

The results of the separate financial statements of the Parent Company reflect the developments of the overall activity as described within the consolidated financial statements and with specific reference to the activities undertaken on the international markets.

Royalties and sourcing commissions of Euro 23.9 million grew 4.1% on 2013.

Direct sales and other income amounted to Euro 8.8 million, up Euro 0.4 million on the previous year. Other income totalling Euro 6.8 million principally refers to payments for intercompany assistance services charged to BasicItalia S.p.A., Basic Trademark S.A., Superga Trademark S.A. and Basic Village S.p.A..

EBIT increased 16.8% to Euro 8.4 million, following amortisation and depreciation of Euro 1.9 million.

During the year, the subsidiary BasicProperties B.V. distributed dividends of Euro 4.9 million.

The application of the impairment test on the value of the investments did not result in any adjustments.

On the basis of the above items, the ***net profit*** amounted to Euro 10.1 million, after income taxes of Euro 3.2 million.

Balance sheet overview

(In Euro thousands)	**December 31, 2014**	**December 31, 2013**	**Changes**
Non-current assets	5,374	5,129	245
Brands	8,083	8,075	8
Investments	36,345	36,287	58
Current assets	66,718	64,244	2,474
Total Assets	**116,520**	**113,735**	**2,785**
Shareholders' Equity	81,908	72,849	9,059
Non-current liabilities	5,829	8,744	(2,915)
Current liabilities	28,783	32,142	(3,359)
Total liabilities and shareholders' equity	**116,520**	**113,735**	**2,785**

Medium/long-term loans include contractual clauses, specific guarantees, restrictions on shareholder control, as well as financial and balance sheet covenants. As already noted, the contractual covenants, which refer to the group consolidated figures, have been fully complied with.

The ***non-current assets*** include investments in the year, principally relating to the strategic IT sector, for approx. Euro 1.6 million, the purchase of plant and equipment for Euro 0.3 million and deferred tax assets for Euro 0.3 million. The value of tangible and intangible assets are recorded net of amortisation and depreciation for the year of approx. Euro 1.9 million.

The ***Shareholders Equity*** at December 31, 2014 amounted to Euro 81.9 million (Euro 72.8 million at December 31, 2013).

RECONCILIATION BETWEEN CONSOLIDATED NET PROFIT AND PARENT COMPANY NET PROFIT

The reconciliation at December 31, 2014 between the Parent Company net equity and result and the consolidated net equity and result is reported below.

(In Euro thousands)	**Net Profit**	**Shareholders' Equity**
Financial statements of BasicNet S.p.A.	**10,110**	**81,907**
Result and net equity of the consolidated companies	7,277	(1,196)
Elimination of the dividends received by the Parent Company	(4,950)	-
Group consolidated financial statements	**12,437**	**80,711**

THE BASICNET SHARE PRICE

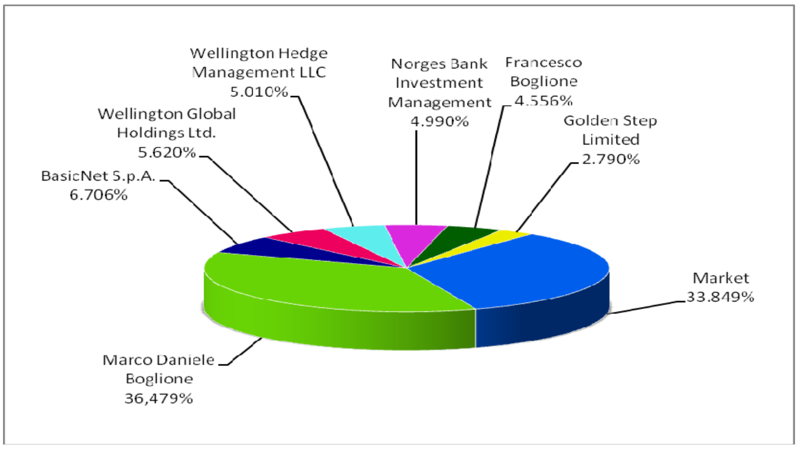
The Share Capital of BasicNet S.p.A. consists of 60,993,602 ordinary shares of a nominal value of Euro 0.52 each.

The key stock market figures for the years 2014 and 2013 are reported in the following table:

	31/12/2014	31/12/2013
SHARE PRICE INFORMATION		
Earnings per share	0.2169	0.0781
Net equity per share	1.323	1.109
Price per share/Net equity per share	1.746	2.093
Price at year-end	2.310	2.320
Maximum price in year	2.720	2.600
Minimum price in year	2.080	1.390
Market capitalisation	140,895	141,505
Total number of shares	60,993,602	60,993,602
Shares outstanding	57,330,765	57,612,315

On the basis of available information and further communications received as per Consob Regulation No. 11971/99, at the date of the present Report, the largest shareholders in the company were as follows:

Shareholder	Holding
Marco Daniele Boglione (*)	36.479%
Wellington Management Company LLP(**)	10.630%
BasicNet S.p.A.	6.706%
Norges Bank Investment Management	4.990%
Francesco Boglione	4.556%
Golden Step Ltd	2.790%
Market	33.849%



(*) Held indirectly through BasicWorld S.r.l., in which it is the largest shareholder with 90.58%, for 36.187% and for the residual 0.292% directly.
(**) Broken down between Wellington Hedge Management LLC for 5.010% and Wellington Global Holdings ltd for 5.620%.

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.

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.

Currency risk
The Group is exposed to currency risk on merchandise purchases or royalty income 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 are underwritten.
The Group does not undertake derivative financial instruments for speculative purposes.

Credit Risk
Group trade receivables derive from licensee royalty income, sourcing centre commissions billed and sales of finished products.
Royalty trade receivables are largely secured by bank guarantees, 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 franchising brand stores are settled weekly in line with sales and are of a limited insolvency risk.

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 much longer. These seasonal factors also impact upon the Group's financial cycle of the commercial operations on the domestic market.
Medium/long-term loans are subject to equity and financial clauses (covenants), which must be complied with or the loan facility may be withdrawn. The covenants have been complied with.
Short-term debt to finance working capital needs comprises "import financing" and "self-liquidating bank advances" secured by the order backlog and the export account.
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.

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 certainty 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 on legal 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 principal disputes involving the Group are described in Explanatory Note 49 of the Consolidated Financial Statements and are summarised below.

– *A.S. Roma contract termination*

The dispute was taken by BasicItalia S.p.A. against A.S. Roma S.p.A. and Soccer S.a.s. Brand Manager S.r.l., which on November 23, 2012 communicated the unilateral advance resolution of the team sponsorship, agreed with duration until June 30, 2017, for presumed non-compliance and, in particular, defects in the materials supplied. BasicItalia S.p.A., considering the reasons for the resolution unfounded, instigated an ordinary court procedure requesting compensation for significant damage incurred. A.S. Roma S.p.A. and Soccer S.a.s. appealed against the request of BasicItalia S.p.A. and counterclaimed requesting compensation for presumed damage. The proceedings are currently in the preliminary stages.

In addition, following the above termination of the contract, A.S. Roma sought to enforce payment of the surety granted by BNL S.p.A. in favour of BasicItalia S.p.A. for a maximum amount of Euro 5.5 million which guaranteed commitments undertaken by BasicItalia S.p.A. under the sponsorship agreement. Following the non-payment by BNL S.p.A., A.S. Roma petitioned the Rome Court to enforce a payment order against BNL for the full guaranteed amount. As a result of this procedure, in which BasicItalia S.p.A. (together with the parent company BasicNet S.p.A.) was joined as a party by BNL, the Rome Court, with judgement of December 7, 2013, rejected all applications by A.S. Roma, considering the enforcement illegitimate.

This sentence was not challenged by A.S. Roma and the sentence is final. On December 20, 2013, A.S. Roma again requested payment of the above-mentioned surety and, following the refusal of BNL to meet this new request, presented an appeal before the Rome Court on February 20, 2014. With judgement of December 15, 2014, the Rome Court rejected all requests made by A.S. Roma. A.S. Roma appealed against this decision before the Rome Appeals Court with subpoena dated February 10, 2015. The hearing is fixed for June 8, 2015.

Finally, we report that BasicItalia S.p.A. presented, also to the Rome Court, an injunction decree in order to attain from Soccer S.a.s. di Brand Manager S.r.l. (an A.S. Roma S.p.A. Group Group) the payment of invoices issued for the supply of technical material delivered during 2013. Following the granting of the injunction decree, Soccer S.a.s. di Brand Manager S.r.l. appealed the decision and the relative procedure, to which BasicItalia is also party. These proceedings are currently also in the preliminary stages.

– *Tax Administration Investigation*

During the first half of 2014, citations by the Tax Agency following the audit of 2012 were fomalised with the issue of tax assessments for 2009, against which settlement was made for amounts in line with that provisioned to the financial statements at December 31, 2012. The settlement enabled a reduction in penalties and payment over 12 quarterly instalments of the agreed amounts.

SUBSEQUENT EVENTS TO THE YEAR-END AND OUTLOOK

Agreements were concluded with FCA (Fiat Crysler Automobiles) for the creation of a product from the coming together of two long-standing brands: Fiat Panda and K-Way®. The Panda K-Way® was presented at the 85th International Motor Show of Geneva and will be available from May at the Italian Fiat showrooms and thereafter on all European markets. The project is behind the launching of an innovative, colourful and functional product - the core features of the K-Way® brand DNA. The new Panda K-Way® marks also a major development: a K-Way® project in collaboration with FCA. It is the first car in the world featuring the VISIBAG® foldaway safety device: a high visibility K-Way® sleeveless jacket contained in a pouch located in the car's seats.

In March, a medium-term loan of Euro 15 million, with 4 years duration and equal quarterly repayments, was agreed by BasicNet and the banking Group Intesa San Paolo. The loan was undertaken to fund Group investments and for the optimisation of the debt duration, in view of the settlement in July of the "Superga Loan". It includes a faculty for total or partial advance settlement, is not subject to covenants and will be guaranteed, as was the case for the previous "Superga Loan", by a lien on Superga Trademark S.A. shares and the changing of control protection clause.

Operating results are expected to improve in the first half of 2015 based on the order book and the forecast *royalties and sourcing commissions*. This outlook remains subject to exchange rate movements - both in terms of the depreciation of a number of central currencies and in relation to consumer confidence levels which continue to remain weak, particularly on a number of core markets.

The recent significant strengthening of the US Dollar against the Euro will benefit *royalties and sourcing commissions*, while the negative impact on product imports by the subsidiary BasicItalia are adequately hedged through forward currency operations (flexi term) executed in 2014, which cover the estimated currency requirements until the first part of 2016 not offset by cash inflows in the same currency.

* * *

PROPOSAL TO THE SHAREHOLDERS' MEETING FOR THE ALLOCATION OF THE NET PROFIT FOR THE YEAR

Financial Statements at December 31, 2014, Directors' Report. Resolutions thereon.

Dear Shareholders,

in the presentation for the approval of the Shareholders' AGM for the 2014 Financial Statements and the relative Directors' Report we propose the allocation of the net profit of Euro 10,109,631.18 as follows:

-	to the Legal reserve	Euro	505,481.56
-	to each of the 56,903,602 ordinary shares in circulation (excluding the 4,090,000 treasury shares held at March 20, 2015), a dividend of Euro 0.07 before withholding taxes for an amount of	Euro	3,983,252.14
-	to retained earnings the residual amount, equal to	Euro	5,620,897.48

The dividend will be paid from May 20, 2015, with record date of May 19, 2015 and coupon date (No. 8) of May 18, 2015.

We also propose that, if at the dividend coupon date the number of shares with dividend rights is lower than indicated above due to any share buy-backs by the company, the relative dividend will be allocated to retained earnings, as will any rounding made on payment.

The dividend, as proposed, represents a pay-out ratio of 32.3% on the consolidated net profit of Euro 12.4 million and a dividend yield at December 31, 2014 of 3.03%. The same index, based on the value per share at March 19, 2015, was 2.6% - reflecting the 23% share price increase since the beginning of the year.

Turin, March 20, 2015

for the Board of Directors

The Chairman

Signed by Mr. Marco Daniele Boglione

THE GROUP AT A GLANCE

The BasicNet Group operates in the causal and sportswear leisurewear, footwear and accessories sector principally through the brands Kappa®, Robe di Kappa®, K-Way®, Superga®, Jesus Jeans®, Lanzera®, AnziBesson® and Sabelt®. Group activities involve driving brand enhancement and product distribution through a global network of licensees. This business network is defined as the "*Network*". And from which the name BasicNet derives. The *Network* of licensees encompasses all key markets worldwide.

BasicNet S.p.A. is the parent company of the Group – with headquarters in Turin - listed on the Italian Stock Exchange.

STRENGTHS

The strengths of the Group are founded on the strategic priorities since its inception and which encompass:

1. *Brand positioning*
2. *The Business System*
3. *Web integration*

1. Brand positioning

The Basic 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.

Kappa® – PEOPLE ON THE MOVE: is a practical sportswear brand, serving active and fast-paced individuals, who in their sporting activity require highly-functional clothing, while displaying a youthful, colourful and original look. The Kappa® collections include also footwear and accessories for sport, designed to ensure peak performance. The Kappa® brand sponsors major clubs globally across a wide range of sports, in addition to many national sporting federations, particularly in Italy.

ROBE DI KAPPA® – GOOD LOOKING PEOPLE: is the brand for those who in their free-time and informal professional activity seek to wear modern, high-quality sportswear at accessible prices. The brand serves energetic, modern individuals, open to an ever-changing world.

SUPERGA® – PEOPLE'S SHOES OF ITALY: is the leisure footwear and accessories brand, designed for those seeking comfort, while demanding a fashionable, colourful and stylish look and high quality. The Superga® collections serve the needs of a wide cross-section of customers, within every age category.

exceptional waterproof clothing: classic, modern, high-technological and functional content and in a wide range of colours. In addition to the original jackets with heat-sealing zips, storable in their pouch and produced with waterproof and wind-protecting warm and breathable materials, the collections include also fashion-oriented clothing and accessories which are identically practical and functional.

is the leading jeans brand, created in 1971 by the youthful Maurizio Vitale and Oliviero Toscani.

is the football clothing and footwear brand. The brand was acquired by the Basic Group primarily as an operating platform for the introduction of the Lanzera® brand into the United States.

is the technical ski brand, dedicated to athletes demanding high quality technical-functional clothing, which maintains design excellence and top class Italian styling. The Group owns 50% of the brand and is the exclusive global licensee.

is the high-end leisure, sport and formal occasion footwear brand, emerging from the racing and automobile world. The brand is positioned in the fashion segment. Since October 2011, the Basic Group has held 50% of the fashion categories (clothing and footwear) of the brand and is also a global licensee.

2. The *Business System*

The BasicNet Group has developed around a "network" business model, targeting licensees as the ideal partner for the development, distribution and sourcing of its products globally, choosing partners which act not only as a product supplier, but as an integrated supplier of services, i.e. a business development partner.

Innovative, flexible and modular, the BasicNet Business System has enabled rapid growth, while maintaining a lean and reactive structure: a large enterprise, centred around many associated businesses on a fully web-based Network integrated IT platform and designed to maximise information flows through real-time sharing.

The Business System was drawn up and structured to develop both internal lines (new licensees and new markets) and external lines (new brands developed or acquired and new business lines).

The functioning of the Business System is very simple. The Parent Company BasicNet S.p.A. controls the strategic activities:

- product research and development;
- global marketing;
- Information Technology, i.e. the creation of new software for the online management of all supply chain processes;
- co-ordination of production and commercial activity information flows on the licensees' Network;
- strategic finance.

Licensees, according to region or goods category, distribute products to retailers, carry out local marketing, regional logistics and working capital funding.

The licensees involved in BasicNet brand finished product management (sourcing centres) apply a similar model and distribute to commercial licensees in their respective areas.

As part of the Business System development, the Group has also established a direct customer sale system, currently developed principally by the Italian licensee (BasicItalia S.p.A.), which is directly held. The retail model is based on the "*plug@sell®* " philosophy: a web-based integrated sales management system, with a platform which simply manages all daily activities at the store in real time, from orders to stock management, to accounting and training of staff (pre-opening and ongoing), through class-based and online training.

As part of the BasicItalia S.p.A. Retail project, the various brands have been developed around the three principal retail levels, through which the Group sells directly to the public in Italy:

- (LEVEL I): Brands Stores located in city centres, high streets or shopping centres with specific franchising agreements;
- (LEVEL II): Brand Outlets located in Outlet Villages;
- (LEVEL III) Discount Stores: located in "out-of-town" commercial or industrial parks.

The formats have been developed in order to ensure presence on a wide range of market segments.

3. *Web Integration*

The IT platform is one of the major strategic investments for the Group, with a high degree of focus in terms of staffing and centrality to Business System development.

This platform was designed and developed in a fully web integrated manner as the perfect communication tool between Network elements.

The Information Technology department is involved therefore in the design and rolling out of the data collation and transmission systems which link the BasicNet Network companies together and externally.

The business model therefore centres on e-processes, i.e. ".com" divisions - each of which with a production input and exchanging or negotiating with the other divisions, exclusively through the online platform.

STRUCTURE OF THE GROUP

The Basic Group comprises Italian and international operating companies within the following sectors:

- license management (Business System);
- Proprietary licensee;
- Property management.

The **Business System operating segment** includes the Parent Company BasicNet, the trademark holders of the Group, Basic Trademark S.A. , Superga Trademark S.A., AnziBesson Trademark S.r.l., Fashion S.r.l., Jesus Jeans S.r.l. the services company BasicNet Asia Ltd. in Hong Kong, Basic Properties B.V. in the Netherlands and the sub-licensee Basic Properties America, Inc. in the USA.

In addition to the operations developed directly by BasicNet S.p.A., outlined above, the activities of the other companies concern the granting of the intellectual property rights of the BasicNet Group to licensees, administrating the contracts and managing the relative revenue streams.

The **proprietary licensees** are BasicItalia S.p.A. and its subsidiaries RdK0 S.r.l and BasicOutlet S.r.l..

BasicItalia S.p.A. acts as a licensee for the usage and development of the intellectual property rights and of the products of all BasicNet brands for Italy. The company is the licensee and incubator for the testing of Group development projects.

The company holds a number of major sponsorship and merchandising contracts, some of which with international visibility, benefitting also the Group and the Network.

BasicItalia manages, through its subsidiaries, Group brand sales points within the franchising project.

Property management is carried out by Basic Village S.p.A.. The company owns the former Maglificio Calzificio Torinese production site. Restructured and preserved in 1998, the facilities house the BasicNet Group headquarters and other Group and third party activities.

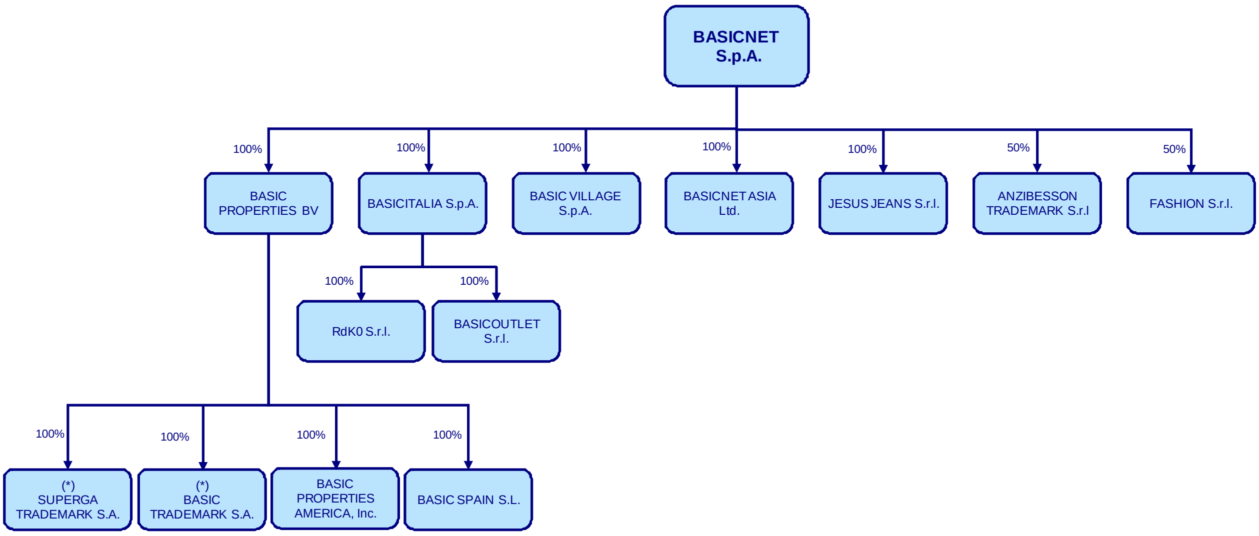
BUSINESS TARGETS

The Group objective is to extend its global leadership position through the strength of its brands.

The Group project centres on:

- the consolidation and expansion of the brands in areas with a pre-existing presence, supporting the growth of licensees through the Business System;
- extending the territorial coverage of the brands, through finding new qualified licensees - particularly for more recently acquired brands;
- the development of the *plug@sell*® shops, allowing licensees to improve market presence and to efficiently target end-consumers;
- the search for fresh investment and development opportunities on new markets.

The following chart sets out the organisational structure of the BasicNet Group:



(*) Having administrative seat in Italy

The following changes occurred in 2014 within the corporate structure and had an insignificant impact on the consolidated financial statements:

- liquidation of Spaccio S.r.l. and BasicCRS S.r.l, entirely held by BasicItalia S.p.A., non-operative;
- the acquisition by BasicNet S.p.A. of 10% of the investment in BasicItalia S.p.A. from BasicProperties B.V.; following the sale BasicNet S.p.A. wholly-owns BasicItalia S.p.A.; the operation, outside the application of IFRS 3, took place at "book values", as per OPI 1, without having an impact therefore on the consolidated financial statements, nor on the statutory financial statements of the direct parent company;
- merger by incorporation of Basic Spain S.L. into Basic Trademark S.A., with retroactive accounting effect to January 1, 2014. This inter-company transaction did not have any consolidated financial statement impacts and was executed also at "book value".

HUMAN RESOURCES

At December 31, 2014, the Group headcount was 484, as follows:

	Human resources at December 31, 2014				Human resources at December 31, 2013			
Category	Number		Average age		Number		Average age	
	Male / Female	Total	Male / Female	Average	Male / Female	Total	Male / Female	Average
Executives	16 / 8	24	46 / 50	47	12 / 8	20	49 / 49	49
Managers	1 / -	1	52 / -	52	1 / -	1	51 / -	51
White-collar	125 / 310	435	35 / 36	36	144 / 319	463	34 / 36	36
Blue-collar	15 / 9	24	44 / 42	43	15 / 13	28	43 / 42	42
Total	157 / 327	484	37 / 36	36	172 / 340	512	35 / 36	36

Source: BasicGuys.com

The reduction in employee numbers stems from normal turn-over.

The "BasicEducation" project continues to successfully train franchising employees and update the skills of Group employees, with a total of:

- 1,635 online distance training hours (without tutor);
- 1,594 classroom training hours and 667 store-based training hours;
- 553 individuals trained (employees and franchisees).

Since 2004, the Group has introduced a number of initiatives to improve the work-life balance of employees: the creation of the "*Banca-ore*" (time bank) which facilitates flexible over-time management, reversible part time for workers with small children, the "*BasicCare*" desk handling payments to employees and routine commissions and the "*BasicGym*" which organises gymnastics courses for Group employees and partners.

In February 2012, BasicNet signed a memorandum of understanding with the Turin Municipality, under which all Basic Group employees may utilise the services of TorinoFacile, the online City services provider, without therefore leaving their work station. The corporate website www.basic.net in fact allows employees to be recognised through their log-in details, without entering their tax code or other service access passwords, to request personal and civil status certificates, on their own behalf or for members of their nuclear family, or to book an appointment with the municipal technical offices.

The maintenance of workplace health and safety are values shared by all employees. In support of this commitment, the Parent Company and its subsidiaries prepared the "Risk evaluation document" in accordance with Legislative Decree No. 81/2008.

INFORMATION ON THE ENVIRONMENT

Protecting the environment represents a key factor for the competitiveness and sustainability of the Group. This respect for the environment is firstly undertaken through compliance with regulatory requirements. Through the web integration, since 1999 the Group's primary objective is to avoid the use of paper: in fact the IT platform is the only communication instrument between the elements within the Network, from procedural controls, to HR management, thus reducing paper consumption to minimal levels.

The Group also utilises a scanner archive system throughout the operating cycle, for the majority of accounting records and ledgers and payroll management.

OTHER INFORMATION

TREASURY SHARES

Under the treasury share buy-back programme, authorised by the Shareholders' AGM of April 28, 2014 and concluding at the date of the Shareholders' AGM for the approval of the 2014 Annual Accounts, the company purchased until the date of today's Board meeting 532,000 shares, amounting to 0.872% of the Share Capital. BasicNet today holds a total of 4,090,000 treasury shares (6.706% of the Share Capital), for a total investment of Euro 7.2 million.
The Company intends to continue the share buy-back programme in 2015 and proposes to the Shareholders' Meeting to renew the authorisation. The proposal is submitted in order to provide the Company with an instrument to assist current operations, allowing investment in treasury shares where stock market developments or the amount of liquidity at hand would render such beneficial, or as part of projects developed upon the strategic guidelines under which share swap opportunities are presented or within financial operations.

STOCK OPTION PLANS

At the date of the present Report there are no stock option plans.

SHARES HELD BY DIRECTORS AND STATUTORY AUDITORS

The shares held by the Directors and Statutory Auditors are reported in the Remuneration Report, available together with the documentation for the 2015 Shareholders' AGM on the website www.basicnet.com, to which reference should be made.

TRANSACTIONS WITH HOLDING COMPANIES, ASSOCIATES, OTHER INVESTMENTS AND RELATED PARTIES

The transactions with related parties are not atypical or unusual and form part of the ordinary business activities of the companies of the Group. These transactions were at normal market conditions.
The information on transactions with related parties are presented in Note 39 of the financial statements.
The operations between Group companies, which substantially involve the purchase of goods and provision of services, under normal market conditions, are not of an atypical or unusual nature, but within the normal business activities of the companies of the Group and are eliminated on consolidation.
The effects deriving from transactions between BasicNet S.p.A. and its subsidiaries are reported in the financial statements of the Parent Company and in the explanatory notes to the financial statements.
On October 29, 2010, with an update in July 2014, the Board of Directors approved the procedure for transactions with related parties, which are summarised in the Corporate Governance and Ownership Report. The procedure is also available in its full version on the internet site of the Group (www.basicnet.com in the section "Corporate Governance BasicNet").

Governance of subsidiaries outside of the European Union

In accordance with Article 39 of the Market Regulations issued by Consob, with reference to the "Conditions for the listing of the shares of holding companies and pursuant to laws of states not forming part of the European Union" as per Articles 36 and 37 of the Regulation, based on the figures of the financial statements at December 31, 2014 and in application of the significant parameters for the purposes of the consolidation, identified as per the provisions of chapter IV, paragraph II of the Issuers' Regulation: the subsidiary Basic Properties America, Inc. with registered office in Richmond (Virginia) is governed by the above-mentioned regulation. The subsidiaries with registered office in states outside of the European Union have complied with the provisions of Article 36 of the Market Regulations, and therefore the companies Basic Properties America, Inc. and BasicNet Asia Ltd, with their financial statements, By-Laws and the lists of powers of the executive boards filed at the registered office of BasicNet and available to the public. The composition of the Board of Directors of the companies is available on the website www.basicnet.com/ilgruppo/organisociali.

RESEARCH AND DEVELOPMENT

The Group research and development activity is based on two pillars:

- product research on the development of casual and leisurewear sportswear and footwear together with all the related activity, from material sourcing, creative styling and design, production specification, prototype and sample creation;
- IT research in terms of electronic data processing and transmission systems through the internet platform interconnecting Network licensees and externally, to develop all the opportunities arising concerning new technologies to speed up data transfer and therefore business efficiency.

Product research costs are expensed in the year in which they generate revenues from sales, or royalties from the relative collections.
IT development costs, mainly product development software produced by external consultants under the supervision of internal staff, are capitalised and amortised over 5 years from when the programmes become operative.

CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT

The Corporate Governance and Ownership Structure Report, hereafter summarised, is available in its full version on the Group website (www.basicnet.com in the section *"Corporate Governance BasicNet"*).

1. COMPANY PROFILE

BasicNet S.p.A. is managed by a Board of Directors, which has set up the Control and Risks Committee and the Remuneration Committee and oversight is provided by the Board of Statutory Auditors. The powers and duties of these bodies are governed by the Civil Code, by special applicable

laws and by the Company By-Laws. These Boards are elected by the Shareholders' Meeting and remain in office for three years.
The financial statements are audited by an audit firm in accordance with the provisions of law.
The Shareholders' Meetings represent all of the Shareholders who resolve, in ordinary and extraordinary session, on the matters required by law and by the Company By-Laws.
The Governance of the Company also includes the Internal Control System, the Ethics Code, as well as the assignment of executive powers and the organisational structure.

2. DISCLOSURE ON THE OWNERSHIP STRUCTURE AT MARCH 20, 2015 (as per Article 123-*bis*, paragraph 1, of the CFA)

a) Shareholders (as per Article 123-*bis*, paragraph 1, letter a), CFA)

The Share capital, fully subscribed and paid-in, amounts to Euro 31,716,673.04 and is comprised of 60,993,602 ordinary shares with a value of Euro 0.52 each.
At the date of the present Report, the Company holds 4,090,000 treasury shares, equal to 6.706% of the share capital.
The Company has not issued other financial instruments that attribute the right to subscribe to new share issues.
No share-based incentive plans have been introduced which would resulted in an increase, including through scrip issues, of the share capital.

b) Restriction on the transfer of shares (as per Article 123-*bis*, paragraph 1, letter b), CFA)

At the date of the present Report, there are no restrictions on the transfer of shares.

c) Significant holdings (as per Article 123-*bis*, paragraph 1, letter c), CFA)

Based on the communications received in accordance with Article 120 of the CFA, the Shareholder Register and the information available following communications made by Shareholders, at the date of the present Report, the shareholders with significant shareholdings are as follows:

Shareholder	Direct shareholder	Holding of ordinary share capital	Holding of voting share capital
Marco Daniele Boglione	BasicWorld s.r.l.	36.187%	36.187%
Marco Daniele Boglione	Marco Daniele Boglione	0.292%	0.292%
Total		*36.479%*	*36.479%*
BasicNet S.p.A.	BasicNet S.p.A.	6.706%	6.706%
Wellington Management Company LLP	Wellington Global Holdings Ltd	5.620%	5.620%
Wellington Management Company LLP	Wellington Hedge Management LLC	5.010%	5.010%
Total		*10.630%*	*10.630%*
Norges Bank Investment Management	Norges Bank Investment Management	4.990%	4.990%
Francesco Boglione	Francesco Boglione	4.556%	4.556%
Golden Step Ltd	Golden Step Ltd	2.790%	2.790%

d) Shares which confer special rights (as per Article 123-*bis*, paragraph 1, letter d), CFA)

There are no securities which confer special control rights.

e) Employee participation rights: method of exercise of voting rights (as per Article 123-*bis*, paragraph 1, letter e), CFA)

There is no share participation programme for employees.

f) Voting restrictions (as per Article 123-*bis*, paragraph 1, letter f), CFA)

There are no restrictions on voting rights.

g) Shareholder agreements (as per Article 123-*bis*, paragraph 1, letter g), CFA)

At the date of the present Report, there are no agreements between Shareholders.

h) Change of control clause (as per Article 123-*bis*, paragraph 1, letter h), CFA) and statutory provisions on takeovers (as per Article 104, paragraph 1-*ter* and 104-*bis*, paragraph 1).

The contractual conditions of the loans in place at the date of the present Report include typical clauses for such loans, such as the maintenance of some conditions concerning the holding of the majority shareholder of the Company.

Statutory provisions in relation to Takeovers

The Extraordinary Shareholders' Meeting of April 29, 2011 approved, among other matters, the change to Article 16 of the Company By-Laws – Powers of the Board of Directors and legal representation – in order to recognise to the Board of Directors the right to undertake, at any moment and without prior authorisation of the Shareholders' Meeting, defensive measures in the case of public offers or exchanges, pursuant to Article 104 of the CFA, as amended by Article 1 of Legislative Decree No. 146 of September 25, 2009. In particular Article 16 includes two paragraphs as follows:

- "the Board of Directors, and any Executive Boards, also have the right to undertake, without a Shareholders' Meeting authorisation, all acts and operations against the objectives of a public share or exchange offer, from the moment in which the communication in which the decision or the obligation arises to promote the offer was made public until the termination or expiry of the offer".
- "the Board of Directors, and any Executive Boards, also has the right to implement decisions, not yet implemented in full or in part and which are not within the scope of the normal activities of the company, undertaken before the communication as described above and whose implementation could negate the achievement of the objectives of the offer".

i) Power to increase the share capital and authorisation to purchase treasury shares (as per Article 123-*bis*, paragraph 1, letter a), CFA)

- Powers to increase the Share Capital

  The Board of Directors do not have powers to increase the Share Capital pursuant to Article 2443 of the Civil Code.

- Powers as per the Civil Code

  The Board of Directors do not have powers to increase the Share Capital pursuant to Article 2420-*ter* of the Civil Code.

- Authorisation of share buy-back plan

  The Shareholders' Meeting of April 28, 2014 approved, for a period of twelve months, or until the next Shareholders' AGM to approve the 2014 Annual Accounts, the authorisation to purchase and utilise a maximum number of shares, which taking into account those already held by the Company, does not exceed the limits permitted by law, for a maximum expected financial commitment of Euro 5 million. Based on this authorisation the Company, at the date of the Report, had acquired 532,000 shares, equal to 0.872% of the Share Capital. BasicNet today holds a total of 4,090,000 treasury shares (6.706% of the Share Capital), for a total investment of Euro 7.2 million.

l) Direction and co-ordination activities (as per Article 2497 of the Civil Code)
BasicNet S.p.A. is not subject to management and coordination pursuant to Article 2497 and thereafter of the Civil Code and has full authority to implement its general and operating strategies.
BasicNet S.p.A. considers that it is not subject to the management and coordination of BasicWorld S.r.l., a company which holds 36.187% of the Share Capital, as there are no rules which permit the limitation of independent decisions of BasicNet S.p.A., either in contractual form or through organisational procedures.
Pursuant to Article 2497-bis of the Civil Code the directly and indirectly held Italian subsidiaries have identified BasicNet S.p.A. as the party which exercises management and coordination of their activities. This activity involves oversight of the general strategic directives and in the definition and amendment of the Internal Governance and Control model, and the sharing of the Ethics Code adopted at Group level. In addition, the Group coordination involves the central management within BasicNet S.p.A. of the treasury, personnel, corporate, control and Information Technology services.
These activities permit both economies scale and adequate coordination and operational control.

m) Other information

It is noted that:

- the disclosures required by Article 123-bis, paragraph 1, letter 1) ("the agreements between the company and directors – which provide for indemnity in the case of dismissal without just cause or in the case in which the employment services cease after a public offer") are contained in the remuneration report pursuant to Article 123-ter of the CFA, available on the company's website www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp;
- the disclosures required by Article 123-bis, paragraph 1, letter l) of the CFA ("applicable regulations concerning the appointment and replacement of directors, in addition to the amendment of the by-laws if differing from applicable law and regulations) are illustrated in the Board of Directors section (Section 4.1).

3. COMPLIANCE (as per Article 123-bis, paragraph 2, letter a), CFA)

The Corporate Governance system adopted by BasicNet S.p.A. incorporates the rules and procedures within the Company's By-Laws and provisions of law, which outlines the system of management and control of the Company and of the Group.
This is mainly based on the principles and recommendations contained in the Self-Governance Code of listed companies issued by Borsa Italiana, available on the website Borsa Italiana (http://www.bosaitaliana.it/comitato-corporate-governance/codice/2014clean.pdf).
The Annual Report, which is published on the website www.basicnet.com/contenuti/corporate/corporategovernance.asp illustrates the Governance structure of the Group, as well as the level of compliance of the corporate governance system with the recommendations of the Self-Governance Code issued by Borsa Italiana S.p.A..
In line with Recommendation EU No. 208/2014 and paragraph IV of the "Guidelines and transitory system" of the Self-Governance Code provides facts and explanations, where any application principles or criteria were unexpected.
BasicNet S.p.A., nor its strategic subsidiaries, are subject to laws in force outside Italy which affect the corporate governance structure.

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT (as per Article 123-*bis*, paragraph 1, letter l), CFA)

The norms applied in the appointment and replacement of the Directors are in line with legislative and regulatory provisions and Article 13 of the Company By-Laws, in relation to which reference should be made to the company's website www.basicnet.com/contenuti/gruppo/statuto.asp.

The Company is administered by a Board of Directors, made up of between five and fifteen members, including non-shareholders. The Shareholders' Meeting, before their appointment, establishes the number of members of the Board of Directors and the duration of office in accordance with that permitted by law.

The procedure for appointment as per Article 13 provides:

- for filing, at the registered office of the Company, within the terms required by regulatory provisions, of the slates of candidates with indication of the shareholders presenting the candidates and the overall shareholding held, together with disclosure on the personnel and professional details of the candidates;
- that the minority shareholders that either alone, or together with other shareholders, holding voting rights not lower than that required by current regulations, will be reserved the appointment of one Director. For 2015, as in previous years, this percentage was 4.5% (Consob Resolution No. 19109 of January 28, 2015);
- that the procedure for electing the Directors shall be as follows: i) from the slate which obtained the highest number of votes, based on the progressive order with which they are listed in the slate, all the members necessary are elected to fill the number of Directors established for the Shareholders' Meeting, while ensuring the gender balance provisions are complied with, except 1; ii) from the slate which obtained in the Shareholders' Meeting the second highest number of votes one member is elected of the Board of Directors as the first candidate on this slate;
- consideration is not taken of the slates which have not obtained at least the number required by the Company By-Laws for the presentation of the slates;
- should two slates receive the same number of votes, a second vote of the entire Shareholders' Meeting is taken to decide between them with the candidate being elected through a simple majority of the votes. In the case of presentation of only one slate, or in the case of no slate presented, the Shareholders' Meeting deliberates in accordance with the statutory majority.

The Board of Directors in office was appointed by the Shareholders' Meeting of April 29, 2013.
The only proposal was presented by the shareholder BasicWorld S.r.l., holder of 36.187% of the ordinary shares.
BasicNet is not subject to other regulations, concerning the composition of the Board of Directors, other than those contained in the CFA.

Executive directors succession plans

The Board of Directors, in view of the ownership structure and the allocation of duties, decided not to adopt succession plans for any replacement of the Executive Directors. This choice may be reconsidered according to a differing breakdown of powers among the Board of Directors.

4.2. COMPOSITION (as per Article 123-*bis*, paragraph 2, letter d), CFA)

The mandate of the Board of Directors in office, appointed by the Shareholders' AGM of April 29, 2013, will conclude with the Shareholders' AGM for the approval of the 2015 Annual Accounts, and is comprised of ten members:

The Board of Directors complies with the "gender quota" of one-fifth as per Consob Regulations and Article 13 of the Company By-Laws, implementing the requirements of the regulation in 2011.
A brief curriculum vitae of the members of the Director in office, with indication of the offices held within the Group or in other listed companies or companies of significant size is listed below.
The curriculum vitaes of the Directors in office are also available on the website of the company at www.basicnet.com/contenuti/gruppo/organisocialisocieta.asp.

Marco Daniele Boglione – Director (in office since 1984)
Born in 1956, he is the Group's founder. After experience with Maglificio Calzificio Torinese S.p.A., he has been an entrepreneur since 1985.

He holds the following offices within the Group: Chairman of Basic Trademark S.A., Chairman of Superga Trademark S.A., Executive Director of Fashion S.r.l., Chairman of BasicItalia S.p.A., Chairman of Jesus Jeans S.r.l.;

He is also a Director of BasicWorld S.r.l.; Director of the Piedmont Foundation for Cancer Search; President of the Piedmont Oncological Foundation; Director of Fondazione Telecom Italia.

Daniela Ovazza – Vice Chairman – Member of the Remuneration Committee (in office since 1994)
Born in 1956, he graduated in Economics and Commerce in Turin, joining the business world in 1984.

He is a Director of TESA S.p.A; Non-Executive Director of C.L.S. S.p.A. and a Director of CGT Truck S.p.A..

Franco Spalla – Chief Executive Officer (in office since 2001)
Born in 1952, he graduated in Company Management from the University of Turin.
Between 1988 and 2001 he was the Chief Executive Officer of Fenera Holding S.p.A. and he is an Independent Director of Intek Group S.p.A., a company listed on the Milan Stock Exchange.

He holds the following offices within the Group: Chairman of Basic Properties B.V., Chairman of BasicNet Asia Ltd., Chief Executive Officer of Jesus Jeans S.r.l., Chief Executive Officer of AnziBesson Trademark S.r.l., Chief Executive Officer of Fashion S.r.l., Director of BasicItalia S.p.A., Director of Basic Properties America, Inc., Director of Superga Trademark S.A., Director of Basic Trademark S.A., Director of the Italian administrative offices of Superga Trademark S.A. and Basic Trademark S.A.;

Paola Bruschi – Director (in office since 2007)
Born in 1967, he graduated in Economics and Commerce. He has worked with BasicNet since 1993 and currently acts as the Vice President Organisation and is a member of the Supervisory Board and the Director in charge of the internal control and risk management system.
He periodically attends the presentation of case studies at the Economics and Commerce faculty of Turin, the Corporate Administration School, ISTUD courses, School of Management of the Milan Polytechnic.

Within the Group, he is a Director of BasicVillage S.p.A..

Paolo Cafasso – Director (in office since 1995)
Born in 1956, he graduated in Economics and Commerce, and qualified as a certified accountant and auditor. Between 1980 and 1994 he was an auditor with Arthur Andersen & Co., servicing the main clients in the Turin area, particularly in the industrial and commercial sector.
Since 1995 he has been an executive of BasicNet S.p.A., as the Group's Chief Financial Officer. He is the executive in charge of accounting documents.

Within the Group, he is the Chief Executive Officer of Basic Village S.p.A. and a Director of Basic Properties B.V..

Gianni Crespi – Independent Director – Chairman of the Control and Risks Committee (in office since 2007)
Born in 1959, he obtained a degree in Political Science. He began his career in the commercial publishing sector. Between 1986 and 1990 he was the assistant to the General Manager of the publishing group Fabbri, Bompiani, Sonzogno, Etas Group S.p.A. and between 1990 and 1991 the General Manager of Eurolibri Rusconi Editore S.p.A., from 1991 to 1999 Vice Chairman and General Manager of "The Walt Disney Company Italy S.p.A.", from 1999 to 2003 the Chief Executive Officer and General Manager of the Istituto Geografico De Agostini S.p.A., from 2003 to 2006 the Chairman of Rodale International and since 2008 has been the Chairman and Chief Executive Officer of Rhiag Group S.p.A..

Within the Group, he is a Director of BasicItalia S.p.A., with oversight on control and risk management of the Company.

He is also an Independent Director of Innovest S.p.A.; Director of Sirti S.p.A., Director HIIT S.p.A. and a Director of UnoPiù S.p.A.;

Alessandro Gabetti Davicini – Director – Member of the Control and Risks Committee (in office since 2010)
Born in 1965. He has acted as the General Manager of Lactalis Italia S.p.A., Strategic Development Director of the Galbani Group, General Manager of Companies within the Danone Group and as Chairman of the Board of Statutory Auditors of Big Logistica S.p.A..
Currently he is a Director of Fenera Holding S.p.A., Chief Executive Officer of Fenera Equity Investments S.r.l., Director of Tosetti Value S.r.l., Director of SDM S.r.l., Director of FDAH (Forno d'Asolo Holding) and a Sole Director Pantarei S.r.l..

Adriano Marconetto – Independent Director – Member of the Control and Risks Committee (in office since 2007)
Born in 1961, he is an entrepreneur focused in the technology start up sector. Between 1995 and 1999 he was the Marketing Director of BasicNet and subsequently the co-founder and Chairman of the Board of Directors of Vitaminic S.p.A., until 2003; between 2005 and 2012 he founded and subsequently acted as the General Manager of the company Electro Power System S.p.A. In 2012 he founded and managed the company ProxToMe, Inc.. He is involved in various non-profit activities.

Carlo Pavesio – Director – Chairman of the Remuneration Committee (in office since 1994)
Born in 1956, graduating in law and achieving a Masters of Laws (LL.M.) in 1980 at the London School of Economics. He completed an "internship" in 1980-1981 with the Economic Commission of the European community legal service in Brussels and was the "Visiting Foreign Lawyer" in 1985-1986.
He is a Senior Partner with the legal firm Pavesio and Associati, previously a partner with Allen & Overy and with Brosio Casati e Associati. His experience is principally centred on legal and non-legal questions and corporate and contractual law for Italian and foreign clients. He is specialised in M&A operations, joint ventures and corporate restructuring, in addition to generational transfer, governance and trusts.

Within the Group, he is a Director of BasicItalia S.p.A..

He is currently the Chairman of the Board of BasicWorld S.r.l., Non-Executive and Independent Director and member of the Supervisory Board of Pininfarina S.p.A., Non-Executive and Independent Director and member of the Group Investment Commission and Executive Committee of Reale Mutua Assicurazioni S.p.A., Non-Executive and Independent Director and Chairman of the Remuneration Committee of Fenera Holding S.p.A., Vice Chairman and Director of Farmaceutici Procemsa S.p.A, Director of Tosetti Value SIM S.p.A., Non-Executive and Independent Director of Italiana Assicurazioni S.p.A., Member of the Supervisory Board of the Piedmont Oncological Foundation;

Elisabetta Rolando – Director (in office since 2013)
Born in 1960, working from 1989 to 1992 as an assistant to the President of Football Sports Merchandise (S.p.A.) (now BasicNet S.p.A.), from 1994 to 1997 leading the company Mad Cap S.r.l., specialised in the production of promotional clothing and thereafter from 1997 to 1999 foreign purchases manager and promotional clients manager at Swingster Europe S.p.A. and from 1999 at the BasicNet Group as a senior manager.

Currently within the Group she holds the office of Chairman of BasicItalia and Chief Executive Officer of BasicItalia S.p.A. and Sole Director of BasicOutlet S.r.l..

Maximum number of offices held in other companies

The Board did not express an opinion on the maximum number of offices of Director or Statutory Auditor held in other listed companies (including abroad), in financial, banking and insurance companies or of a significant size which can be considered compatible with the undertaking of the office of Director, in that they consider that the assessment in relation to commitments deriving from any other offices in the afore-mentioned companies should be the remit of the shareholders on conferment of mandate and the individual members of the Board of Directors in relation to their respective availability. This assessment is carried out periodically on the appointment/renewal of the Board of Directors.
The self-assessment activities of the Board of Directors did not raise any issues in terms of the Directors having the appropriate time to discharge their duties.

Induction Programme

The Directors, in practice, have the facility to participate in meetings subsequent to their appointment and during their mandate with the Chairman and Management, in order to remain updated on corporate affairs and relevant changes. They also continually have access to financial and operational information from the BasicManagement portal.

4.3 ROLE OF THE BOARD OF DIRECTORS (as per Article 123-*bis*, paragraph 2, letter d), CFA)

The Board is invested with the widest powers deemed appropriate in order to achieve the Company's aims and objectives, with the sole exception of those that are expressly reserved for the Shareholders' Meeting by law. The Board of Directors, among other matters:

a. reviews and approves the strategic and financial plans of the Company and of the Group, defines the organisational structure of the Companies of the Group and the corporate governance system of BasicNet; The implementation of the plan is usually reviewed at the meetings called for the approval of the interim financial statements;

b. verifies the mapping of the corporate risks and their control. This activity seeks to evaluate the risk in defining the development potential of the Group; in this regard, during the Board of Directors meetings, detailed disclosure is provided on the activities carried out and upon the major operations executed by BasicNet S.p.A. and the Group companies. The Board examines from time to time significant operations carried out by the Issuer or the subsidiaries, also when such are within the powers conferred to the Chairman or the Chief Executive Officer. The following significant operations are within the remit of the Board of Directors: the acquisition and/or sale of company shares, companies, business units or brands of a value greater than Euro 3 million, the signing of sponsorship contracts with an annual cost of greater than Euro 5 million, debt operations of a value greater than 75% of the consolidated net equity, the granting of any guarantees, obligatory or secured by patronage letters (with the exception of subsidiaries) greater than Euro 2.75 million;

c. evaluates the adequacy of the organisational, administration and accounting system of the Company and of its subsidiaries with strategic importance, which has been implemented by the Executive Directors with particular reference to the internal control and risk management system. In addition to the companies holding the brands, the strategic companies are BasicItalia S.p.A., which is the Italian licensee of the Group, BasicOutlet S.r.l., which manages the Group's retail operations, Basic Village S.p.A., a property company which manages the buildings and BasicNet Asia Ltd., a company which provides services throughout Asia, principally monitoring the sourcing centre activities, and the sub-licencee company Basic Properties America, Inc.. Continuity in the composition of the Board of Directors of the companies of the Group facilitates, in fact, those functions of control, timely disclosure and coordination of instructions to the subsidiaries;

d. assigns and revokes the delegation of powers to the Executive Directors, establishing the limits and manner of exercising such power and the frequency of reporting, normally not less than three months, through which the Executive Directors must report to the Board on the activities undertaken in relation to the powers conferred, in accordance with Article 13 of the Company By-Laws;

e. evaluates the general operational performance, taking into account, in particular, the information received from executives, as well as periodically comparing the results with the budgets;

f. examines and approves the company and its subsidiaries' operations prior to being carried out, when these operations have a significant strategic, economic, or financial importance for the Company, paying particular attention to the situations in which one or more directors have an interest on their own behalf or on behalf of third parties, and, in general, transactions with related parties;

g. undertakes, at least once a year, an evaluation on the size, on the composition and on the functioning of the Board and on the Committees, expressing opinions on professional appointees to the Board;

Article 16 of the Company By-Laws attributes to the Board the powers to deliberate on the incorporation and spin-off from the Company, in the cases permitted by law, transfer of the registered office within the national territory and the setting up and closure of secondary offices, appointing legal representation among the Directors, amendments to the By-Laws as permitted by regulations, and the reduction of share capital, in the case of withdrawal of a shareholder. In addition, in accordance with the first paragraph of Article 2410 of the Civil Code, the Board of Directors may approve the issue of bonds.

In 2014 six Board meetings were held, of an average duration of one and a half hours, at which all Board members attended. The "Sales" and "Sourcing" Vice President attends the meetings to provide appropriate evaluations on matters on the Agenda.

In January 2015, the company published its financial calendar which established the days for the five Board meetings for the review of the preliminary results, the approval of the 2014 separate and consolidated financial statements and the approval of the interim results. On February 10 the first meeting was held, which reviewed the 2014 preliminary results.

The documentation concerning the matters under discussion is generally sent in advance of the meetings of the Directors and Statutory Auditors. In accordance with the Code, the Board of Directors, considering the operating dynamics of the Company and the Group, identified the period of two days as appropriate for the sending of preliminary meeting material, except in the cases of urgency and for confidentiality of information purposes.

The Control and Risks Committee, in the meeting of December 12, 2014, assessed the functioning of the Board and its Committees and presented the result of this assessment at the Board meeting of March 20, 2015. The Board of Directors, having considered the evaluations of the Control and Risks Committee, assessed the activities undertaken since its mandate, considered the continual presence of all Directors at the meetings, as well as the important contributions to the discussions, also of a professional nature and considered that the size, composition and function of the Board was appropriate to achieving the objectives of BasicNet S.p.A. and of the Group. The clarity and timeliness of the information prepared by the Chairman and the Chief Executive Officer concerning Board meetings, as well as the periodic updating on regulatory provisions and duties of the Directors, enabled the Directors to undertake their duties in a knowledgeable and informed manner. The number of Executive and Non-Executive Directors is also considered appropriate.

The Shareholders' AGM of April 29, 2013, on the appointment of the Board, permitted the Directors elected not to be restricted by a non-competitive clause, as per Article 2390 of the Civil Code, in consideration of the fact that they may cover similar offices in companies which undertake similar activities. The Directors are however requested, both on the acceptance of office and during the period of their office and thereafter, to report timely appointments in competing groups. None were issued.

4.4. EXECUTIVE BOARDS

The Board meeting of April 29, 2013 delegated:

- to the Chairman, Marco Daniele Boglione, all powers for ordinary and extraordinary administration with sole signature, within a limit of Euro 3 million for the acquisition and/or sale of quotas or shares in companies, enterprises, business units or brands, Euro 5 million with reference to the annual cost of sponsorship contracts, 75% of the consolidated net capital of the Company, in relation to financing operations and Euro 2.75 million for the granting of all secured and unsecured guarantees and patronage letters (with the exception of the subsidiary companies);
- to the CEO, Franco Spalla, all powers for ordinary and extraordinary administration with sole signature, within a limit of Euro 2 million for the acquisition and/or sale of quotas or shares in companies, enterprises, business units or brands, Euro 2 million with reference to the annual cost of sponsorship contracts, 75% of the consolidated net capital of the Company, in relation to financing operations and Euro 2 million for the granting of all secured and unsecured guarantees and patronage letters (with the exception of the subsidiary companies).

At the same meeting of April 29, 2013 the Director Paolo Cafasso was conferred, as Group Finance Director, executive powers for the administrative and financial management of the Company.

At the date of the present Report there are no interlocking directorates.[1]

Chairman of the Board of Directors

The Board Meeting of April 29, 2013 noted that the accumulation of offices of Chairman and Executive Director of Marco Daniele Boglione was justified within the Corporate Governance practice of business continuity, in that he is the founder of the Group and has always been directly involved in the activities of the Company.

As already illustrated at point 2.C of the present Report, Mr. Marco Daniele Boglione holds 22,250,000 shares equal to 36.479% of the share capital, of which 22,071,666 shares, equal to 36.187% of the share capital, indirectly through the subsidiary held 90.58%, BasicWorld S.r.l. and, directly, 178,334 shares, equal to 0.292% of the share capital.

Executive committee (as per Article 123-*bis*, paragraph 2, letter d), CFA)

The Board of Directors did not set up an Executive Committee.

Reporting to the Board

The Executive Bodies report to the Board concerning the activities carried out during the year, at least quarterly.

[1] The Self-Governance Code recommends that the chief executive officer does not undertake the position of Director with another issuer (not belonging to the same Group), where the chief executive officer is a Director of the Issuer.

4.5. OTHER EXECUTIVE DIRECTORS

In addition to the Chairman Marco Daniele Boglione, the Group's Executive Directors are the Chief Executive Officer, Franco Spalla, the Executive Directors Paolo Cafasso, Group Finance Director and Paola Bruschi, Chief Operational Officer, the Chairman of the Board of Directors of the strategic subsidiary BasicItalia S.p.A., Elisabetta Rolando and the Executive Vice Chairman of the subsidiary Basic Properties America, Inc., Maurizio Ameri and the Executive Director of BasicNet Asia Ltd., Alessandro Boglione.

4.6 INDEPENDENT DIRECTORS

The Board of Directors includes two Independent Directors: Giovanni Crespi and Adriano Marconetto.

The Board of Directors on their appointment to office and in the Board meeting of March 20, 2015 assessed the independence of the Directors Giovanni Crespi and Adriano Marconetto, both in relation to the requirements of Consob regulations and the criteria of the Self-Governance Code.
No specific meetings of the independent Directors are planned, however they may meet independently where considered necessary or beneficial at the margins of the Control and Risks Committee meetings, of which they are both members.
In accordance with the procedures for the transactions with related parties the independent Directors provide, where required, a non-binding opinion on the Board motions.
The criteria and procedures were reviewed by the Board of Statutory Auditors. For the year 2014 the Board of Statutory Auditors communicated the results of these controls in the report of the Board of Statutory Auditors to the Shareholders' AGM.

4.7 LEAD INDEPENDENT DIRECTOR

The Self-Governance Code recommends the appointment of a lead independent director by the Board of Directors where the Chairman controls the Issuer or is the main executive in charge of operations.
The Board of Directors, at the meeting of April 29, 2013, considered that the composition of the Board itself, in addition to the size and the organisational structure of the Company, permit the Chairman to execute his duties with impartiality and balance. At the meeting of December 12, 2014, the Control and Risks Committee, on the review of the corporate governance of the company, confirmed the functioning of the Board of Directors, given that the Chairman is not the only executive in charge of company management, in light of the various level of duties conferred to other Board members. In addition, the directors generally receive a flow of timely information and direct dialogue between the chairman and the independent directors is frequent.

5. HANDLING OF CORPORATE INFORMATION

The Board approved the procedure for the handling of confidential information, subsequently updated with the regulations on Market Abuse. This procedure contains the regulations for the internal management and external communication of confidential documents and information, in addition to the setting up and management, based on a specific IT procedure, of the Register for persons with access to confidential information.
Since April 1, 2006 the Internal Dealing Code of conduct has been applied which governs the procedures for disclosure to the market on operations on BasicNet S.p.A. shares by "Significant Persons" of the Group, as identified by Article 144 and thereafter of the CFA.
The procedure is available on the website: www.basicnet.com/contenuti/gruppo/internaldealing.asp.

In 2014, an internal dealing communication was published concerning operations carried out on the BasicNet share by the Director Alessandro Gabetti.

6. INTERNAL COMMITTEES TO THE BOARD (as per Article 123-*bis*, paragraph 2, letter d) CFA)

The Board meeting of April 29, 2013 appointed the Remuneration Committee and the Internal Control and Risk Committee.

The Board did not set up, as illustrated below, an Appointments Committee or other committees.

7. APPOINTMENTS COMMITTEE

In line with evaluations made in the past, the Board of Directors, also in view of the size and shareholding of the Company, did not consider it necessary to set up an Appointments Committee for the nomination of Directors, also given that, in accordance with Article 13 of the Company By-Laws, the Directors are elected through a slate voting mechanism. In addition, the Board of Directors retain that considerations on the size and composition of the Board of Directors, proposals to nominate candidates as Directors in the event of co-optation and succession planning of Executive Directors, fall within the remit of the entire Board of Directors and as such may be discussed and approved within the Board meetings.

8. REMUNERATION COMMITTEE

Composition and Operation of the Remuneration Committee (as per Article 123-*bis*, paragraph 2, letter d) CFA)

In the Board meeting of April 29, 2013 the Board appointed the Remuneration Committee composed of the Non-Executive Director Carlo Pavesio - Chairman, Daniela Ovazza, and the Non-Executive and Independent Director Adriano Marconetto.
The composition of the Committee does not comply with the Code which requires a majority of independent directors; in view of this and considering also the Related Parties Regulation, the independent Director Gianni Crespialso attends the meetings of the Remuneration Committee, expressing a consultative opinion on the issues on the Agenda.
The Chairman of the Committee, Carlo Pavesio, has knowledge and experience of remuneration policies, having held this position also in other companies.
The Board considers that the Committee adequately undertakes its duties, formulating proposals in line with the objectives and performance of the Group, considering the commitment of the individual Executive Directors. The proposals of the Committee have always been approved by the Board of Statutory Auditors, having consulted the Independent Director Gianni Crespi.

In 2014, two meetings were held. As a result of the meeting held on February 18, 2014, the Committee drew up a proposal to confirm that the Chairman of the Board of Directors would receive, for the period of his mandate, the use of a property unit called "Foresteria – loft People on the move", located within the "BasicVillage", and following the second meeting held on October 29, 2014, the Committee drew a proposal to allocate, with recognition to the income statement for the present year, a total of Euro 500 thousand as an incentive for the company's top management, to be issued on the basis of 2014 result. On February 10, 2015, the first meeting of the year was held, concerning the proposal, drawn up in light of the preliminary results presented, to grant a fixed sum remuneration for executive directors in the amounts individually reported in the column "Bonuses and other incentives" of table 1) of the Remuneration Report, in relation to which reference should be made to www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp.

The Directors do not attend the Committee meetings in which the proposals are presented to the Board relating to their remuneration.
The workings of the Committee are usually recorded by the Chairman Carlo Pavesio.
The Committee's duties include the presentation to the Board of proposals for the drawing up of a general policy for the remuneration of executive directors and senior executives, evaluating periodically, on the preparation of the annual remuneration report, the adequacy and the overall consistency and concrete application of the general policy adopted for the remuneration of directors and senior executives, referring in this latter regard to the information received from the Chief Executive Officer, monitoring the application of the decisions adopted by the Board itself, verifying in particular, where necessary, the effective achievement of the prefixed objectives.

The Committee has access to the information and departments necessary for the carrying out of its remit. The committee did not utilise external consultants and does not avail of a specific expenses budget for the execution of its duties.

9. REMUNERATION OF DIRECTORS

For further information on the present section reference should be made to the significant parts of the Remuneration Report published pursuant to Article 123-*ter* of the CFA.
On March 20, 2015, on the proposal of the Remuneration Committee, the Board, with the favourable opinion of all the Independent Directors, approved the remuneration policy of BasicNet S.p.A., which is available on the company website, with the Shareholders' Meeting documentation, at www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp.
In summary, the Shareholders' Meeting approves the annual remuneration of all Board members. The remuneration of the Directors holding specific offices and for the members of the Internal Committees of the Board is determined by the Board of Directors, pursuant to Article 2389 of the Civil Code, on the proposal of the Remuneration Committee, having consulted the Independent Director Gianni Crespi and with the favourable opinion of the Board of Statutory Auditors.
For the executive directors, the remuneration policy of the Group does not provide for the fixing of performance objectives on which variable remuneration is based. Usually additional remuneration or bonuses identified by the Board of Directors is granted, on the proposal of the Remuneration Committee, amid strong results ahead of estimates. Given the current general market conditions, this amount is established ex-post. For these reasons, it was decided not to defer the variable part, nor undertake contractual agreements which enable the company to request the repayment, in full or in part, of the variable components of remuneration paid.

The structure of the Group does not include senior managers with strategic responsibility, as defined in Attachment 1 of the Consob Related Parties Regulation. [2]
The Board establishes in addition the remuneration of the members of the Committees, of the Supervisory Board, of the Internal Auditor and of the Executive in charge in the preparation of corporate accounting documents; for these latter two positions, no incentive mechanisms are provided for.

No stock option plans have been established for Directors.

Indemnity of the directors in case of dismissal and termination of employment following a public purchase offer (as per Art. 123 *bis*, para. 1, letter i) of the CFA)

The disclosures required by Article 123-bis, paragraph 1, letter 1) ("the agreements between the company and directors – which provide for indemnity in the case of dismissal without just cause or in the case in which the employment services cease after a public offer") are contained in the remuneration report pursuant to Article 123-ter of the CFA, available on the company's website www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp.

10. CONTROL AND RISKS COMMITTEE

Composition and operation of the control and risks committee (as per Article 123-*bis*, paragraph 2, letter d) CFA)

The present Control and Risk Committee was appointed in the Board meeting of April 29, 2013. The Committee is composed of three Directors, of which two independent: Giovanni Crespi, Independent and Non-Executive Director, Alessandro Gabetti Davicini, Non-Executive Director, Adriano Marconetto, Independent and Non-Executive Director. Since July 2011 the Director Giovanni Crespi has been a member of the Board of Directors of the subsidiary BasicItalia S.p.A., with oversight on

[2]Key Management Personnel
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

control and risk management of the Company. On their appointment the Board considered that the members had adequate accounting and financial experience.
In 2014, the Committee met five times and had regular access to the corporate documents requested and principally reviewed:

- the reports prepared by the Internal Auditing and Supervision Board during 2014;
- the updating of the risk self-assessment document;
- the implementation of new procedures;
- the application of new compliance and disclosure regulations;
- the significant information relating to the company performance.

The Committee also met with the independent Audit firm to evaluate the correct application of the accounting principles and their uniformity in the preparation of the consolidated financial statements; Finally, on the conclusion of the process it assessed the results reported by the auditor.

The Committee meetings, which were all documented in company records, held for a duration of approx. 2 hours, were attended by - in addition to the Committee members - the Finance Director and Group officer responsible for financial reporting, Paolo Cafasso, the Internal Auditing Head, the Executive Director responsible for internal control, Paola Bruschi, and the Chairman of the Board of Statutory Auditors, another statutory auditor and the Chairman of the Supervisory Board.

Duties attributed to the internal control and risks committee

The Committee proposes to the Board of Directors on the appointment, revocation and remuneration of the internal audit manager, as well as on the adequacy of the resources available for these duties.
In particular, the Committee supports the Board of Directors as follows:

- evaluates, together with the executive responsible for the preparation of corporate accounting documents following the approval of the auditors and the board of statutory auditors, the correct application of the accounting principles and their uniformity in the preparation of the consolidated financial statements;
- expresses opinions on specific aspects concerning the identification of the principal corporate risks;
- examines the periodic reports, concerning the evaluation of the internal control and management of risks system and prepared by the internal audit department;
- monitors the independence, adequacy, efficacy and efficiency of the internal audit department;
- may request the internal audit department to carry out verifications on specific operational areas, simultaneously communicating such to the Chairman of the Board of Statutory Auditors;
- at least every six months, at the time of the approval of the annual and half-yearly accounts, reports to the board on the work carried out and the adequacy of the internal control system.

The Committee has access to the information and departments for undertaking their duties and may request the Board of Directors the assistance of external consultants.
The meeting of March 20, 2015 fixed a budget of Euro 40 thousand for the Committee to execute its duties.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control and risk system involves the processes that monitor the efficiency of the company operations, the reliability of the financial reporting, compliance with legislation and regulations and the protection of the company's assets.

The Board of Directors oversees the Internal Control and Risk Management system, defining the guidelines and periodically verifying the adequacy and effective functioning, ensuring that the principal corporate risks are identified and adequately managed.

The Board of Directors annually verifies the mapping of the corporate risks and their control. This activity, carried out with the support of the Director in charge of the Internal Control and Risk Management System and the Control and Risks Committee, seeks to evaluate the risk in defining the development potential of the Group. The Board has not established general numeric parameters to identify the nature and the level of risk compatible with the Group's strategic objectives, but from time to time reviews any significant operations carried out by the Issuer or the subsidiaries, also when such are within the scope of powers conferred to the Chairman or the Chief Executive Officer.

The Ethics Code, the Sourcing Centre Ethics Code and the organisational, management and control Model as per Legislative Decree 231/2001 and subsequent integrations, are an integral part of the internal control and risk management system. The rules of conduct contained in the model, continually evolving, integrate and strengthen the corporate control system through the preparation and continual updating of the related procedures.

The Internal Auditing department verifies the overall adequacy, efficiency and effectiveness of the internal control and risk management system, in particular, considering that some departments are centralised at the Parent Company, it contributes to the verification of the correctness and functioning of the reporting process with the strategic subsidiary companies, as well as the verification of the adequacy of the reporting system to ensure the quality of the reports of the various company departments.

In order to ensure oversight on the Group directives and strategies some Directors of BasicNet S.p.A. are also members of the Board of Directors of the subsidiaries.

In the evaluation of the internal control and risk management system, the Board of Directors meeting of March 20, 2015 evaluated that the Risk and Control Committee and the Board of Statutory Auditors did not report any serious issues and consider that there are no significant weaknesses within the system, especially with reference to operations of potential conflict of interest, while within a continual evolution and search for improvements, the internal control and risk management system appears to meet the needs of the Company and of the Group.

Control and risk management system in relation to the financial reporting process (as per Article 123-*bis*, paragraph 2, letter b), of the CFA)

1) Introduction

The internal control and risk management system in relation to the financial reporting process (hereafter the System) is the set of overall rules and corporate procedures adopted by the various ".com" to permit, through an adequate identification process of the principal risks related to the preparation and dissemination of financial information, the reaching of the corporate objectives of true and fair disclosure.
The System seeks to provide reasonable certainty that the financial reporting – including consolidated reporting - communicated to the public is reliable, fair, true and timely, providing the users with a true and fair representation of the operational facts, permitting the issue of the declarations required by law that they correspond to the documented results, accounting records and underlying accounting entries of the facts and of the communications of the company to the market and also relative interim financial reporting, as well as the adequacy and effective application of the administrative and accounting procedures during the period to which the accounting documents refer (Annual Accounts and Half-Year Report) and in accordance with applicable international accounting standards.
For the completion of the system, a risk assessment was undertaken in order to identify and evaluate the risk areas which could arise such as to compromise the reliability of the financial reporting. The risk assessment also took into account the risk of fraud. The identification and evaluation process was undertaken with reference to the entire company and at process level. Once the risks were identified an evaluation was undertaken, considering both qualitative and quantitative aspects and the identification of specific controls in order to reduce the risk related to the non-achievement of the objectives of the System to an acceptable level, both at Company and process level.

2) Description of the principal characteristics of the risk management and internal control system in place in relation to financial disclosure.

The System provides for:

– a set of rules and procedures for the preparation of financial statements and monthly reporting and a financial calendar for an efficient exchange of information between the Parent Company and its subsidiaries;
– a process of identification and evaluation of the principal risks of errors of the accounting and financial information, based on a control process, implemented on a company web platform with levels of protected access, which flags any errors;
– a process of periodic evaluation of the adequacy and effective application of controls, this latter monitored directly by the Executive responsible for financial reporting.

The control and prevention activity, in tandem with the provisions of the Organisation and Management Model prepared pursuant to Legislative Decree 231/2001, provides for controls related to the assignment of responsibilities, powers and delegations, through the separation of duties and assignment of different access rights to the various IT applications, authorisations, reconciliations, as well as reasonable controls.

11.1 EXECUTIVE IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Executive Director Paola Bruschi was appointed at the meeting of Aril 29, 2013 to oversee the Control and Risks Committee.

Within this role Paola Bruschi oversees the functioning of the internal control and risk management system, identifying the principal corporate risks (operational, financial and compliance), implementing the guidelines defined by the Board and supervises the planning, realisation and the management of the internal control and risk management system, constantly verifying the overall adequacy, efficiency and effectiveness, also with reference to the operating conditions and current legislative and regulatory requirements.

11.2 INTERNAL AUDIT DEPARTMENT MANAGER

The responsibility to verify the overall adequacy, efficiency and effectiveness of the internal control and risk management System was assigned to the Internal Auditing department. In particular, considering that some departments are centralised at the Parent Company, this department contributes to the verification of the correctness and functioning of the reporting process with the strategic subsidiary companies, as well as to the verification of the adequacy of the reporting system to ensure the quality of the reports of the various company departments. On appointment, the Board also determined the remuneration for this office, considered in line with the structure of the Group.

The Internal Audit manager, who does not report to any operating department, has access to all information considered necessary to carry out his role. The internal audit manager reports to the Internal Control Committee and to the Board of Statutory Auditors; in addition, he also reports to the executive director responsible for supervising the functioning of the internal control System.

The control activity is principally concentrated on monitoring the principal profitability indicators of some Group companies, through an online reporting instrument on the company's portal. This report constitutes an important monitoring instrument in real-time of the accounting activities and business performance: the data is available for each Group company and analysed by individual account item.

The Internal Auditing department was awarded to an external company which has no corporate ties to the Group. The activities were outsourced as it was considered that the head of the company, who had already undertaken similar work within the Group, had the necessary attributes to undertake such work efficiently within the Group, on an independent and professional basis.

11.3 ORGANISATIONAL MODEL pursuant to Legislative Decree 231/2001

The Ethics Code, the Sourcing Centre Ethics Code and the organisational, management and control Model as per Legislative Decree 231/2001 and subsequent supplements, are an integral part of the internal control and risk management system. The rules of conduct contained in the model, continually evolving, integrate and strengthen the corporate control system through the preparation and continual updating of the related procedures.
For the effective dissemination of the Ethics Code and of the organisation and control model these were published on the company's website www.basicnet.com/contenuti/corporate/codiceetico.asp in the area dedicated to Group employee time-keeping. The Ethics Code is presented on a video to all new employees of the Group and to all consultants.
The Board meeting of April 29, 2013 reappointed the members of the Supervisory Board, which was entrusted with the oversight of the Model and its development and reporting to the Board of Directors and Board of Statutory Auditors on a half-yearly basis.
The Board will consider requesting the Board of Statutory Auditors to execute the duties of the Supervisory Board on the conclusion of its current mandate in 2016.

11.4 INDEPENDENT AUDIT FIRM

The audit is carried out by an independent audit firm registered in the relevant registrar. The Shareholders' Meeting of April 30, 2008 appointed the audit firm PricewaterhouseCoopers S.p.A.. The appointment concludes with the approval of the 2016 Annual Accounts.

11.5 EXECUTIVE RESPONSIBLE FOR THE PREPARATION OF CORPORATE ACCOUNTING DOCUMENTS

The Board meeting of April 29, 2013 appointed, with the favourable opinion of the Board of Statutory Auditors, the Executive Officer responsible for the preparation of financial statements as the Director Mr. Paolo Cafasso, Group Finance Director. Paolo Cafasso holds many years of experience in the administrative, financial and control areas, as well as the qualifications required by law for the holding of the office of Director.

In the undertaking of his duties Mr. Paolo Cafasso has the power to approve the corporate procedures impacting upon the financial statements, on the consolidated financial statements and on other documents which may be audited, and may participate in the design of the IT systems which impact upon the financial position of the company; he may avail of an adequate organisational structure to undertake his activities, utilising internal resources available and, where necessary, outsourcing; he may also, where necessary, utilise the financial resources of the company, providing adequate information to the Board of Directors, and he may utilise the Internal Auditing department for the mapping and analysis of processes and the execution of specific controls.

11.6 COORDINATION OF THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The information generated within the internal control system called BasicManagement and risk management shared on the web in a dedicated operating control section. The meetings of the Control and Risks Committee presented an opportunity to meet and coordinate with those involved in the system.

12. DIRECTORS INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

The Board of Directors, in accordance with Consob Regulation No. 17221 of March 12, 2010 adopted, with the favourable opinion of the Independent Directors, the procedure for transactions with related parties. The procedure was subsequently updated in July 2014, principally to further develop some of the operating terms for the identification of the significance of operations.

The approval of the transactions with related parties is the responsibility of, both in relation to significant transactions, as BasicNet falls within the application of Article 3, paragraph 1, letter f) of the Related Party Regulations, and in relation to minor transactions, to the Board of Directors, or the Executive Board, provided they are not a related party in the transaction, within the limits of their delegated powers, with prior non-binding opinion of the Independent Directors.
If, for a specific related party transaction, one of those Independent Directors is not available (insofar as, for example, being related), the functions are assigned to the other Unrelated Independent Director. In the absence thereof, the functions are carried out either by the Board of Statutory Auditors or by an independent expert appointed by the Board of Directors (Appointed Party).
Should the Independent Directors or the Appointed Party, as defined above, express a dissenting opinion on a transaction falling within the powers attributed to the Executive Bodies, this shall be submitted to the Board of Directors for approval. Where the transaction exceeds the limit of the powers assigned to the Executive Bodies, it shall be submitted to the Board of Directors for approval, and shall be subject to prior and non-binding opinion of the Independent Directors. The resolutions in relation to operations not undertaken at market value or standard value and significant operations in accordance with the parameters defined by Consob Regulation are reserved for approval by the Board of Directors.
Exempted from the procedure, in addition to all the matters expressly indicated by the Related Party Regulation issued by Consob, are insignificant operations (amounts not above Euro 150 thousand), provided they are undertaken at market or standard conditions within the ordinary operations of the business and of the related financial activities; the operations concluded with or between subsidiaries, including joint ventures, by BasicNet, provided in the subsidiary companies there are no counterparties in the operation that have interests, qualified as significant, of other related parties of the Company; the operations with associates provided that the associated company counterparties in the operation do not have interests, qualified as significant, of other related parties of the Company.
Significant interest is not considered to exist by the mere sharing of one or more Directors or one or more senior management responsibilities between BasicNet and the companies of the subsidiary.
A procedure was implemented which transmits an alert mail through the "basicprocurement" order system by a related party, identified on the basis of declarations received from related parties (members of the Board of Directors and Board of Statutory Auditors).

In 2014, no resolutions were presented to the Board of Directors concerning transactions with related parties.
As outlined in the chapter concerning remuneration, the Board, with the favourable opinion of the Independent Directors and the Board of Statutory Auditors, in 2014 passed motions on two occasions concerning the remuneration of executive directors.
The procedure is available on the company's website:
www.basicnet.com/contenuti/corporate/particorrelate.asp

13. APPOINTMENT OF STATUTORY AUDITORS

The regulation applicable for the appointment of the members of the Board of Statutory Auditors is in accordance with legislative and regulatory provisions and Article 17 of the Company By-Laws, in relation to which reference should be made to the company's website www.basicnet.com at www.basicnet.com/contenuti/gruppo/statuto.asp..
The Board of Statutory Auditors consists of three standing and two alternate members.
As the minority shareholders, as identified by the legal and regulatory provisions, are reserved the election of a Statutory Auditor and an Alternate Auditor, the procedure at Article 17 of the By-Laws provides that the appointment of the Board of Statutory Auditors takes place on the basis of slates presented by Shareholders, in which the candidates are listed by progressive numbering.
The slate is composed of two sections: one for the candidates for the office of Standing Auditor and the other for candidates for the office of Alternate Auditor. The slates, with a number of candidates greater than three, must be drawn up so as to ensure that the resultant Board of Statutory Auditors complies with the applicable gender balance regulations in force.
Only shareholders which individually or together with other Shareholders hold shares with voting rights representing the share capital percentage required by the Company, which will be indicated in the call notice of the Shareholders' Meeting for the approval of the Board of Statutory Auditors, may

present slate.
Together with the filing of slates the Shareholders must present or deliver to the registered office of the company documentation declaring the ownership of the number of shares with voting rights necessary for the presentation of the slate.
Each shareholder, in addition to shareholders belonging to the same group, in accordance with Article 2359 of the Civil Code and the parties belonging to, also through subsidiaries, a shareholder agreement in accordance with Article 122 of Legislative Decree No. 58 of February 24, 1998, may not present, nor vote upon, nor through nominees of trust companies, more than one slate.
In the case of violation of this rule no consideration is taken on the vote of the shareholder on any list;
Each candidate can be presented only on one slate at the risk of being declared ineligible.
Candidates may not be included on the slates if they already hold a greater number of statutory auditor positions than permitted by the regulatory or legal provisions. The outgoing statutory auditors may be re-elected.
In accordance with Article 1, paragraph 3, of the Ministry for Justice Decree No. 162 of March 30, 2000:
the sectors closely related to those in which the company operates are:

- for the research, developments, styling, production and sale of products and services, in particular textile products, clothing, footwear, eyewear, leatherwear, sporting equipment and goods, in addition to accessories for these sectors;
- for the management and development of brands.

The areas closely related to the company's sector are:

- industrial, commercial and tax law, in addition to economics and business, accountancy and corporate finance.

The slates accompanied by exhaustive disclosure on the personal and professional characteristics of the candidates, with indication of the presenting shareholders and the overall share capital percentage held, in addition to the declaration of shareholders other than those who hold, also jointly, a controlling or relative majority holding, declaring the absence of connecting relationships as per the applicable regulations, with these latter, must be filed at the registered office of the company by the deadline established by applicable legislative and regulatory provisions.
Together with each slate, within the regulatory and legally established timeframe, a declaration in which the individual candidates accept their candidature, must be filed at the company's registered office, stating under their own responsibility, the inexistence of reasons for ineligibility and incompatibility, as well as the existence of the requisites for the respective assignments, in addition to those required for directorships held in other companies.
Slates presented that do not comply with all of the above formalities are considered as not presented.

The procedure for electing Statutory Auditors are as follows:

a. from the slate which obtained the highest number of votes in the shareholders' meeting, based on the progressive order on the slate, 2 standing members and 1 alternate member are elected;
b. from the slate which obtained the second highest number of votes at the shareholders' meeting, the remaining standing members and the other alternate member are elected, based on the progressive order on the slate.

The Chairman of the Board of Statutory Auditors is the first candidate indicated on the slate that obtained the second highest number of votes.
In the case of parity of votes between slates, the candidates from the slate having a higher equity investment are elected or, subordinately, with the greater number of shareholders.
In the case of presentation of only one slate, all candidates will be taken from that slate, with the Chairman the first listed on the slate.
Where it is not possible to proceed with the appointment according to the above system, the Shareholders' Meeting deliberates by statutory majority.
Where his/her legal requisites no longer exist, the statutory auditor must leave office.
In the case of the replacement of a statutory auditor, including the Chairman, where possible the Alternate Auditor belonging to the same slate as the discontinuing auditor joins the board and in the case of the replacement a Statutory auditor elected from the minority slate, the first candidate on the

minority slate receiving the second highest number of votes joins the board in their place. In the cases in which a replacement results in non-compliance with the legally established gender balance criteria, the Board of Statutory Auditors shall be supplemented.
For the supplementation of the Board of Statutory Auditors:
- for the supplementation of the Statutory Auditors from the majority slate the appointment is made through a relative majority of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated on the majority slate, ensuring that the composition of the Board of Statutory Auditors complies with the legally-required gender balance provisions;
- for the supplementation of the Statutory Auditors from the minority slate, including the Chairman of the Board of Statutory Auditors, the appointment is made through a relative majority of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated on the minority slate, ensuring that the composition of the Board of Statutory Auditors complies with the legally-required gender balance provisions;
- for the simultaneous supplementation of the Statutory Auditors, elected both from the majority slate and minority slate, including the Chairman of the Board of Statutory Auditors, the appointment is made through a relative majority of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated both on the majority slate and on the minority slate, of a number of Statutory Auditors equal to the number of which whose mandate concludes from the same slate, ensuring that the composition of the Board of Statutory Auditors complies with the legally-required gender balance provisions.
Where it is not possible to proceed in accordance with the previous paragraph, the Shareholders' Meeting to supplement the Board of Statutory Auditors votes according to a relative majority of the share capital represented at the Shareholders' Meeting, while ensuring that the right to representation of the minority has been complied with, in addition to the regulatory required gender balance provisions.

14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (as per Article 123-*bis*, paragraph 2, letter d) CFA)

The members of the Board of Statutory Auditors were appointed by the Shareholders' Meeting of April 29, 2013 on the basis of a single slate, filed by the shareholder BasicWorld S.r.l., holder at that date of 36.187% of the Share Capital, as no other slate was received within the time period required by the regulations by a shareholding of at least 2.25% of the voting rights.
The composition of the Board of Statutory Auditors is in line with the "gender quota" required by the new Consob regulation.

Each member of the Board of Statutory Auditors possess the good standing and professional requirements in accordance with law and the Company By-Laws. The Board of Statutory Auditors verified the independence of their members based on the criteria of the new Self-Governance Code, confirming the independence of the members in accordance with the above-mentioned code, although the Statutory Auditors are in office for over nine years.

The documentation filed for the purposes of the appointment, including the updated curriculum vitaes of the statutory auditors, is available on the website www.basicnet.com/contenuti/gruppo/organisocialisocieta.asp.
A brief curriculum vitae of the members of the Board of Statutory Auditors in office, with indication of the offices held within the Group or in other listed companies or companies of significant size is listed below.

Massimo Boidi - Chairman of the Board of Statutory Auditors (in office since 1989)

Born in 1955. Since 1981 he has acted as a Certified Accountant and since 1988 an auditor. He was a Professor at the Faculty of Economics of the Turin University for "Legal, fiscal and regulatory issues" for the level 1 Masters in Private Banking for the year 2010-2011. Since 1980, he has collaborated also with the Economic Law Institute, also at the Economics Faculty, where he continues to act as the resident expert on Commercial Law. He is a member of the Turin-Ivrea and Pinerolo Certified

Accountant Association for the four-year period 2013-2016 and the co-manager of the "231 Working Group" at the Turin-Ivrea-Pinerolo Certified Accountant Association.
He is a Director overseeing the "Corporate Controls" area of the Turin-Ivrea-Pinerolo Certified Accountant Association and since April 2013 Chairman of the Board of Directors of "Synergia Consulting Group S.r.l.", a professional alliance of 15 of the most cited Italian commercial research centres, located throughout Italy.
Since March 2015 he has been the Chairman of the Research Group in the corporate law field at the Italian Accounting Organisation.
His professional activities principally include tax and corporate consultancy, both domestically and internationally, acting as the Chairman of the Board of Statutory Auditors or as a Statutory Auditor or a member of the Supervisory Board for a number of companies.
Collaborates, in addition, with specialised sector magazines, publishing Articles relating to tax, legal, and corporate liability issues concerning companies the entities.
He has been the speaker in the same sector at a large number of conventions and research conferences.

Within the Group, he is Chairman of the Board of Statutory Auditors of BasicItalia S.p.A. and a Statutory Auditor of BasicVillage S.p.A..

He holds the position of Vice Chairman of Assofiduciaria, Chairman of the Board of Directors of Assoservizi Fiduciari S.r.l. a sole shareholder company, Chairman of the Board of Directors of Torino Fiduciaria Fiditor S.r.l., Chairman of the Board of Directors of Synergia Consulting Group s.r.l., Statutory Auditor of Autoliv Italia S.p.A. with sole shareholder, Chairman of the Board of Statutory Auditors of BasicWorld S.r.l., Chairman of the Board of Statutory Auditors of Casco Imos S.r.l. with sole shareholder, Chairman of the Board of Statutory Auditors of Consorzio Salame Piemonte, Chairman of the Board of Statutory Auditors of Consorzio per la formazione universitaria in economia aziendale, Chairman of the Board of Statutory Auditors of Db Schenker Rail Italia Srl, sole Statutory Auditor of Db Schenker Rail Italia S.r.l with sole shareholder, Chairman of the Board of Statutory Auditors of Dytech – Dynamic Fluid Technologies S.p.A. with sole shareholder, Statutory Auditor of Ecopack S.p.A., Chairman of the Board of Statutory Auditors of Ekipo S.p.A., Chairman of the Board of Statutory Auditors of Erre Esse S.p.A., Chief Executive Officer of Fidicont S.r.l., Statutory Auditor of Finpat S.p.A., Chairman of the Board of Statutory Auditors of Fondazione Stadio Filadelfia, sole statutory auditor of GJP S.r.l. with sole shareholder, Chairman of the Board of Statutory Auditors of Italcables S.p.A. in liquidation, Chairman of the Board of Statutory Auditors of Jacobacci & Partners S.p.A., Chairman of the Board of Statutory Auditors of Litmat S.p.A., Chairman of the Board of Statutory Auditors of Nuovi Investimenti S.p.A. with sole shareholder, Chairman of the Board of Statutory Auditors of Quinto S.p.A. with sole shareholder, Chairman of the Board of Statutory Auditors of Safte S.p.A., Statutory Auditor of Sangiorgio Costruzioni S.p.A., of Suzuki Italia S.p.A with sole shareholder, Chairman of the Management Board of Porsche Club Piedmont and Valle d'Aosta.

Carola Alberti – Statutory Auditor (in office since 1999)

Born in 1957, she qualified as a Certified Accountant in 1985 and as an auditor in 1990. She has been enrolled at the Court-appointed Technical Consultants register since 1997 and on the Experts' Register of the Turin Court since 1999.
Since March 1983 she has been an associate with the Studio Boidi & Partners firm in Turin.
Her professional activities concern tax and corporate consultancy, principally with companies and groups, and assistance and consultancy in the tax dispute field.
She is a Standing Auditor with a number of companies.

Within the group, she is a Statutory Auditor of BasicItalia S.p.A. and of BasicVillage S.p.A..

She holds the office of Statutory Auditor of Ekipo S.p.A., Statutory Auditor of Erre Esse S.p.A., Statutory Auditor of Italcables S.p.A. in liquidation and Statutory Auditor of BasicWorld S.r.l.

Maurizio Ferrero – Statutory Auditor (in office since 2001)

Born in 1963. Certified Accountant and Auditor and Court-appointed Technical Consultant. Chairman and member of the Board of Statutory Auditors of listed companies, of companies subject to the oversight of the Bank of Italy and companies belonging to international groups operating in the naval, automotive, engineering or metallurgical sectors. Member of the Board of Auditors of non-profit bodies. Member of the Technical-Scientific Committee for innovation of Synergia Consulting Group.

He is involved in corporate, fiscal and financial market legal consultancy for IPOs, MTBs, (Public Purchase Offers), valuations of businesses and enterprises, preparation of expert opinions, consultancy, negotiation and tax and contractual assistance in business combination operations, fiscal due diligence and accountancy in support of transactions, tax consultancy, financial statements and financial market law for mutual funds and financial brokers (SGR / SIM), tax and legal consultancy for banking and non-banking foundations and IAS tax compliance for businesses.

He holds the office of Statutory Auditor of Attività industriali Merlo S.p.A, Statutory Auditor of Blu Acquario prima S.p.A., Statutory Auditor of Erredi Invest S.p.A.; Chairman of the Board of Statutory Auditors of Fidia S.p.A., Chairman of the Board of Statutory Auditors of Flash S.p.A., Chairman of the Board of Statutory Auditors of Giugiaro Architettura & Structures S.p.A., Statutory Auditor of Ferrero S.p.A., Statutory Auditor of Ibis S.p.A., Auditor of the Istituto Superiore Mario Boella, Chairman of the Board of Statutory Auditors of Italdesign – Giugiaro S.p.A., Chairman of the Board of Statutory Auditors of Martin Bauer S.p.A., Chairman of the Board of Statutory Auditors of Torino Zerocinque Trading S.p.A..

Fabio Pasquini – Alternate Auditor (in office since 1999)

Born in 1953, he qualified as a certified accountant and auditor. He acts principally in the tax and corporate consultancy fields, both domestically and internationally, and in the tax planning field, acting as a Director and member of the Board of Statutory Auditors on a number of companies and bodies.
Expert in problem issues relating to the acquisition and sale of enterprises and companies, in addition to real estate sector consultancy.
Appointed to assist and represent contributors in tax disputes before the tax commissions.

Within the group, he is a Statutory Auditor of BasicItalia S.p.A..

He holds the office of Statutory Auditor of Autoliv Italia S.p.A. with sole shareholder, Statutory Auditor and Member of the Supervisory Board of Cassa di Risparmio in Bologna S.p.A., Member of the Supervisory Board of Eurocons SCARL, Chairman of the Supervisory Board of Eurofidi – Società Consortile di Garanzia Collettiva FIDI S.C.P.A., Sole Statutory Auditor of Immobiliare Savoia S.r.l., Statutory Auditor of Jacobacci & Partners S.p.A., Chairman of the Board of Directors of Fidicont S.r.l., Sole Director of Quintana Immobiliare S.r.l., Chairman of the Board of Statutory Auditors of Sangiorgio Costruzioni S.p.A., Statutory Auditor of Michelin Italiana S.p.A., Statutory Auditor of Tipo S.r.l., Chief Executive Officer of Torino Fiduciaria Fiditor S.r.l.

He has also acted as a Director and/or Statutory Auditor at a number of companies and bodies, including: Finpiemonte S.p.A., Compagnia di San Paolo, Intesa Sanpaolo S.p.A., Mediafactoring S.p.A. and the Committee for the Organisation of the XX Winter Olympic Games, Turin 2006.

Alessandra Vasconi – Alternate Auditor (in office since 2010)

Born in 1965, she qualified as a Certified Accountant in 1992 and as an auditor in 1995.
His professional activities principally include corporate consultancy (ordinary and extraordinary corporate operations), accountancy (preparation of financial statements of companies and groups) and fiscal related (consultancy and assistance with regard to direct and indirect taxation) for companies and bodies, both privately and publicly held. He provides assistance and consultancy in the field of tax disputes.

He is a Statutory Auditor of F.I.R.A.D. S.p.A..

The Statutory Auditors, within their duties, acquired information also through meetings with the independent audit firm, with the Supervisory Board and through attending the Control and Risks Committee meetings.

The Statutory Auditors may participate in meetings subsequent to their appointment and during their mandate with the Chairman and Management, in order to remain updated on corporate affairs and developments. They also continually have access to financial and operational information from the BasicManagement portal.

The Statutory Auditor who, on his/her own behalf or that of third parties, has an interest in a determined transaction of the issuer informs the other statutory auditors and the Chairman of the Board, in a timely and comprehensive manner, regarding the nature, terms, origin and extent of his/her interest. This event however has never occurred.

As already indicated in the preceding paragraphs, the Board of Statutory Auditors, in undertaking its activities, liases with the Internal Auditing department and the Control and Risks Committee.

15. RELATIONS WITH SHAREHOLDERS

The Chairman and Chief Executive Officer, who also undertakes the role of Investor Relator, actively undertakes dialogue with the shareholders, as well as with the institutional investors.
In addition, since its stock market listing, the dialogue with investors was further encouraged through an adequate updating of the contents on the internet site of the Company www.basicnet.com, which includes information of a financial/economic nature (annual reports, half-year and quarterly reports, share price information), and updated documents for all of the shareholders (composition of corporate boards, Company By-Laws and Shareholder Meeting Regulations, Corporate Governance Report, Ethics Code, Group organisation structure and its activities), as well as reports prepared for the Shareholders Meetings. The press releases relating to the Brands and Companies of the Group, as well as the Chairman Marco Daniele Boglione and the Chief Executive Officer Franco Spalla are also available.

16. SHAREHOLDERS' MEETINGS (as per Article 123-*bis*, paragraph 2, letter c), CFA)

The shareholders' meetings provide opportunities to meet and communicate with the shareholders. During the Shareholders' Meetings the Chairman and the Chief Executive Officer provide the Shareholders with all the necessary information for the undertaking of resolutions.
The Ordinary Shareholders' Meetings undertake their duties in accordance with Article 2364 of the Civil Code and the Extraordinary Shareholders' Meetings in accordance with Article 2365 of the Civil Code.
In accordance with Article 2365, paragraph 2 of the Civil Code, the Board of Directors was conferred the following duties:

- resolutions, in accordance with Articles 2505 and 2505-*bis* of the Civil Code, concerning the merger by incorporation of one or more companies in which all shares or in which at least 90% of all shares are held;
- the opening and closing of secondary offices;
- indication of which Directors may represent the company;
- modify the company By-laws in compliance with law;
- the reduction of the share capital in the case of return of shares by shareholders;
- the transfer of the registered office in the national territory.

In accordance with Article 2410, first paragraph of the Civil Code, any issue of bonds is decided by the Directors.
The Board of Directors, and any Executive Boards, also have the right to undertake, without a Shareholders' Meeting authorisation, all acts and operations against the objectives of a public share or exchange offer, from the moment in which the communication in which the decision or the obligation arises to promote the offer was made public until the termination or expiry of the offer.
The Board of Directors, and any Executive Boards, also has the right to implement decisions, not yet implemented in full or in part and which are not within the scope of the normal activities of the company, undertaken before the communication as described above and whose implementation could

negate the achievement of the objectives of the offer. The Shareholders' Meeting (June 30, 2000, and for supplementation and/or modifications subsequently on April 30, 2011) approved the Shareholders' Meetings Regulations in order to permit the orderly functioning of the meetings and to guarantee the right of each shareholder to take the floor on matters under discussion. The Shareholders' Meeting regulations are available on the Company website www.basicnet.com/contenuti/gruppo/regolamento.asp.

As per Article 2 of the Shareholder' Meeting Regulation, those holding shares in accordance with applicable legislation and the by-laws, or their proxies or representatives, may attend and speak at the Shareholders' Meetings. Proof of personal identity is required for attendance at the Shareholders' Meeting. Unless otherwise indicated in the Call Notice, the personal identification and the verification of the right to attend takes place at the location of the Shareholders' Meeting at least one hour before the time fixed for the meeting.

Attendees are assured the possibility to follow and take part in the discussion and to exercise their right to vote using the technical methods established on each occasion by the Chairman: usually time is allowed for contributions be shareholders after the presentation of each matter on the Agenda.

All Directors generally attend the Shareholders' Meetings. The Board of Directors is available to Shareholders to provide the necessary information for the undertaking of fully informed decisions.

During the year there were no significant changes in the shareholders structure of the Issuer.

17. FURTHER CORPORATE GOVERNANCE PRACTICES (as per Article 123-*bis*, paragraph 2, letter a), CFA)

There are no corporate governance practices further to those indicated in the previous points applied by the Issuer, other than those required by legislation and regulation.

18. CHANGES SUBSEQUENT TO THE YEAR-END

There were no changes after the year-end.

For the Board of Directors

The Chairman

Signed by Mr. Marco Daniele Boglione

CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES OF THE BASICNET GROUP AT DECEMBER 31, 2014

CONSOLIDATED 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 46.

The 2013 comparative figures were restated following the application of IFRS 11 Joint Arrangements, under which joint ventures previously consolidated proportionally are valued at equity. The effects of the restatements, entirely insignificant, are highlighted in the Explanatory Notes, Note 3 – Financial statements – Restatement of the comparative figures.

BASICNET GROUP CONSOLIDATED INCOME STATEMENT

(In Euro thousands)

		FY 2014		**FY 2013 (restated)**		**Changes**	
	Note		%		%		%
Consolidated direct sales	*(8)*	120,506	*100.00*	111,696	*100.00*	8,810	*7.89*
Cost of sales	*(9)*	(67,912)	*(56.36)*	(69,008)	*(61.78)*	1,096	*1.59*
GROSS MARGIN		**52,594**	***43.64***	**42,688**	***38.22***	**9,906**	***23.21***
Royalties and sourcing commissions	*(10)*	41,202	*34.19*	39,806	*35.64*	1,396	*3.51*
Other income	*(11)*	2,019	*1.68*	12,867	*11.52*	(10,848)	*(84.31)*
Sponsorship and media costs	*(12)*	(15,018)	*(12.46)*	(14,599)	*(13.07)*	(419)	*(2.87)*
Personnel costs	*(13)*	(17,974)	*(14.92)*	(19,161)	*(17.15)*	1,187	*6.19*
Selling, general and administrative costs, royalties expenses	*(14)*	(33,340)	*(27.67)*	(38,823)	*(34.76)*	5,483	*14.12*
Amortisation & Depreciation	*(15)*	(6,433)	*(5.34)*	(6,014)	*(5.38)*	(419)	*(6.97)*
Write-downs and other provisions	*(16)*	-	-	(4,500)	*(4.03)*	4,500	*100.00*
EBIT		**23,050**	***19.13***	**12,264**	***10.98***	**10,786**	***87.95***
Net financial income (charges)	*(17)*	(2,342)	*(1.94)*	(3,847)	*(3.44)*	1,505	*39.12*
Share of profit/(loss) of investments valued at equity	*(18)*	(65)	*(0.05)*	(37)	*(0.03)*	(28)	*75.68*
PROFIT BEFORE TAXES		**20,643**	***17.13***	**8,380**	***7.50***	**12,263**	***146.34***
Income taxes	*(19)*	(8,206)	*(6.81)*	(3,879)	*(3.47)*	(4,327)	*(111.55)*
NET PROFIT		**12,437**	***10.32***	**4,501**	***4.03***	**7,936**	***176.32***
Of which:							
- **Group**		**12,437**	***10.32***	**4,501**	***4.03***	**7,936**	***176.32***
- **Minority interests**		-	-	-	-	-	-
Earnings per share	*(20)*						
- **basic**		**0.2169**		**0.0781**		**0.139**	***177.98***
- **diluted**		**0.2169**		**0.0781**		**0.139**	**177.98**

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

The "Comprehensive Income Statement" is reported below, prepared in accordance with IAS 1 Revised. The statement shows the effects that would occur on the consolidated net result if the accounts that are recorded directly under equity, as required and permitted by IFRS, were instead recorded through the income statement.

(In Euro thousands)

	Note	**FY 2014**	**FY 2013 (restated)**
Profit for the year (A)		**12,437**	**4,501**
Effective portion of the Gains/(losses) on cash flow hedges		1,576	727
Re-measurement of post-employment benefits (IAS 19) (*)		(96)	97
Gains/(losses) from translation of accounts of foreign subsidiaries		696	(8)
Tax effect on other profits/(losses)		(407)	(226)
Total other gains/(losses), net of tax effect (B)	*(33)*	**1,769**	**590**
Total Comprehensive Profit (A)+(B)		**14,206**	**5,091**
Total Comprehensive Profit attributable to:			
– Shareholders of BasicNet S.p.A.		14,206	5,091
- Minority interests		-	-

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

BASICNET GROUP CONSOLIDATED BALANCE SHEET

(In Euro thousands)

ASSETS	*Note*	December 31, 2014	December 31, 2013 (restated)
Intangible assets	*(21)*	41,184	40,953
Goodwill	*(22)*	10,516	10,675
Property, plant and equipment	*(23)*	30,183	31,688
Equity invest. & other financial assets	*(24)*	297	386
Interests in joint ventures	*(25)*	399	428
Deferred tax assets	*(26)*	26	735
Total non-current assets		**82,605**	**84,865**
Net inventories	*(27)*	46,297	48,269
Trade receivables	*(28)*	43,928	43,686
Other current assets	*(29)*	13,505	12,751
Prepayments	*(30)*	6,844	6,903
Cash and cash equivalents	*(31)*	4,014	6,487
Derivative financial instruments	*(32)*	1,182	-
Total current assets		**115,770**	**118,096**
TOTAL ASSETS		**198,375**	**202,961**

LIABILITIES	*Note*	December 31, 2014	December 31, 2013 (restated)
Share capital		31,717	31,717
Reserve for treasury shares in portfolio		(6,875)	(5,765)
Other reserves		43,432	37,162
Net Profit		12,437	4,501
Minority interests		-	-
TOTAL SHAREHOLDERS' EQUITY	*(33)*	**80,711**	**67,615**
Provisions for risks and charges	*(34)*	43	4,413
Loans	*(35)*	15,692	21,809
Employee and Director benefits	*(36)*	3,573	2,886
Other non-current liabilities	*(37)*	1,187	670
Total non-current liabilities		**20,495**	**29,778**
Bank payables	*(38)*	33,894	37,803
Trade payables	*(39)*	30,142	35,725
Tax payables	*(40)*	22,165	20,061
Other current liabilities	*(41)*	7,475	7,996
Accrued expenses	*(42)*	1,848	1,946
Derivative financial instruments	*(43)*	1,645	2,037
Total current liabilities		**97,169**	**105,568**
TOTAL LIABILITIES		**117,664**	**135,346**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**198,375**	**202,961**

CONSOLIDATED CASH FLOW STATEMENT OF THE BASICNET GROUP

(In Euro thousands)

	December 31, 2014	December 31, 2013 (restated)
A) OPENING SHORT-TERM BANK DEBT	**(25,191)**	**(36,371)**
B) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit	12,437	4,501
Amortisation & Depreciation	6,433	6,014
Result of companies valued under the equity method	65	37
Write-downs and other provisions	-	4,500
Changes in working capital:		
. (Increase) decrease in trade receivables	(243)	1,011
. (Increase) decrease in inventories	1,972	3,869
. (Increase) decrease in other receivables	614	(166)
. Increase (decrease) in trade payables	(5,584)	(4,221)
. Increase (decrease) in other payables	(2,365)	512
Net change in post-employment benefits	(184)	(187)
Others, net	466	(211)
	13,611	**15,659**
C) CASH FLOW FROM INVESTING ACTIVITIES		
Investments in fixed assets:		
- tangible assets	(1,516)	(2,615)
- intangible assets	(3,526)	(5,204)
- financial assets	-	-
Realisable value for fixed asset disposals:		
- tangible assets	32	97
- intangible assets	11	172
- financial assets	52	265
	(4,947)	**(7,285)**
D) CASH FLOW FROM FINANCING ACTIVITIES		
Lease contracts (repayments)	(587)	131
Loan repayments	(6,125)	(4,517)
Conversion of short-term credit lines	-	7,500
Acquisition of treasury shares	(1,110)	(308)
Dividend payments	-	-
	(7,822)	**2,806**
E) CASH FLOW IN THE YEAR	**842**	**11,180**
F) CLOSING SHORT-TERM BANK DEBT	**(24,349)**	**(25,191)**

Interest paid for the year amounts to respectively Euro 3.1 million in 2014 and Euro 3.2 million in 2013, while income taxes paid in the year amount respectively to Euro 1.3 million in 2014 and Euro 1.5 million in 2013.

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(In Euro thousands)

	Share Capital	Treasury shares	Retained earnings	Translation reserve	IAS 19 reserve	Cash Flow Hedge	Net Result	Group net equity
Balance at December 31, 2012	**31,717**	**(5,457)**	**55,666**	**338**	**(264)**	**(2,002)**	**(17,166)**	**62,832**
Allocation of result as per Shareholders' AGM resolution of April 29, 2013								
- Retained earnings		-	(17,166)	-	-	-	17,166	-
Acquisition of treasury shares		(308)	-	-	-	-	-	**(308)**
2013 Result		-	-	-	-	-	4,501	**4,501**
Other comprehensive income statement items:								
- Gains/(losses) recorded directly to translation reserve		-	-	(8)	-	-	-	**(8)**
- Gains/(losses) recorded directly to equity for IAS 19 re-measurement		-	-	-	70	-	-	**70**
- Gains recorded directly to cash flow hedge reserve		-	-	-	-	528	-	**528**
Total comprehensive income statement		-	-	*(8)*	*70*	*528*	*4,501*	*(5,091)*
Balance at December 31, 2013	**31,717**	**(5,765)**	**38,500**	**330**	**(194)**	**(1,474)**	**4,501**	**67,615**
Allocation of result as per Shareholders' AGM resolution of April 29, 2013								
- Retained earnings		-	4,501	-	-	-	(4,501)	-
- Distribution of dividends		-	-	-	-	-	-	-
Acquisition of treasury shares		(1,110)	-	-	-	-	-	**(1,110)**
2014 Result		-	-	-	-	-	12,437	**12,437**
Other comprehensive income statement items:								
- Gains/(losses) recorded directly to translation reserve		-	-	696	-	-	-	**696**
- Gains/(losses) recorded directly to equity for IAS 19 re-measurement		-	-	-	(69)	-	-	**(69)**
- Gains recorded directly to cash flow hedge reserve		-	-	-	-	1,142	-	**1,142**
Total comprehensive income statement		-	-	*696*	*(69)*	*1,142*	*12,437*	*14,206*
Balance at December 31, 2014	**31,717**	**(6,875)**	**43,001**	**1,026**	**(263)**	**(332)**	**12,437**	**80,711**

CONSOLIDATED NET FINANCIAL POSITION

(In Euro thousands)

	December 31, 2014	December 31, 2013 (restated)
Cash and cash equivalents	4,014	6,487
Bank overdrafts and bills	(12,277)	(13,887)
Import advances	(16,086)	(17,791)
Sub-total net liquidity available	*(24,349)*	*(25,191)*
Short-term portion of medium/long-term loans	(5,531)	(6,125)
Short-term net financial position	**(29,880)**	**(31,316)**
"Superga" medium/long term loan	-	(1,781)
Basic Village property loan	(8,100)	(9,300)
BasicItalia property loan	(3,153)	(3,560)
UBI Banca loan	(2,679)	(4,821)
Leasing payables	(1,761)	(2,347)
Sub-total loans and leasing	*(15,693)*	*(21,809)*
CONSOLIDATED NET FINANCIAL POSITION	**(45,573)**	**(53,125)**

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

		December 31, 2014	December 31, 2013 (restated)
A.	Cash	72	60
B.	Other cash equivalents	3,942	6,427
C.	Securities held for trading	-	-
D.	**Cash & cash equivalents (A)+(B)+(C)**	**4,014**	**6,487**
E.	**Current financial receivables**	**-**	**-**
F.	Current bank payables	(28,363)	(31,678)
G.	Current portion of non-current debt	(5,531)	(6,125)
H.	Other current fin. payables	-	-
I.	**Current financial debt (F)+(G)+(H)**	**(33,894)**	**(37,803)**
J.	**Net current financial debt (I)-(E)-(D)**	**(29,880)**	**(31,316)**
K.	Non-current bank payables	(15,693)	(21,809)
L.	Bonds issued	-	-
M.	Derivatives fair value (cash flow hedge)	(463)	(2,037)
N.	**Non-current financial debt (K)+(L)+(M)**	**(16,156)**	**(23,846)**
O.	**Net financial debt (J)+(N)**	**(46,036)**	**(55,162)**

The net financial debt differs from the consolidated net financial position for the fair value of the derivatives, relating to the interest and currency hedging operations - cash flow hedge (Notes 32 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, Lanzera, K-Way, Superga, AnziBesson and Sabelt. 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 publication of the consolidated financial statements of BasicNet as at December 31, 2014 was approved by the Board of Directors on March 20, 2015.

2. FORM AND CONTENT

The main accounting principles adopted in the preparation of the consolidated 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 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 financial statements include the financial statements at December 31, 2014 of BasicNet S.p.A. and all the Italian and foreign companies in which the Parent Company holds, directly or indirectly, the majority of the voting rights. For the financial statements of the US, Spanish and Dutch subsidiaries, which utilise local accounting standards, as not obliged to adopt IAS/IFRS, the appropriate adjustments were made for the preparation of the consolidated financial statements in accordance with international accounting standards.

The accounting principles utilised for the preparation of the consolidated financial statements at December 31, 2014 are the same as those used for the consolidated financial statements in the previous year, with the exception of the international accounting standards adopted from January 1, 2014, which resulted in the restatement of the comparative figures, as described in Note 3 - Financial Statements - Restatement of the comparative consolidated figures.

Accounting standards, amendments and interpretations applied from January 1, 2014

On May 12, 2011, the IASB issued *IFRS 10 – Consolidated Financial Statements,* replacing *SIC 12 – Consolidation*: *special purpose vehicles* and part of *IAS 27 – Consolidated and separate financial statements*. This latter was renamed *Separate financial statements* and only governs the accounting treatment of investments in the separate financial statements. The new standard, in addition to redefining the concept of control, provides a guide on determining the existence of control where such is difficult to ascertain. The adoption of this standard did not have any impact for the Group.

On May 12, 2011, the IASB issued *IFRS 11 – Joint arrangements*, which replaces *IAS 31 – Interests in Joint Ventures* and *SIC13 – Jointly Controlled Entities*: *Non-Monetary Contributions by Venturers*. The new standard establishes the criteria for the establishment of the substance of joint arrangements, based on the rights and obligations of the agreements, rather than on the legal form and establishes the equity method as the only method to be applied to holdings in joint ventures in the consolidated financial statements. The adoption of the standard resulted in the discontinuation of the proportional consolidation of joint ventures by the Group. The impact on the Income Statement, the Comprehensive Income Statement, the Balance Sheet and the Cash Flow Statement of the previous year is highlighted in Note 3 – Financial Statements – Restatement of the comparative figures.

On May 12, 2011, the IASB issued *IFRS 12 – Disclosure of Interests in Other Entities*, which is a new and complete standard on additional disclosure for all forms of investments, including those in subsidiaries, joint ventures, associated companies, special purpose entities and other non-consolidated vehicle companies. The disclosures required are provided in the Explanatory Notes to the financial statements.

On May 12, 2011, the IASB issued an amended version of IAS 28 – *Investments in associates and joint ventures*, which incorporates the amendments to the classification of joint arrangements introduced by IFRS 11 and establishes the accounting principles for investments in associates and the criteria for the valuation at equity of associates and joint ventures. Joint ventures in the present Annual Consolidated Report were recognised in accordance with this standard.

On December 16, 2011, the IASB issued some amendments to *IAS 32 – Financial Instruments: presentation*, to clarify the application of a number of criteria for the off-setting of financial assets and liabilities present in IAS 32. The adoption of this standard did not have any impact for the Group.

On May 29, 2013, the IASB issued an amendment to *IAS 36 – Disclosure on recoverable amount of non-financial assets*, which governs the disclosure on the recoverable value of impaired assets, if this amount is based on the fair value net of selling costs. The adoption of this amendment did not have any significant impact for the Group.

On June 27, 2013, the IASB issued some minor amendments to *IAS 39 – Financial Instruments: recognition and measurement*, entitled “Novations of derivatives and continuity of Hedge Accounting”. The amendments permit continuation of hedge accounting in the case in which a derivative financial instrument, designated as a hedge instrument, is replaced following the application of law or regulations in order to replace the original counterparty so as to guarantee the fulfilment of the obligation assumed and where certain conditions are satisfied. The same amendment will also be included in IFRS 9 – Financial instruments. These amendments must be applied retrospectively from periods beginning from January 1, 2014. The standard is currently not applied by the Group.

On May 20, 2013, the IASB published *IFRIC 21- Levies*, an interpretation of *IAS 37 – Provisions, contingent liabilities and contingent assets,* with effect from January 1, 2014 (the European Union postponed the entry into force until June 17, 2014), which establishes the recognition of liabilities for the payment of taxes other than corporation tax and in particular the events which give rise to the obligation and the moment of recognition of the liability. The adoption of this interpretation had no impact on the present consolidated financial statements.

<u>New Standards and Interpretations adopted by the EU but not yet in effect</u>

New Standards and Interpretations adopted by the EU, but not yet effective, are shown below.

<u>Improvements to IFRS (2011-2013 cycle)</u>: on December 18, 2014 EU Regulation 1361-2014 was issued and enacted at EU level some improvements to IFRS for the period 2011-2013. In particular the improvements refer to the following aspects:

- “*Amendments to IFRS 3: - Business combinations’*; the amendment clarifies that IFRS 3 is not applicable to recognise the accounting effects from the formation of a joint venture or joint operation (as established by IFRS 11) in the financial statements of joint ventures or joint operations;

- "Amendments to *IFRS 13 – Fair value measurement"*; the amendment clarifies that the exception within the standard which permits the measurement of financial assets and liabilities based on their net portfolio exposure, also applies to all contracts within the application of IAS 39/IFRS 9, even when they do not satisfy the requisites of IAS 32 to be classified as financial assets/liabilities;
- "Amendments to *IAS 40 – Property investments*"; the amendment introduced refers to IFRS 3 to establish whether the acquisition of an investment property falls within the application of business combinations.

These amendments, applicable from January 1, 2015, will not have any significant effects on the Group consolidated financial statements.

<u>Improvements to IFRS (2010-2012 cycle)</u>: on December 17, 2014 EU Regulation 28-2015 was issued and enacted at EU level some improvements to IFRS for the period 2010-2012. In particular the improvements refer to the following aspects:

- "Amendments to *IFRS 2 – Share-based payments"*: the amendment clarifies some features of the maturity conditions, in addition to the definition of the "service conditions" and the "result conditions";
- "Amendments to *IFRS 3 - Business combinations*: the amendment clarifies the accounting treatment of "potential payments" within a business combination, referring to IAS 32 for its classification as financial liability or equity instrument;
- "Amendment to *IFRS 8 -Operating segments*": the amendment introduced requires disclosure on assessments made by management in operating segment combinations, describing the segments aggregated and the economic indicators evaluated to determine that the aggregated segments have similar economic features.
- "Amendment to *IAS 16 Property, plant and equipment and IAS 38 - Intangible assets:* both standards were amended to clarify the accounting treatment of the historic cost and accumulated depreciation of a fixed asset when the entity applies the revalued cost model.
- "Amendment to *IAS 24 Related party disclosures:* the amendment establishes the disclosure required when a third party entity provides services for the management of the senior executives of the entity which prepares the financial statements.

These amendments, applicable from January 1, 2015, should not result in any significant effects on the Group consolidated financial statements.

<u>Amendments to IAS 19 – Employee benefits, Defined Benefit plans, employee contribution plans</u>: on December 17, 2014, EU Regulation No. 29-2015 was issued which enacts at European level some modifications to IAS 19. In particular, these amendments have the objective to clarify the accounting treatment of contributions paid by employees within a defined benefit plan.

It is expected that these amendments, applicable from January 1, 2015, will not have any significant effects on the Group consolidated financial statements.

<u>New standards and interpretations issued by IASB and not yet enacted by the EU</u>

At the date of the present consolidated financial statements, the following new Standards/Interpretations were issued by IASB, applicable from January 1, 2016, but still not approved by the EU:

- *IFRS 14 – Regulatory deferral accounts;*
- Accounting for the acquisition in investments in joint ventures, amendments to *IFRS 11 – Joint arrangements;*
- Amendments to *IAS 16 – Property, plant and equipment and IAS 38 – Intangible assets*, clarification on the amortisation and depreciation methods applicable to intangible and tangible assets;
- Amendments to *IFRS 10 – Consolidated financial statements and IAS 28 - Investments in associates and joint ventures*, sales and conferment of assets between an investor and an associate/joint venture;
- Improvements to IFRS, 2012-2014 cycle;
- Amendments to IFRS 12, IFRS 10 and IAS 28, Investment entities – Consolidation exceptions;
- Amendments to IAS 1 – disclosures in the financial statements.

At the preparation date of the present consolidated financial statements, the following new Standards/Interpretations were issued by IASB and are applicable respectively from January 1, 2017 and January 1, 2018: *IFRS 15 - Revenue from Contract with Customers* e *IFRS 9 - Financial instruments*.

The Group will adopt these new standards, amendments and interpretations, according to the scheduled application date and will evaluate the potential impacts, where they have been approved by the European Union.

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 46 of the consolidated financial statements.

RESTATEMENT OF COMPARATIVE FIGURES

The application of IFRS 11 – *Joint arrangements* resulted in the discontinuation of the proportional consolidation previously adopted for the two joint ventures AnziBesson Trademark S.r.l. and Fashion S.r.l. and the consequent application of the equity method; as required by the standard the comparative figures for the previous year were restated, the statements below summarise these effects, although insignificant, of this change in criterion.

Anzi Besson Trademark S.r.l., held 50% by BasicNet S.p.A. and the remaining 50% by Niccolò Besson, is a joint venture, owner of the brand AnziBesson, with the objective to utilise the brand through licensing; the joint venture agreement requires the agreement of both shareholders with regard to significant operating decisions.

Fashion S.r.l., held 50% by BasicNet S.p.A., with the remaining 50% held by the Marsiaj family, is a joint venture owner of the brand Sabelt which targets the ”fashion classes”, with the objective of utilising the brand through licensing; the joint venture agreement requires the agreement of both shareholders with regard to significant operating decisions.

2013 BASICNET GROUP INCOME STATEMENT

(In Euro thousands)

	FY 2013 (published)	IFRS 11 effect	FY 2013 (restated)
Consolidated direct sales	111,696		111,696
Cost of sales	(69,008)		(69,008)
GROSS MARGIN	**42,688**		**42,688**
Royalties and sourcing commissions	39,806		39,806
Other income	12,684	3	12,867
Sponsorship and media costs	(14,599)		(14,599)
Personnel costs	(19,161)		(19,161)
Selling, general and administrative costs, royalties expenses	(38,831)	8	(38,823)
Amortisation & Depreciation	(6,040)	26	(6,014)
Write-downs and other provisions	(4,500)		(4,500)
EBIT	**12,227**	**37**	**12,264**
Net financial income (charges)	(3,847)		(3,847)
Income/(charges) from investments	-	(37)	(37)
PROFIT BEFORE TAXES	**8,380**	**-**	**8,380**
Income taxes	(3,879)		(3,879)
NET PROFIT of:	**4,501**		**4,501**
- Group	**4,501**		**4,501**
- minority interests	**-**		**-**
Earnings per share:			
Basic	**0.0781**		**0.0781**
Diluted	**0.0781**		**0.0781**

BASICNET GROUP CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2013

(In Euro thousands)

ASSETS	December 31, 2013 (published)	IFRS 11 effect	December 31, 2013 (restated)
Intangible assets	41,355	(402)	40,953
Goodwill	10,675		10,675
Property, plant and equipment	31,688		31,688
Equity invest. & other financial assets	386	-	386
Interests in joint ventures	-	428	428
Deferred tax assets	767	(32)	735
Total non-current assets	**84,871**	**(6)**	**84,865**
Net inventories	48,269		48,269
Trade receivables	43,686		43,686
Other current assets	12,748	3	12,751
Prepayments	6,903		6,903
Cash and cash equivalents	6,489	(2)	6,487
Derivative financial instruments	-		-
Total current assets	**118,095**	**1**	**118,096**
TOTAL ASSETS	**202,966**	**(5)**	**202,961**

LIABILITIES	December 31, 2013 (published)	IFRS 11 effect	December 31, 2013 (restated)
Share capital	31,717		31,717
Reserve for treasury shares in portfolio	(5,765)		(5,765)
Other reserves	37,162		37,162
Net Profit	4,501		4,501
Minority interests	-		-
TOTAL SHAREHOLDERS' EQUITY	**67,615**		**67,615**
Provisions for risks and charges	4,413		4,413
Loans	21,809		21,809
Employee and Director benefits	2,886		2,886
Other non-current liabilities	670		670
Total non-current liabilities	**29,778**		**29,778**
Bank payables	37,803		37,803
Trade payables	35,747	(22)	35,725
Tax payables	20,061		20,061
Other current liabilities	7,979	17	7,996
Accrued expenses	1,946		1,946
Derivative financial instruments	2,037		2,037
Total current liabilities	**105,573**	**(5)**	**105,568**
TOTAL LIABILITIES	**135,351**	**(5)**	**135,346**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**202,966**	**(5)**	**202,961**

CONSOLIDATED CASH FLOW STATEMENT OF THE BASICNET GROUP AT DECEMBER 31, 2013

(In Euro thousands)

	December 31, 2013 (published)	IFRS 11 effect	December 31, 2013 (restated)
A) OPENING SHORT-TERM BANK DEBT	**(36,371)**		**(36,371)**
B) CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit	4,501		4,501
Amortisation & Depreciation	6,040	(26)	6,014
Share of the result of companies under the equity method	-	37	37
Write-downs and other provisions	4,500		4,500
Changes in working capital:			
. (Increase) decrease in trade receivables	1,011		1,011
. (Increase) decrease in inventories	3,869		3,869
. (Increase) decrease in other receivables	(163)	(3)	(166)
. Increase (decrease) in trade payables	(4,199)	(22)	(4,221)
. Increase (decrease) in other payables	495	17	512
Net change in post-employment benefits	(187)		(187)
Others, net	(221)	10	(211)
	15,646	**13**	**15,659**
C) CASH FLOW FROM INVESTING ACTIVITIES			
Investments in fixed assets:			
- tangible assets	(2,615)		(2,615)
- intangible assets	(5,210)	6	(5,204)
- financial assets	-		-
Realisable value for fixed asset disposals:			
- tangible assets	97		97
- intangible assets	193	(21)	172
- financial assets	265		265
	(7,270)	**(15)**	**(7,285)**
D) CASH FLOW FROM FINANCING ACTIVITIES			
Lease contracts (repayments)	131		131
Loan repayments	(4,517)		(4,517)
Conversion of short-term credit lines	7,500		7,500
Acquisition of treasury shares	(308)		(308)
Dividend payments	-		-
	2,806	**-**	**2,806**
E) CASH FLOW IN THE YEAR	**11,182**	**(2)**	**11,180**
F) CLOSING SHORT-TERM BANK DEBT	**(25,189)**	**(2)**	**(25,191)**

4. CONSOLIDATION PRINCIPLES

The consolidated financial statements were prepared including the financial statements at December 31, 2014 of the Group companies included in the consolidation scope, appropriately adjusted in accordance with the accounting principles adopted by the Parent Company.

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

Financial statements in currencies other than the Euro are translated into the Euro applying the average exchange rate for the year for the income statement and the exchange rate at the date of the operation in the case of significant non-recurring transactions. The balance sheet accounts are translated at the year-end exchange rate. The differences arising from the translation into Euro of the financial statements prepared in currencies other than the Euro are recorded in a specific reserve in the Comprehensive Income Statement.

The exchange rates applied are as follows (for 1 Euro):

Currencies	**December 31, 2014**		**December 31, 2013**	
	Average	**At period end**	**Average**	**At period end**
US Dollar	1.3184	1.2141	1.3302	1.3791
HK Dollar	10.2259	9.4170	10.3183	10.6933
Japanese Yen	140.4328	145.2300	129.8469	144.7200
UK Sterling	0.8027	0.7789	0.8499	0.8337

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. As all companies included in the consolidation scope are wholly-owned, minority interest equity was not allocated or minority interest share of profit/(loss);

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 2, at December 31, 2014 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. Attachment 2 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 licensee and (iii) property management. The relevant information is reported in Note 7.

The information by geographic area has significance for the Group in relation to royalty income and direct sales, and therefore was included for the two respective items. The breakdown of licensee aggregate sales by geographic area, from which the royalties derive, is reported in the Directors' Report.

5. ACCOUNTING POLICIES

The present financial statements were prepared on the going concern basis, and in accordance with the accruals principle. The financial statements are presented in Euro and all values are rounded into thousands of Euro, except where otherwise stated.

The main accounting principles adopted in the preparation of the consolidated financial statements at December 31, 2014 are disclosed below:

Revenue recognition

Revenues derive from Group operations in the ordinary course of business and comprise revenues from sales and services. Revenues are recognised net of sales tax, returns and discounts.

Revenues are recognised in accordance with the probability that the Group will receive economic benefits and the amount can be measured reliably. In particular, revenues from the sale of goods are recognised when the significant risks and benefits of the ownership of the goods are transferred to the buyer, the sales price has been agreed or determinable and collection of the receivable is expected. This moment generally corresponds with the transfer of ownership which coincides, normally, with the shipping or delivery of the goods. Sales to Group brand stores managed by third parties, on consignment, are recognised on the sale of the goods by the store to the final consumer, in accordance with *IAS 18 – Revenues*.

Royalties and sourcing commissions are recognised on an accruals basis in accordance with the underlying contracts.

Recognition of costs and expenses

Costs and expenses are recognised in accordance with the accruals principle.

Costs associated with sponsorship contracts paid each year are recognised in line with the contractual conditions.

Cost relating to the preparation and presentation of sample collections are recognised in the income statement in the year in which the sales of the relative collections are realised. Any differences are recorded through accruals.

Advertising campaign costs undertaken to drive orders by the salesforce, in accordance with current interpretations of IAS/IFRS, are directly expensed at the moment of the campaign, rather than in correlation to the relative revenues, which will only be recognised on the subsequent shipment of the orders received, although this second method better illustrates the correlation with the advertising campaign activity.

Interest income and expenses, and income and charges

Interest income and expenses and other income and expenses are recorded and shown in the financial statements on the accrual basis.

In accordance with IAS 23 – *Borrowing costs*, the financial charges directly attributable to the purchase, construction and production of the asset which requires a significant amount of time before use or sale are capitalised together with the value of the asset. Such an event has not arisen up to the present moment for the Group. If these conditions are not met the financial charges are expensed directly to the income statement.

Translation of balances in foreign currencies

The receivables and payables originally expressed in foreign currencies are translated into Euro at the exchange rate when the transaction originated. Exchange differences arising on collections and payments in foreign currencies are recorded in the income statement.

Revenues and income, costs and charges related to currency transactions are recorded at the exchange rate at the transaction date.

At the end of the period, the assets and liabilities valued in foreign currencies, with the exception of fixed assets, are recorded at the exchange rates at the balance sheet date and the relative gains or losses on exchange are recorded in the income statement.

Income taxes

Current income taxes include all the taxes calculated on the assessable income of the Group. Income taxes are recognised in profit and loss, except where they relate to items charged or credited directly to equity, in which case the tax effect is also recognised directly in equity.

Deferred taxes are calculated on all the temporary differences arising between the assessable income of an asset or liability and the relative book value in the consolidated financial statements. Deferred tax assets, including those relating to losses carried forward, for the portion not offset by deferred tax liabilities, are recognised only for those amounts for which it is probable there will be future assessable income to recover the amounts. Deferred tax assets and liabilities are determined with the tax rates that are expected to be applied, in accordance with the regulations of the countries in which the Group operates, in the years in which the temporary differences will be realised or settled. The deferred tax assets and liabilities are offset when the income tax is applied by the same fiscal authority and when there is a legal right of compensation.

The Parent Company adhered to the tax consolidation in accordance with Article 117 and thereafter of the CFA – Presidential Decree No. 917 of December 22, 1986 together with all of the wholly-owned Italian subsidiary companies. Other taxes not related to income, such as taxes on property and share capital, are included under operating charges.

Earnings per share/ Diluted earnings per share

Earnings per share is calculated dividing the profit or loss attributable to the shareholders of the Parent Company by the weighted average ordinary shares in circulation during the period.

The diluted earnings per share is calculated dividing the profit or loss attributable to the shareholders of the Parent Company by the average weighted number of shares outstanding, taking into account the effects of all the potential ordinary shares with dilution effects. In 2014, there were no diluting effects on the shares.

Provisions and contingent liabilities

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 certainty any future payments required. In addition, the Group has instigated legal disputes 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 on legal 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 contingent liabilities are not recorded in the financial statements, but are reported as a disclosure in the Notes unless the probability is remote. In accordance with paragraph 10 of *IAS 37 – Provisions, contingent liabilities and contingent assets* a contingent liability is (a) a possible obligation which derives from past events and whose existence will be confirmed only on the occurrence or otherwise of one or more future uncertain events, not entirely under the control of the enterprise, or (b) a current obligation which derives from past events but which cannot be recorded in the financial statements as the payment is improbable or cannot be reliably estimated.

Use of estimates

The preparation of the financial statements and the relative notes in application of IFRS require that management make estimates and assumptions on the values of the assets and liabilities in the financial statements and on the information relating to the assets and contingent liabilities at the balance sheet date. The actual results may differ from such estimates.

Estimates are utilised to measure intangible and tangible assets subject to impairment tests as described above, in addition to recognise provisions on doubtful debts, inventory obsolescence, amortisation and depreciation, write-down of assets, employee benefits and income taxes.

The estimates and assumptions are reviewed periodically and the effects of all variations are immediately recognised in the income statement.

Intangible assets

An intangible asset is a non-monetary asset, identifiable and without physical substance, controllable and capable of generating future economic benefits. Intangible assets are recognised at purchase and/or production cost, including the costs of bringing the asset to its current use net of accumulated amortisation and any loss in value. Amortisation begins when the asset is available for use and is recognised on a straight-line basis over the residual estimated useful life of the asset.

Software

Software acquired and IT programmes developed internally are amortised over five years, while the costs incurred to maintain or upgrade the original operational standard are expensed in the year and are not capitalised.

Development Costs

Development costs are capitalised when the capacity to generate future economic benefits is demonstrated and the other conditions required by *IAS 38 – Intangible assets* are satisfied.

Trademarks and patents

The trademarks Kappa, Robe di Kappa, Superga and K-Way are considered intangible assets with indefinite useful life; as such these assets are not amortised but subject to an impairment test at least annually. This depends on the strategic positioning reached whereby it is not currently possible to predict a time limit on the generation of future cash flow streams.

The trademarks Lanzera and Jesus Jeans, which have not yet reached a position similar to those of the principal brands, are amortised over a period of 20 years.

The patent rights are amortised over ten years.

Other intangible assets

Other intangible assets recognised on acquisition are recorded separately from goodwill, if their fair value can be determined on a reliable basis.

Goodwill

In the case of business combinations, the assets, the liabilities and the contingent liabilities acquired and identifiable are recorded at their fair value at the date of acquisition. The positive difference between the acquisition cost and the portion held by the Group of the present value of the assets and liabilities is classified as goodwill and recorded in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recognised in the income statement at the date of acquisition.

Goodwill is not amortised, but is subject annually, or more frequently if specific events or circumstances indicate the possibility of having incurred an impairment, to verifications of any reduction in value, as provided by *IAS 36 Reduction in value of assets*. After initial recognition, goodwill is measured at cost less any loss in value. The impairment of goodwill may not be written back.

This category includes the amounts paid by the Group to sub-enter into the contractual positions of directly managed and franchising stores. Such commercial goodwill recorded in the consolidated financial statements is considered an intangible asset with an indefinite useful life and is therefore not amortised. An impairment test is undertaken at least annually through the comparison of the carrying value and the higher value between the value in use and the fair value less selling costs, this latter also determined with reference to valuations made by independent experts. Goodwill related to the acquisition of business unit rental contracts is amortised over the duration of the contracts.

Property, plant and equipment

Property, plant and equipment are recorded at purchase or production costs, including accessory charges and direct and indirect costs, for the amount reasonably attributable to the assets.

Subsequent expenditures are only capitalised where they increase the future economic benefits of the asset to which they relate. All other expenditures are expensed as incurred.

Property, plant and equipment are amortised on a straight-line basis over the estimated useful life of each asset. The depreciation rates by asset category are shown below:

Description	Estimated useful life years
Property	33
Plant and machinery	8
Furniture and furnishings	5-8
Motor vehicles	4
EDP	5-8

Fixed assets which at the balance sheet date are lower than the book value are recorded at this lower value, which however may not be maintained at this value in subsequent periods if the reasons for the adjustment no longer exist.

Ordinary maintenance costs are fully charged to the income statement.

Advances and costs for property, plant and equipment in progress which are not yet utilised in the operating activities are reported separately.

The historic value of land is not depreciated.

Leased assets

Property, plant and equipment acquired through finance lease contracts are recognised under the finance method as per IAS 17 – Leasing and recorded under assets at the purchase price decreased by depreciation.

The depreciation of these assets is reflected in the consolidated financial statements applying the same criteria as for the fixed assets to which the lease contracts refer.

Within liabilities a payable is recorded, under short-term and medium term, towards the leasing company; the lease payments are reversed from expenses for the use of third party assets and the financial charges for the period are recognised on an accruals basis.

Impairments

The carrying value of the assets of the Group are measured at each reporting date to determine whether there has been a loss in value, in which case an estimate is made of the recoverable value of the asset. A loss in value (impairment) is recorded in the income statement when the carrying value of an asset or a cash-generating unit exceeds its recoverable value.

The indefinite intangible assets (including goodwill) are tested annually and whenever there is an indication of a possible loss, in order to determine whether a loss in value has occurred.

Measuring recoverable amount

The recoverable value of a non-financial asset is the higher of the fair value less costs to sell and the value in use. For the determination of the value in use, the future cash flows are discounted utilising a rate which reflects the current market value of money and of the related risks of the activity. In the case of activities which do not generate cash flows sufficiently independent, it is necessary to calculate the recoverable value of the cash-generating unit to which the asset belongs.

Write-back of value

The value is recovered when changes take place in the valuations to determine the recoverable value excluding goodwill. The recoverable value is recorded in the income statement adjusting the book value of the asset to its recoverable value. This latter must not be above the value which would have been determined, net of depreciation, if no loss in value of the asset had been recorded in previous years.

Investments

Investments in associates and joint ventures are measured under the equity method. The share of cost exceeding the net equity of the investee at the acquisition date is treated in a similar manner as that described for the consolidation criteria.

The non-consolidated investments other than associates and joint ventures, non-listed, are measured under the cost method less any losses in value, as their fair value may not be reliably determined. The original value is restored in future years should the reason for the write-down no longer exist.

Financial assets consist of loans are recorded at their estimated realisable value.

Net inventories

Inventory is valued under the average weighted cost method.

Inventories are measured at the lower of purchase or production cost and their net realisable value.

Inventories include incidental charges and direct and indirect costs that can be reasonably allocated. Obsolete and slow-moving inventories are written down in relation to their possible utilisation or realisable value.

Trade receivables

Receivables recorded under current assets are stated at their nominal value, which substantially coincides with the amortised cost. The initial value is subsequently adjusted to take into account any write-downs which reflect the estimate of the losses on receivables, determined based on a specific provision on doubtful debts and a general provision based on past experience. Medium/long-term receivables which include an implicit interest component are discounted utilising an appropriate market rate. Receivables transferred without recourse, in which all the risks and benefits substantially are transferred to the factoring company, are reversed in the financial statements at their nominal value.

Cash and cash equivalents

The liquid assets principally relate to current bank accounts and cash. They are recorded for amounts effectively available at year end.

The cash equivalents are invested in highly liquid temporary financial instruments.

Accrued income and prepaid expenses

The account includes amounts related to two accounting periods, in accordance with the accruals concept.

Treasury shares

Treasury shares are recognised as a deduction from equity. The original cost of the treasury shares and the revenues deriving from any subsequent sale are recognised as equity movements.

Provisions for risks and charges

Provisions for risks and charges are recorded in the balance sheet only when a legal or implicit obligation exists deriving from a past event that determines the commitment of resources to produce economic benefits for their compliance and a reliable estimate of the amount can be determined.

Employee benefits

The Post-Employment Benefit in accordance with Italian legislation is quantified as a defined benefit plan and is measured in accordance with the "Projected Unit Credit Method".

From January 1, 2007, this liability refers exclusively to the portion of the Post-Employment Benefit, matured up to December 31, 2006, which following the complementary pension reform (Legislative Decree No. 252 of December 5, 2005) continues to constitute an obligation of the company. Following the entry into force of the above-mentioned reform as enacted by Law No. 296 of December 27, 2006 (2007 Finance Law), the liability, as concerning services already completely matured, was restated without applying the pro-rata of the employment service and without considering, in the actuarial calculation, the components relating to future salary increases.

On June 16, 2011, the IASB issued an amendment to IAS 19 *Employee Benefits.* The new version of IAS 19 requires, in particular, for post-employment benefits, the recognition of the changes of the actuarial gains/losses under other items of the Comprehensive Income Statement.

The cost relating to employment services for the companies of the Group with less than 50 employees, as well as the interest on the "time value" component in the actuarial calculations will remain in the profit and loss account.

The portion of the Post-Employment Benefit paid to a supplementary pension fund is considered a defined contribution plan as the obligation of the company towards the employee ceases with the payment of the amount matured to the funds. Also the portion of the Post-Employment Benefit paid to the INPS Treasury fund is recorded as a defined contribution plan.

Payables

Financial payables are recorded at their nominal value which approximates the amortised cost. The book value of the trade and other payables at the balance sheet date approximates their fair value.

Derivative instruments and hedge accounting

The BasicNet Group utilises derivative financial instruments to hedge interest rates on some loans and to hedge against fluctuations in the Euro/USD exchange rates on the purchases of products for sale, not adequately hedged by royalties and sourcing commission income.

These instruments are initially recorded at their fair value, and subsequently measured according to whether they are "hedged" or "not hedged" as per IAS 39.

It is recalled that the BasicNet Group does not undertake derivative contracts for speculative purposes.

The hedging may be of two types:

- Fair value hedges;
- Cash flow hedges.

The BasicNet Group, before signing a hedge contract, undertakes a close examination of the relationship between the hedge instrument and the item hedged, in view of the objectives to reduce the risk, also evaluating the existence and the continuation over the life of the derivative financial instrument of the effectiveness requirements, necessary for the hedge accounting.

After their initial recognition, the derivatives are accounted as follows:

a) Fair value hedges

The changes in their fair value are recognised in the income statement, together with the changes in the fair value of the relative assets and liabilities hedged.

b) Cash flow hedges

The part of the profit or loss of the hedge instrument, considered effective, is recorded directly in the comprehensive income statement; the non-effective part is however recorded immediately in the income statement.
The accumulated amounts in the comprehensive income statement are recorded in the income statement in the year in which the scheduled hedge operation matures or the instrument hedged is sold, or when the effectiveness requirements for hedge accounting no longer exist.

c) Derivative financial instruments which do not have the effectiveness requirements for hedge accounting

The derivative financial instruments which do not comply with the requirements of IAS 39 for the identification of the hedge, where present, are classified in the category of financial assets and liabilities measured at fair value through the profit and loss account. The group does not utilise financial instruments not for hedging purposes.

Hierarchy of Fair Value according to IFRS 7

IFRS 7 requires that the classification of financial instruments measured at fair value is determined based on the quality of the input sources used in the valuation.

The IFRS 7 classification implies the following hierarchy:

- *level 1*: determination of fair value based on prices listed ("unadjusted") in active markets for identical assets or liabilities;
- *level 2:* determination of fair value based on other inputs than the listed prices included in "level 1" but which are directly or indirectly observable. This category includes the instruments with which the Group mitigates the risk deriving from fluctuations in interest rates and currencies;
- *level 3*: determination of fair value based on valuation models whose input is not based on observable market data ("unobservable inputs"). There are no financial instruments measured in this manner.

6. OTHER INFORMATION

The subsequent events to the end of the year and the outlook for the current year are reported in the Directors' Report.

EXPLANATORY NOTES TO THE INCOME STATEMENT

(IN EURO THOUSANDS UNLESS OTHERWISE STATED)

7. DISCLOSURE BY OPERATING SEGMENT

The BasicNet Group identifies three operating segments:

- "Licenses and Trademarks", 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., Basic Spain S.L., BasicNet Asia Ltd., Basic Trademark S.A., Superga Trademark S.A., Jesus Jeans S.r.l., AnziBesson Trademark S.r.l. and Fashion S.r.l.;

- "Proprietary licensees", which involves the direct management of the sales channels through BasicItalia S.p.A. (proprietary licensor), Rdk0 S.r.l. and BasicOutlet S.r.l. both in the wholesale and retail channel;

- "Property", which involves the management of the building at Turin – Largo Maurizio Vitale 1, known as "Basic Village".

FY 2014	Licences and trademarks	Proprietary licensees	Property	Inter-segment eliminations	Consolidated
Direct sales – third parties	616	119,888	2	-	120,506
Direct sales – inter-segment	*1,398*	*173*	*2*	*(1,573)*	-
(Cost of sales – third parties)	(1,813)	(66,097)	(2)	-	(67,912)
(Cost of sales – inter-segment)	*(36)*	*(1,372)*	-	*1,408*	-
GROSS MARGIN	**165**	**52,592**	**2**	**(165)**	**52,594**
Royalties and sourcing commissions – third parties	41,201	1	-	-	41,202
Royalties and sourcing commissions – inter-segment	*10,672*	-	-	*(10,672)*	-
Other income - third parties	665	753	601	-	2,019
Other income – inter-segment	*751*	*6,326*	*2,780*	*(9,857)*	-
(Sponsorship and media costs – third parties)	(4,313)	(10,705)	-	-	(15,018)
(Sponsorship and media costs – inter-segment)	*(5,933)*	*(5)*	-	*5,938*	-
(Personnel costs – third parties)	(8,352)	(9,622)	-	-	(17,974)
(Personnel costs – inter-segment)	-	-	-	-	-
(Selling, general and administrative costs, royalties expenses – third parties)	(10,960)	(20,962)	(1,418)	-	(33,340)
(Selling, general and administrative costs, royalties expenses – inter-segment)	*(2,529)*	*(12,177)*	*(50)*	*14,756*	-
Depreciation & amortisation	(2,091)	(3,456)	(886)	-	(6,433)
EBIT	**19,276**	**2,745**	**1,029**	**-**	**23,050**
Financial income – third parties	1,036	1,396	-	-	2,432
Financial income – inter-segment	*30*	*1*	*6*	*(37)*	-
(Financial charges – third parties)	(1,394)	(2,766)	(614)	-	(4,774)
(Financial charges – inter-segment)	-	*(30)*	*(7)*	*37*	-
(Investment impairments – third parties)	-	-	-	-	-
(Investment impairments – inter-segment)	-	-	-	-	-
Income/(charges) from investments	(65)	-	-	-	(65)
(Income/(charges) from investments - inters.)	-	-	-	-	-
PROFIT BEFORE TAXES	**18,883**	**1,346**	**414**	**-**	**20,643**
Income taxes	(6,898)	(1,118)	(190)	-	(8,206)
NET PROFIT	**11,985**	**228**	**224**	**-**	**12,437**
Significant non-cash items:					
Amortisation & Depreciation	(2,091)	(3,456)	(886)	-	(6,433)
Write-downs	-	-	-	-	-
Total non-cash items	**(2,091)**	**(3,456)**	**(886)**	**-**	**(6,433)**
Investments in non-current assets	**(821)**	**(835)**	**(144)**	**-**	**(1,800)**
Segment assets and liabilities:					
Assets	**183,968**	**108,469**	**16,356**	**(110,418)**	**198,375**
Liabilities	**84,805**	**96,936**	**12,344**	**(76,421)**	**117,664**

FY 2013 (restated)	**Licenses and trademarks**	**Proprietary licensees licensees**	**Property**	**Inter-segment eliminations**	**Consolidated**
Direct sales – third parties	321	111,375	-	-	111,696
Direct sales – inter-segment	*1,187*	*169*	*2*	*(1,358)*	-
(Cost of sales – third parties)	(1,550)	(67,456)	(2)	-	(69,008)
(Cost of sales – inter-segment)	*(22)*	*(1,078)*	-	*1,100*	-
GROSS MARGIN	**(64)**	**43,010**	**-**	**(258)**	**42,688**
Royalties and sourcing commissions – third parties	39,804	2	-	-	39,806
Royalties and sourcing commissions – inter-segment	*6,233*	-	-	*(6,233)*	-
Other income - third parties	11,276	809	782	-	12,867
Other income – inter-segment	*901*	*5,333*	*2,907*	*(9,141)*	-
(Sponsorship and media costs – third parties)	(3,305)	(11,294)	-	-	(14,599)
(Sponsorship and media costs – inter-segment)	*(2,135)*	*(5)*	-	*2,140*	-
(Personnel costs – third parties)	(8,504)	(10,657)	-	-	(19,161)
(Personnel costs – inter-segment)	-	-	-	-	-
(Selling, general and administrative costs, royalties expenses – third parties)	(11,802)	(25,547)	(1,474)	-	(38,823)
(Selling, general and administrative costs, royalties expenses – inter-segment)	*(5,468)*	*(7,974)*	*(50)*	*13,492*	-
Depreciation & amortisation	(1,962)	(3,173)	(879)	-	(6,014)
Write-downs and other provisions	-	(4,500)	-	-	(4,500)
EBIT	**24,974**	**(13,996)**	**1,286**	**-**	**12,264**
Financial income – third parties	280	937	-	-	1,217
Financial income – inter-segment	*40*	*4*	*6*	*(50)*	-
(Financial charges – third parties)	(1,822)	(2,556)	(686)	-	(5,064)
(Financial charges – inter-segment)	-	*(44)*	*(6)*	*50*	-
(Investment impairments – third parties)	-	-	-	-	-
(Investment impairments – inter-segment)	-	-	-	-	-
Income/(charges) from investments	(37)	-	-	-	(37)
(Income/(charges) from investments - inters.)	-	-	-	-	-
PROFIT BEFORE TAXES	**23,435**	**(15,655)**	**600**	**-**	**8,380**
Income taxes	(7,229)	3,610	(260)	-	(3,879)
Non-recurring tax charges	-	-	-	-	-
NET PROFIT	**16,206**	**(12,045)**	**340**	**-**	**4,501**
Significant non-cash items:					
Amortisation & Depreciation	(1,962)	(3,173)	(879)	-	(6,014)
Write-downs	-	(4,500)	-	-	(4,500)
Total non-cash items	**(1,962)**	**(7,673)**	**(879)**	**-**	**(10,514)**
Investments in non-current assets	**(1,123)**	**(2,501)**	**(233)**	**-**	**(3,857)**
Segment assets and liabilities:					
Assets	**184,329**	**112,872**	**21,937**	**(116,177)**	**202,961**
Liabilities	**95,487**	**102,355**	**18,099**	**(80,595)**	**135,346**

- The “Licenses and brands” segment includes royalties and sourcing commissions, which increased to Euro 51.9 million from Euro 46 million in 2013 following the development of aggregate sales. The segment net profit totalled Euro 12 million, compared to Euro 16.2 million in 2013, which included income of Euro 9.4 million relating to the ten-year renewal of the South Korean license;
- The “proprietary licensee” segment comprises BasicItalia S.p.A. and its subsidiaries RdK0 S.r.l. and BasicOutlet S.r.l., which considerably improved results following actions introduced in the previous year to correct some profitability variables, with revenues in 2014 of Euro 120 million compared to Euro 111 million in 2013 and an improved gross contribution margin on sales from Euro 43 million in 2013 to Euro 52.6 million in 2014. These items contributed to a segment profit of Euro 228 thousand compared to a loss of Euro 12 million in 2013, which however was impacted by non-recurring charges of Euro 4.5 million for write-downs and provisions;
- The “property” segment, relating to the building at Largo Maurizio Vitale 1, Turin, reports a profit of Euro 224 thousand compared to Euro 340 thousand in 2013, following the temporary closure of one of the rented commercial spaces, reopened at the end of the year.

8. CONSOLIDATED DIRECT SALES

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

	FY 2014	FY 2013
Italy	113,186	104,579
EU countries other than Italy	5,650	5,351
Rest of the World	1,670	1,766
Total consolidated direct sales	**120,506**	**111,696**

Direct sales revenues relate to merchandise sold by BasicItalia S.p.A., RdK0 S.r.l. and BasicOutlet S.r.l. through National and Regional Servicing Centres and directly to the public (Euro 120 million) and by BasicNet S.p.A. for sample merchandise sales (Euro 0.5 million). Sales on the home market accounted for 93.9%, while approx. 4.7% of sales were in other EU countries, with the remaining approx. 1.4% outside the EU. Sales outside of Italy are related to commercial activities in countries not yet subject to specific licensing contracts, by the licensee companies of the Group.

9. COST OF SALES

	FY 2014	FY 2013
Goods purchased – Overseas	46,850	47,277
Goods purchased – Italy	4,886	5,006
Samples purchased	1,168	1,105
Accessories purchased	112	105
Freight charges and accessory purchasing cost	7,432	6,596
Packing	411	384
Changes in inventory of raw materials, ancillary, consumables and goods	2,273	3,830
Cost of outsourced logistics	3,825	3,739
Others	955	966
Total cost of sales	**67,912**	**69,008**

The “goods purchased” refer to the finished products acquired by BasicItalia S.p.A. Sample purchases were made by BasicNet S.p.A. for resale to the licensees.

The reduction in the cost of purchases for goods is due to efficiencies achieved in the purchase price of the products and was partially absorbed by the increase in transport costs from international carriers. Overall, sales costs on revenues reduced, as outlined in the Directors' Report, benefitting the margin in both absolute and percentage terms.

10. ROYALTIES AND SOURCING COMMISSIONS

"Royalties and sourcing commission" refer to royalty fees for the trademark 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 licencees.

The changes in the year are commented upon in the Directors' Report.

The breakdown by geographic area is reported below:

	FY 2014	FY 2013
Europe (EU and non-EU)	18,928	17,984
The Americas	4,012	3,298
Asia and Oceania	14,966	15,302
Middle East, Africa	3,296	3,222
Total	**41,202**	**39,806**

11. OTHER INCOME

	FY 2014	FY 2013
Rental income	392	513
Recovery of condominium expenses	175	224
Income from promo sales	360	1,789
Other income	1,092	10,341
Total other income	**2,019**	**12,867**

"Income from promo sales" refer to income from the right to use trademarks for commercialisation of products in promotion activities, which are of a non-recurring nature. The account "other income" normalised on 2013, which included Euro 9.4 million (USD 12 million) relating to the "non-refundable signing fee" paid by the South Korean licensee against the ten-year renewal of the license contract.

12. SPONSORSHIP AND MEDIA COSTS

	FY 2014	FY 2013
Sponsorship and marketing	13,209	13,206
Advertising	1,296	858
Promotional expenses	513	535
Total sponsorship and media costs	**15,018**	**14,599**

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

"Advertising costs" refer to billboard advertising and press communication campaigns.

13. PERSONNEL COSTS

	FY 2014	FY 2013
Wages and salaries	12,874	13,808
Social security	4,212	4,427
Post-employment benefits	888	926
Total	**17,974**	**19,161**

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

	Human resources at December 31, 2014				Human resources at December 31, 2013			
Category	Number		Average age		Number		Average age	
	Male / Female	Total	Male / Female	Average	Male / Female	Total	Male / Female	Average
Executives	16 / 8	24	46 / 50	47	12 / 8	20	49 / 49	49
Managers	1 / -	1	52 / -	52	1 / -	1	51 / -	51
White-collar	125 / 310	435	35 / 36	36	144 / 319	463	34 / 36	36
Blue-collar	15 / 9	24	44 / 42	43	15 / 13	28	43 / 42	42
Total	157 / 327	484	37 / 36	36	172 / 340	512	35 / 36	36

The reduction in employee numbers stems from normal turn-over.
The average number of employees in 2014 was 484, comprising 22 executives, 1 senior manager, 435 white-collar employees and 26 blue-collar employees.

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

	FY 2014	FY 2013
Selling and royalty service expenses	6,767	9,606
Rental, accessory and utility expenses	9,203	11,226
Commercial expenses	3,551	3,126
Directors and Statutory Auditors emoluments	3,438	2,749
Doubtful debt provision	2,986	2,955
Other general expenses	7,395	9,161
Total selling, general and administrative costs, and royalties expenses	**33,340**	**38,823**

"Selling and royalty service expenses" principally include commissions to agents of the subsidiary BasicItalia S.p.A. and royalties on sports team merchandising contracts and co-branding operations. The reduction follows an altered sales mix, with a contraction for sales on which commissions mature.

The decrease in the Group brand outlets, directly managed or through leases, saw a correlated decrease in rental, accessory and utility expenses.

"Commercial expenses" include costs relating to selling activities, comprising product catalogue costs, trade fairs and exhibitions, communication consultants for advertising campaigns, stylists, graphics and commercial and travel expenses.

"Directors and Statutory Auditors emoluments", approved by the Shareholders' AGM and the Board of Directors' meeting of April 28, 2013, are in line with the company remuneration policy, pursuant to Article 78 of Consob Regulation No. 11971/97 and thereafter and are reported in the Remuneration Report pursuant to Article 123-*ter* of the CFA which is available on the company's internet site www.basicnet.com/Dati finanziari/Altre informazioni, 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 reduction is mainly due to lower recourse to legal and professional consultants.

15. AMORTISATION & DEPRECIATION

	FY 2014	FY 2013
Amortisation	3,444	2,864
Depreciation	2,989	3,150
Total amortisation & depreciation	**6,433**	**6,014**

Amortisation on intangible assets includes Euro 655 thousand of key-money write-down relating to some sales points closed in the year 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.

16. WRITE-DOWNS AND OTHER PROVISIONS

The Euro 4.5 million provision in 2013 concerns the activities undertaken at some of the Italian subsidiaries in order to improve margins and streamline some overhead costs.

17. NET FINANCIAL INCOME (CHARGES)

	FY 2014	FY 2013
Interest income	49	15
Current account interest	(1,217)	(1,487)
Commercial interest expenses	(53)	(27)
Interest on medium/long term loans	(1,133)	(1,319)
Property lease interest	(97)	(156)
Others	(408)	(430)
Total financial income and charges	***(2,859)***	***(3,404)***
Exchange gains	2,383	1,189
Exchange losses	(1,866)	(1,632)
Net exchange gains/(losses)	***517***	***(443)***
Total financial income/(charges)	**(2,342)**	**(3,847)**

Debt servicing charges decreased following the reduced overall bank debt.

Net exchange gains of Euro 517 thousand are reported, due to hedges (flexi term) on the US Dollar.

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

The account, introduced following the application of *IFRS 11 – Joint arrangements*, concerns the share of the result for the year from the joint ventures in AnziBesson Trademark S.r.l. (loss of Euro 13 thousand) and Fashion S.r.l. (loss of Euro 52 thousand). These investments were measured at equity from January 1, 2014 (Notes 3 and 25).

19. INCOME TAXES

"Income taxes" concerns current income taxes of approx. Euro 7.9 million and approx. Euro 300 thousand of deferred tax charges.

20. EARNINGS PER SHARE

The basic earnings per share, for 2014, is calculated dividing the net result attributable to the shareholders of the Group by the weighted average number of ordinary shares outstanding during the year:

(in Euro)	FY 2014	FY 2013
Net profit attributable to owners of the Parent	12,436,670	4,501,068
Weighted average number of ordinary shares	57,330,765	57,612,315
Basic earnings per ordinary share	0.2169	0.0781

At December 31, 2014 there were no "potentially diluting" shares outstanding, therefore the diluted earnings per shares coincide with the earnings per share.

The change in the weighted average number of ordinary shares outstanding between 2013 and 2014 relates to the number of treasury shares acquired in the year.

ASSETS

21. INTANGIBLE ASSETS

	Dec. 31, 2014	Dec. 31, 2013	Changes
Concessions, trademarks and similar rights	34,549	34,479	70
Software programmes	4,313	4,320	(7)
Other intangible assets	2,311	2,139	172
Industrial patents	11	15	(4)
Total intangible assets	**41,184**	**40,953**	**231**

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

	Concessions, trademarks and similar rights	Software programmes	Other intangible assets	Industrial patents	Total
Historical cost at 1.1.2013	**44,130**	**31,566**	**9,187**	**52**	**84,935**
Additions	*2,709*	*1,885*	*294*	-	*4,888*
Disposals and other changes	*(57)*	*248*	*(210)*	-	*(19)*
Write-downs	-	-	*(1,628)*	-	*(1,628)*
Historical cost At 31.12.2013	**46,782**	**33,699**	**7,643**	**52**	**88,176**
IFRS 11 effect (*)	*(428)*	-	-	-	*(428)*
Historical cost at 31.12.2013	**46,354**	**33,699**	**7,643**	**52**	**87,748**
Additions	*232*	*2,053*	*554*	*1*	*2,840*
Disposals and other changes	*136*	-	*(11)*	-	*125*
Write-downs	-	-	-	-	-
Historical cost at 31.12.2014	**46,722**	**35,752**	**8,186**	**53**	**90,713**

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

	Concessions, trademarks and similar rights	Software programmes	Other intangible assets	Industrial patents	Total
Acc. Amort. at 1.1.2013	**(11,571)**	**(27,388)**	**(5,052)**	**(32)**	**(44,043)**
Amortisation	*(329)*	*(1,991)*	*(453)*	*(5)*	*(2,778)*
Disposals and other changes	-	-	-	-	-
Write-downs	-	-	-	-	-
Acc. Amort. at 31.12.2013	**(11,900)**	**(29,379)**	**(5,505)**	**(37)**	**(46,821)**
IFRS effect (*)	*26*	-	-	-	*26*
Acc. Amort. at 31.12.2013	**(11,874)**	**(29,379)**	**(5,505)**	**(37)**	**(46,795)**
Amortisation	*(299)*	*(2,060)*	*(370)*	*(5)*	*(2,735)*
Disposals and other changes	-	-	-	-	-
Write-downs	-	-	-	-	-
Acc. Amort. at 31.12.2014	**(12,173)**	**(31,439)**	**(5,875)**	**(42)**	**(49,530)**

The net book value of intangible assets is reported below:

	Concessions, trademarks and similar rights	Software programmes	Other intangible assets	Industrial patents	Total
Opening net book value at January 1, 2013	**32,559**	**4,178**	**4,135**	**20**	**40,892**
Additions	*2,709*	*1,885*	*294*	-	*4,888*
Disposals and other changes	*(57)*	*248*	*(210)*	-	*(19)*
Amortisation	*(329)*	*(1,991)*	*(453)*	*(5)*	*(2,778)*
Write-downs	-	-	*(1,628)*	-	*(1,628)*
Closing net book value at December 31, 2013	**34,882**	**4,320**	**2,138**	**15**	**41,355**
IFRS 11 effect (*)	*(402)*	-	-	-	*(402)*
Closing net book value at December 31, 2013	**34,480**	**4,320**	**2,138**	**15**	**40,953**
Additions	*232*	*2,053*	*554*	*1*	*2,840*
Disposals and other changes	*136*	-	*(11)*	-	*125*
Amortisation	*(299)*	*(2,060)*	*(370)*	*(5)*	*(2,734)*
Write-downs	-	-	-	-	-
Closing net book value at December 31, 2014	**34,549**	**4,313**	**2,311**	**11**	**41,184**

(*)These amounts were restated in accordance with IFRS 11; reference should be made to Note 3 - Financial Statements - Restatement of the comparative consolidated figures.

The increase in "concessions, trademarks 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. The reduction relates to the amortisation in the year of the brands Lanzera and Jesus, amortised over 20 years, as they have not yet reached a market positioning equal to those of the principal brands.

At December 31, 2014 the Kappa and Robe di Kappa brands report a book value of Euro 4 million (Euro 2.7 million net of amortisation), with the Superga brand reporting a book value of Euro 21 million (Euro 18 million net of amortisation); the K-Way brand was valued at Euro 8.1 million (Euro 5.8 million net of amortisation) and the Lanzera brand at Euro 1 million. The Kappa, Robe di Kappa, Superga and K-Way brands are considered intangible assets with indefinite useful life and as such are subject to an impairment test at least annually.

The impairment test on the book value of the brands was carried out in line with previous years, discounting the royalty net cash flows estimated from the brands in the period 2015-2019. For the years beyond the fifth year a terminal value was estimated on the net royalty cash flow of the fifth year, with different growth rates for clothing (2.2%) and footwear (1.6%), taken from specialised financial websites (EU, January 2015). These net cash flows were discounted at the weighted average cost of capital (WACC) equal to 7% (7.25% in 2013), determined with reference to the following parameters, taken from the principal financial information websites:

- Sector Beta: the parameter, indicator of the sector risk, amounts to 1.25 (1.16 in 2013).
- Market Risk Premium (MRP): amounts to 5.75% (5% in 2013), unchanged compared to the previous year, and represents the difference between the return on the investments without risk and the return of the investments with risk.
- Risk Free Rate (RFR): amounts to 2.4% (4.27% in 2013), in line with the return on ten-year State bonds.
- Debt costs: amounts to 4.2%, unchanged on the previous year.
- Debt (40%)/equity (60%) ratio, unchanged compared to the previous year.

Following the impairment test no write-down is required of the book value of the trademarks. As in previous years the results of the tests were compared with the valuations made by an independent advisor, which continue to illustrate values largely above the book values.

The book value of the AnziBesson brands, for which the Group is worldwide licensee, and Sabelt, for which the Group is licensee for only the "fashion" classes, held through the two joint ventures, reflects the value of the investment.

The account "software programmes" increased by approx. Euro 2 million for investments and decreased by Euro 1.9 million for amortisation in the year.

The account "other intangible assets" principally includes improvements related to the franchising project and recorded investments of Euro 0.6 million and amortisation in the year of Euro 0.4 million.

22. GOODWILL

	Dec. 31, 2014	Dec. 31, 2013	Changes
Goodwill	10,516	10,675	(161)
Total goodwill	**10,516**	**10,675**	**(161)**

The account "goodwill" includes the goodwill arising on the business combination with the Spanish licensee (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 2.6 million).

The Group verifies the recovery of the goodwill at least on an annual basis or more frequently when there is an indication of a loss in value. For the purposes of the impairment test the goodwill is allocated to the lowest cash-generating unit.

The impairment test on the goodwill arising from the business combination of the Spanish and French licensees was undertaken utilising the Discounted Cash Flow model, as described below.

The net cash flow from the lowest cash generating unit was discounted at the average weighted costs (WACC) equal to 7% (Note 21).

The net debt is deducted from the discounted cash flow, where present, as well as the value of the net assets of the lowest cash generating unit, excluding goodwill. The value is compared with the book value of the goodwill.

The significant gains made by the Kappa and Robe di Kappa CGU's within the "licenses and trademarks" sector, to which this goodwill is allocated, did not require sensitivity analyses.

Relating to the key money, the impairment test was undertaken comparing their book value, corresponding to the price paid on acquisition by the Group, with the higher between the value in use, calculated discounting the cash flows from the stores to the WACC (Note 21), and the market values. The impairment test undertaken at December 31, 2014 did not result in further write-downs than those allocated to some sales points closed in the year 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 Euro 655 thousand.

23. PROPERTY, PLANT AND EQUIPMENT

	Dec. 31, 2014	Dec. 31, 2013	Changes
Property	22,854	23,572	(718)
Furniture and other assets	4,785	5,261	(476)
Plant and machinery	432	473	(41)
EDP	1,959	2,186	(227)
Industrial and commercial equipment	153	196	(43)
Total property, plant and equipment	**30,183**	**31,688**	**(1,505)**

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
Historical cost at 1.1.2013	**34,272**	**11,636**	**1,104**	**10,955**	**724**	**58,691**
Additions	*200*	*1,361*	*113*	*833*	*109*	*2,616*
Disposals and other changes	-	*(269)*	*(93)*	*(83)*	-	*(445)*
Historical cost at 31.12.2013	**34,472**	**12,728**	**1,124**	**11,705**	**833**	**60,862**
Additions	*199*	*625*	*167*	*512*	*13*	*1,516*
Disposals and other changes	-	*(75)*	*(38)*	*(34)*	*(2)*	*(149)*
Historical cost at 31.12.2014	**34,671**	**13,278**	**1,253**	**12,183**	**844**	**62,229**

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 1.1.2013	**(9,987)**	**(6,613)**	**(523)**	**(8,503)**	**(580)**	**(26,206)**
Depreciation	*(913)*	*(985)*	*(161)*	*(1,034)*	*(57)*	*(3,150)*
Disposals and other changes	-	*131*	*33*	*18*	-	*182*
Acc. Deprec. at 31.12.2013	**(10,900)**	**(7,467)**	**(651)**	**(9,519)**	**(637)**	**(29,174)**
Depreciation	*(917)*	*(1,082)*	*(176)*	*(760)*	*(54)*	*(2,989)*
Disposals and other changes	-	*56*	*6*	*55*	-	*117*
Acc. Deprec. at 31.12.2014	**(11,817)**	**(8,493)**	**(821)**	**(10,224)**	**(691)**	**(32,046)**

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 January 1, 2013	**24,285**	**5,023**	**581**	**2,452**	**144**	**32,485**
Additions	*200*	*1,361*	*113*	*833*	*109*	*2,616*
Depreciation	*(913)*	*(985)*	*(161)*	*(1,034)*	*(57)*	*(3,150)*
Disposals and other changes	-	*(138)*	*(60)*	*(65)*	-	*(263)*
Closing net book value at December 31, 2013	**23,572**	**5,261**	**473**	**2,186**	**196**	**31,688**
Additions	*199*	*606*	*135*	*533*	*11*	*1,484*
Depreciation	*(917)*	*(1,082)*	*(176)*	*(760)*	*(54)*	*(2,989)*
Disposals and other changes	-	-	-	-	-	-
Closing net book value at December 31, 2014	**22,854**	**4,785**	**432**	**1,959**	**153**	**30,183**

The "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. The increase in the property account is due to improvements undertaken during the year.

Total gross investments in the year amounted to Euro 1.5 million, principally relating to the acquisition of furniture and EDP for the opening of new stores.

24. EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS

	Dec. 31, 2014	Dec. 31, 2013	Changes
Investments in other companies	2	1	1
Total investments	***2***	***1***	***1***
Other receivables, guarantees	295	385	(90)
Total financial receivables	***295***	***385***	***(90)***
Total equity investments and other financial assets	**297**	**386**	**(89)**

The investments in "other companies" correspond to the minimum holdings in consortium shopping centres in which some Group stores are located.

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

25. INTERESTS IN JOINT VENTURES

	Dec. 31, 2014	Dec. 31, 2013	Changes
Investments in:			
- Joint Ventures	399	428	(29)
Total investments in joint ventures	**399**	**428**	**(29)**

Investments in joint ventures concern the value of the investment in AnziBesson S.r.l. of Euro 78 thousand and in Fashion S.r.l. of Euro 321 thousand, both held 50%. From January 1, 2014, these investments were valued at equity under IFRS 11, with restatement of the comparative figures as outlined in Note 3 - Financial Statements - Restatement of the consolidated comparative figures.

26. DEFERRED TAX ASSETS

The "deferred tax assets" are reported net of deferred tax liabilities:

	Dec. 31, 2014	Dec. 31, 2013	Changes
Deferred tax assets	26	735	(709)
Total deferred tax assets	**26**	**735**	**(709)**

The net amount of Euro 26 thousand represents the balance between the deferred tax assets and liabilities as illustrated in the table.

Deferred tax assets principally relate to non-deductible doubtful debt provisions (approx. Euro 1.4 million), non-deductible inventory obsolescence provision (approx. Euro 0.9 million), provisions generated from the temporary differences arising from the accounting of the IFRS adjustments (approx. Euro 0.2 million), non-deductible interest (Euro 0.5 million) and other temporary non-deductible charges (Euro 0.7 million). Deferred tax assets were recorded, considering recovery probable on the basis of future earnings expectations, also in view of their possible utilisation in consideration of national tax consolidation agreements between the following companies of the Group - Italian or with administrative office in Italy: BasicNet S.p.A., BasicItalia S.p.A., Basic Village S.p.A., RdK0 S.r.l., BasicOutlet S.r.l., Jesus Jeans S.r.l., Basic Trademark S.A., Superga Trademark S.A. and Basic Properties B.V.

Deferred tax liabilities refer to the tax effects deriving from the application of the IFRS international accounting standards, with particular reference to the accounting of goodwill amortisation not tax deductible (Euro 0.7 million), different treatment of depreciation calculated for statutory and fiscal purposes on the land on which the owned buildings are located of the subsidiaries Basic Village S.p.A. and BasicItalia S.p.A.. (Euro 1 million), in addition to Euro 1,9 million relating to the tax amortisation of the trademarks and other minor amounts.

The derivatives defined as cash flow hedges and valued at fair value result in the relative tax being recorded directly in the "comprehensive income statement" and not in the "profit and loss account". Their value totals Euro 0.1 million.

The same treatment is adopted for the tax effect relating to the actuarial gain/losses, recorded since January 1, 2013, in accordance with IAS 19 Revised.

The deferred tax assets and liabilities recognised and their impact are reported in the table below:

	FY 2014			FY 2013			
	Amount of temporary differences	Rate %	Tax effect	Amount of temporary differences	Rate %	Tax effect	Changes 2014/2013
Deferred tax assets:							
- Excess doubtful debt provision not deductible	(5,056)	27.50	(1,391)	(5,469)	27.50	(1,504)	113
- Inventory obsolescence provision	(3,213)	31.40	(911)	(2,363)	31.40	(678)	(234)
- ROL surplus	(1,769)	27.50	(487)	(1,769)	27.50	(487)	-
- Other charges non-deduct.	(2,319)	31.40	(700)	(1,742)	31.40	(547)	(152)
- Effect IAS 19 – Employee Benefits	(155)	27.50	(43)	-	27.50	-	(43)
- Effect IAS 39 – financial instruments	(463)	27.50	(127)	(2,037)	27.50	(560)	433
Total	**(12,976)**		**(3,658)**	**(13,381)**		**(3,775)**	**117**
Deferred tax liabilities:							
- Prudent exchange differences, net	589	27.50	162	(71)	27.50	(20)	182
- Deprec./Amort. tax basis	5,598	31.40	1,758	3,425	31.40	1,075	682
- Effect IAS 38 – plant costs	5	31.40	4	2	31.40	3	1
- Effect IAS 17 finance leases and other tax differences on buildings	3,063	31.40	962	3,821	31.40	1,200	(238)
- Effect IFRS 3 – goodwill amortisation	2,378	31.40	747	2,964	26.38	782	(35)
Total	**11,634**		**3,633**	**10,139**		**3,040**	**592**
Net deferred tax liability (asset)	(1,342)		(26)	(3,241)		(735)	709
Deferred tax asset on losses	-	27.50		-	27.50	-	-
Net deferred tax liability/(asset)			**(26)**			**(735)**	

27. NET INVENTORIES

	Dec. 31, 2014	Dec. 31, 2013	Changes
Finished products and goods for resale	49,510	50,632	(1,122)
Inventory obsolescence provision	(3,213)	(2,363)	(850)
Total net inventories	**46,297**	**48,269**	**(1,972)**

Finished inventories include goods in transit at the balance sheet date which at December 31, 2014 amount to approx. Euro 2.8 million compared to Euro 4.5 million at December 31, 2013, goods held at Group brand stores for Euro 10.7 million, compared to Euro 13.6 million at December 31, 2013 and goods to be shipped against orders, to be delivered at the beginning of the following year, for Euro 10.3 million compared to Euro 9.3 million at December 31, 2013.

Finished product inventories decreased by approx. Euro 2 million (-4%) due to the destocking of goods in consignment during the year.

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:

	2014	2013
Inventory obsolescence provision at 1.1	**2,363**	**1,371**
Provisions in the year	1,465	1,370
Utilisations	(615)	(378)
Inventory obsolescence provision at 31.12	**3,213**	**2,363**

28. TRADE RECEIVABLES

	Dec. 31, 2014	Dec. 31, 2013	Changes
Gross value	49,615	50,092	(477)
Doubtful debt provision	(5,687)	(6,406)	719
Total trade receivables	**43,928**	**43,686**	**242**

"Trade receivables" refer for Euro 31.2 million to goods sold by proprietary licensees (Euro 32.9 million at December 31, 2013) and for which a doubtful debt provision was recorded of Euro 4.4 million (Euro 5.1 million in 2013), for Euro 18.4 million to royalties and sourcing commissions (Euro 17.6 million at December 31, 2013) against which a doubtful debt provisions was recorded of Euro 1.3 million (Euro 1.3 million at December 31, 2013) and Euro 0.04 million other receivables (Euro 0.1 million at December 31, 2013). The receivables are recorded at their realisable value through a doubtful debt provision based on estimated losses on disputes and/or overdue receivables as well as a general provision.

The movements during the year were as follows:

	2014	2013
Doubtful debt provision at 1.1	**6,406**	**5,587**
Provisions in the year	2,986	2,963
Utilisations	(3,705)	(2,144)
Doubtful debt provision at 31.12	**5,687**	**6,406**

All amounts are due within 12 months.

The ageing of the receivables is as follows:

	Dec. 31, 2014	Dec. 31, 2013
Receivables not overdue and not written down	28,153	25,441
Receivables written down, net of provision	4,467	7,085
Overdue and not written down	11,308	11,160
Total	**43,928**	**43,686**

The overdue receivables and not written down principally include one debtor overdue between 0-6 months.
The Group continues to maintain a close control on receivables. This management control permitted the reduction in the investment in working capital despite the difficulties arising in the year in terms of liquidity within the economy, especially on the domestic market. The utilisations of the provision are related to the write off of long outstanding amounts and are made when the statutory documentation of the loss has been received. The provisions are made on the basis of the review of individual positions. Overdue receivables not written down are normally recovered in the period immediately after the maturity date and in any case are subject to specific risk evaluations. The doubtful debt provision, in addition, includes provisions made on the basis of historical insolvency analyses which are considered appropriate in terms of the generic risk estimates of non-recovery of positions which currently are not considered critical.

29. OTHER CURRENT ASSETS

	Dec. 31, 2014	Dec. 31, 2013	Changes
Tax receivables	10,785	10,100	685
Other receivables	2,720	2,651	69
Total other current assets	**13,505**	**12,751**	**754**

"Tax receivables" principally include VAT receivables of Euro 5.1 million, corporate income taxes paid on account of Euro 1.2 million and withholding taxes on royalties of Euro 4.5 million.

The account "other receivables" principally includes payments to suppliers (Euro 0.7 million) and the premium paid to the insurance company against Directors Termination Indemnities for Euro 1.2 million and other minor receivables.

30. PREPAYMENTS

	Dec. 31, 2014	Dec. 31, 2013	Changes
Expenses pertaining to future Collections	4,365	3,931	434
Sponsorship and media	1,782	2,080	(298)
Others	697	892	(195)
Total prepayments	**6,844**	**6,903**	**(59)**

The "expenses pertaining to future Collections" include the creative personnel costs, samples, merchandising costs and sales catalogues, relating to new Collections to be brought to the market, as well as presentations costs for the relative sales meetings.

The "sponsorship costs" relate to the annual amount contractually defined by the parties, which is partially invoiced in advance during the sports season, compared to the timing of the services.

The "other prepayments" include various costs for samples, services, utilities, insurance and other minor amounts incurred by the companies of the Group.

31. CASH AND CASH EQUIVALENTS

	Dec. 31, 2014	Dec. 31, 2013	Changes
Bank and post office deposits	3,943	6,427	(2,484)
Cash in hand and similar	71	60	11
Total cash and cash equivalents	**4,014**	**6,487**	**(2,473)**

"Bank deposits" refer to temporary current account balances principally due to receipts from clients. In particular concerning: BasicNet S.p.A. (Euro 1 million), BasicItalia S.p.A. (Euro 1.7 million), BasicOutlet S.r.l. (Euro 0.6 million), RdK0 S.r.l. (Euro 0.2 million), Basic Trademark S.A. (Euro 0.2 million) and, for the difference, the other Group companies (Euro 0.3 million).

Against the agreement signed with Intesa Sanpaolo S.p.A. (described in Note 44), Euro 281 thousand is included in bank deposits and restricted as guarantee on loans provided by the bank to third parties, owners of the Group's franchising stores.

32. FINANCIAL INSTRUMENTS - DERIVATIVES

	Dec. 31, 2014	Dec. 31, 2013	Changes
Financial instruments - derivatives	1,182	-	1,182
Total financial instruments - derivatives	**1,182**	**-**	**1,182**

The account includes the market value at December 31, 2014 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 2015, on the basis of the goods orders already sent to suppliers, or still to be made but included in the budget for the year. At December 31, 2014, commitments were in place on estimated future purchases, for USD 22.1 million, divided into 11 operations with variable maturities in 2015 at fixed exchange rates between USD/Euro 1.235 and USD/Euro 1.387, with a weighted average exchange rate of the purchases equal to USD/Euro 1.2975. During 2014, forward purchase operations were utilised for USD 35.4 million and the relative effects were recognised to the income statement.

SHAREHOLDERS' EQUITY & LIABILITIES

33. SHAREHOLDERS' EQUITY

	Dec. 31, 2014	Dec. 31, 2013	Changes
Share capital	31,717	31,717	-
Treasury shares	(6,875)	(5,765)	(1,110)
Other reserves	43,432	37,162	6,270
Net Profit	12,437	4,501	7,936
Minority interests	-	-	-
Total Shareholders' Equity	**80,711**	**67,615**	**13,096**

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 the year 480,319 treasury shares were acquired in accordance with Shareholders' Meetings motions, as illustrated in the Directors' Report, which together with the 3,459,681 shares held at the end of the previous year, totalled 3,940,000 at December 31, 2014 (6.46% of the Share Capital).

The reconciliation at December 31, 2014 between the net equity and net result of the Parent Company and the net equity and consolidated net result of the Group is reported in the Directors' Report.

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

	Dec. 31, 2014	Dec. 31, 2013	Changes
Effective part of the Gains/(losses) on cash flow instruments generated in the period (currency hedges)	1,509	(101)	1,610
Effective part of the Gains/(losses) on cash flow instruments generated in the period (interest rate hedges)	67	828	(761)
Effective part of the Gains/losses on cash flow hedge instruments	***1,576***	***727***	***849***
Re-measurement of defined benefit plans (IAS 19)	(96)	97	(193)
Gains/(losses) from translation of accounts of foreign subsidiaries	696	(8)	704
Tax effect relating to the Other items of the comprehensive income statement	(407)	(226)	(181)
Total other gains/(losses), net of tax effect	**1,769**	**590**	**1,179**

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

	December 31, 2014			December 31, 2013		
	Gross value	- Tax Charge/ Benefit	Net value	Gross value	- Tax Charge/ Benefit	Net value
Effective part of Gains/losses on cash flow hedge instruments	1,576	(434)	1,142	727	(200)	527
Gains/losses for re-measurement of defined benefit plans (IAS 19)	(96)	27	(69)	97	(26)	71
Gains/(losses) from translation of accounts of foreign subsidiaries	696	-	696	(8)	-	(8)
Total other gains/(losses), net of tax effect	**2,176**	**(407)**	**1,769**	**816**	**(226)**	**590**

34. PROVISIONS FOR RISKS AND CHARGES

	Dec. 31, 2014	Dec. 31, 2013	Changes
Provisions for risks and charges	43	4,413	(4,370)
Total provisions for risks and charges	**43**	**4,413**	**(4,370)**

The provision for risks and charges relates to the Agents Termination Indemnity Provision (FIRR) in BasicItalia S.p.A..
In May 2014, citations by the Tax Agency following the audit of 2012 were fomalised with the issue of tax assessments to Basic Trademark S.A., Superga Trademark S.A. and Basic Properties B.V for 2009, against which settlement was made for amounts in line with that accrued in the financial statements at December 31, 2012. The amount provisioned in previous years, amounting to Euro 4.4 million, was therefore reclassified to the account Tax Payables (Note 40).

35. LOANS

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

	31/12/2013	Repayments	New loans	31/12/2014	Short-term portion	Medium/long-term portion
"Superga" medium/long term loan	4,156	(2,375)	-	1,781	(1,781)	-
Basic Village property loan	10,500	(1,200)	-	9,300	(1,200)	8,100
BasicItalia property loan	3,967	(407)	-	3,560	(407)	3,153
UBI Banca loan	6,964	(2,143)	-	4,821	(2,143)	2,678
Balance	**25,587**	**(6,125)**	**-**	**19,462**	**(5,531)**	**13,931**

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

	Dec. 31, 2014	Dec. 31, 2013	Changes
Medium/long term loans:			
- due within 5 years	10,712	13,833	(3,121)
- due beyond 5 years	3,219	5,629	(2,410)
Total medium/long loans	***13,931***	***19,462***	***(5,531)***
Leasing payables	1,761	2,347	(586)
Total leasing payables (maturity within 5 years)	***1,761***	***2,347***	***(586)***
Total loans	**15,692**	**21,809**	**(6,117)**

The medium/long-term loans are comprised for Euro 8.1 million of the residual value of the loan provided by the Capitalia Group (now Unicredit Group) for the purchase of the building “Basic Village” located at Largo Maurizio Vitale, 1, Turin (“Basic Village Property Loan”), for Euro 3.1 million of the residual loan from Mediocredito Italiano S.p.A. (Banca Intesa Sanpaolo S.p.A. Group) for the purchase of the building of BasicItalia S.p.A. located at Strada Cebrosa, 106 (“BasicItalia Property Loan”) and for Euro 2.7 million the residual loan from Unione Banche Italiane ScpA in June 2013 (“UBI Banca Loan”).

The “Basic Villlage 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 sureties of 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 constant instalments and maturity at September 2023. The loan is guaranteed by a mortgage on the property and by a surety of the parent company BasicNet S.p.A..

The “UBI Banca loan” was granted at the end of June 2013 by Unione Banche Italiane ScpA for an amount of Euro 7.5 million at a variable rate, with repayment of capital in 14 quarterly instalments and maturity at December 2016.

The contractual conditions provide for compliance with financial covenants annually, fully complied with, as follows:

Financial Condition		Covenant at FY 2014	Actual at FY 2014
NFP/EBITDA	≤	3.5	1.40
NFP/NE	≤	1.0	0.56

The contractual conditions also provide for disclosure and general obligations for the loans, in addition to compliance with the current shareholder structure with the bank having the right to require repayment in the case where the current shareholder holds directly or indirectly less than 30% of the share capital of BasicNet S.p.A.

The loan for the acquisition of the Superga brand ("Superga Loan") of the Group will mature on July 16, 2015 and therefore the remaining three instalments were recorded under short-term debt. Guarantees were provided on these loans including a pledge on 100% of the share capital of Superga Trademark S.A.

The contractual conditions provide for the following financial covenants relating to the consolidated financial statements of the BasicNet Group, which have all been complied with, as follows:

Financial Condition	**Covenant at FY 2014**	**Actual at FY 2014**
NFP/EBITDA ≤	4.5	1.40
NFP/NE ≤	1.2	0.56
Net Financial Charges/EBITDA ≤	0.40	0.07
Shareholders'Equity ≥	€ 49 million	€ 80.7 million

in addition to the following commitments, against which it is necessary to request prior approval from the lending banks:

– the commitment not to distribute profits where such distribution would result in a non-compliance with the financial ratios;

– the commitment not to acquire treasury shares and not to undertake share capital reductions;

– other commitments relating to extraordinary operations or disposal of assets or acquiring further forms of debt not related to the ordinary commercial activities.

In addition, the loan contract stipulates the maintenance of a number of ownership conditions concerning BasicWorld S.r.l., the majority shareholder of BasicNet S.p.A., and BasicNet S.p.A.. Specifically:

– the maintenance by Mr. Marco Daniele Boglione (either directly or indirectly) of at least 51% of the share capital of Basic World S.r.l., a company which holds 36.187% of BasicNet S.p.A. shares and is the largest shareholder;

– that the total shareholding, direct or indirect, of BasicWorld S.r.l. in the share capital of BasicNet S.p.A., is not below 30% in the company or, in any case, of a shareholding representing the majority of shares with voting rights of the company;

– the maintenance, either directly or indirectly, by BasicNet S.p.A. of a minimum 75% share of Superga Trademark S.A..

At December 31, 2014 the credit lines available from the banking system (bank overdrafts, commercial advances, medium/long-term loans, import financing, leasing and letters of credit), amounted to Euro 111.5 million, broken down as follows:

(in Euro millions)	**Dec. 31, 2014**	**Dec. 31, 2013**
Cash facility	74.1	77.6
Factoring	1.5	1.5
Letters of credit and swaps	12.7	9.5
Medium/long term loans	19.6	25.6
Property leases	3.6	5.1
Total	**111.5**	**119.3**

The overall reduction in the credit lines is related in general to the reduction in the commercial credit lines for temporary positions or unutilised. Credit commitments increased with reference to the foreign currency management lines.

The average interest paid for the BasicNet Group in the year is reported in Note 38.

36. EMPLOYEE AND DIRECTOR BENEFITS

The account includes the post-employment benefits for employees of Euro 2.5 million and the termination indemnities of Directors of Euro 1 million, as described previously (Note 29).

The changes in the year of the post-employment benefit liability were as follows:

	Dec. 31, 2014			**Dec. 31, 2013**		
	Defined benefit plans	**Defined contribution plans**	**Total**	**Defined benefit plans**	**Defined contribution plans**	**Total**
Change in the balance sheet:						
Net liabilities recognised at the beginning of the year	2,486	-	2,486	2,673	-	2,673
Interest	58	-	58	66	-	66
Pension cost, net of withholdings	117	769	886	122	800	922
Benefits paid	(184)	-	(184)	(279)		(279)
Payments to the INPS treasury fund	-	(643)	(643)	-	(657)	(657)
Payments to other supplementary pension fund	-	(126)	(126)	-	(143)	(143)
Actuarial gain/(loss)	96	-	96	(97)	-	(97)
Net liabilities recognised in the accounts	**2,573**	**-**	**2,573**	**2,485**	**-**	**2,485**
Change in the income statement:						
Interest	58	-	58	66	-	66
Pension Cost	120	769	889	127	800	927
Total charges/(income) for post-employment benefits	**179**	**769**	**948**	**193**	**800**	**993**

The account "defined benefit plans" includes the present value of the liabilities in the Italian companies of the Group towards employees in accordance with Article 2120 of the Civil Code. Based on the regulatory changes in 2007, the sums matured prior to January 1, 2007 to employees are recognised as defined benefit plans in accordance with *IAS 19 – Employee benefits*; those matured subsequent to this date are on the other hand recognised as defined contribution plans in accordance with the same standard.

Within the Group there are no other defined benefit plans.

The actuarial valuation of the Post-Employment Benefit is prepared based on the "matured benefits" method through the Projected Unit Credit Method in accordance with IAS 19. Under this method the valuation is based on the average present value of the pension obligations matured based on the employment service up to the time of the valuation, without projecting the remuneration of the employee in accordance with the regulatory modifications introduced by the Pension Reform.

The revaluations of the amounts at the option date for all of the companies and the benefits matured and not allocated to complementary pension schemes for businesses with less than 50 employees are recorded under post-employment benefit. In accordance with IAS 19, this provision was recorded as a "Defined benefit plans". The actuarial model for the measurement of the post-employment benefit is based on various assumptions of a demographic and financial nature. The principal assumptions of the model concerning the actuarial valuations relating to personnel costs are:

	Dec. 31, 2014	**Dec. 31, 2013**
discount rate	1.86%	2.77%
inflation rate:		2.00%
For 2015	0.60%	
For 2016	1.20%	
For 2017 and 2018	1.50%	
From 2019	2.00%	
annual increase in post-employment benefit		3.00%
For 2015	1.950%	
For 2016	2.400%	
For 2017 and 2018	2.625%	
From 2019	3.000%	
annual increase in salaries	1-3%	1-3%

The change in the annual discount rate reflects the decrease in the yields of the "corporate bonds" of the basket utilised (Iboxx Eurozone Corporate) at the balance sheet date.

37. OTHER NON-CURRENT LIABILITIES

	Dec. 31, 2014	**Dec. 31, 2013**	**Changes**
Guarantee deposits	1,187	670	517
Total other non-current liabilities	**1,187**	**670**	**517**

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

38. BANK PAYABLES

	Dec. 31, 2014	Dec. 31, 2013	Changes
Bank payables due within one year:			
- short-term portion of medium/long-term loans	5,531	6,125	(594)
- bank overdrafts and bills	12,277	13,887	(1,610)
- import advances	16,086	17,791	(1,705)
Total bank payables	**33,894**	**37,803**	**(3,909)**

The portion of medium/long-term loans due within one year is included under short-term bank debt as described in Note 35.

The changes in the financial position are commented upon in the Directors' Report. Interest due matured at the end of the year on short and medium/long-term loans is reported in the account bank payables.

Cash advances refer to temporary utilisation by the Parent Company BasicNet S.p.A., for Group treasury needs.

The financial debt by interest rate at December 31, 2014 is as follows:

	Interest Rate			
	Below 3%	**Between 3% and 5%**	**Between 5% and 6.4%**	**Total**
Cash advances	457	1,839	1,710	4,006
Bill advances	8,269	-	-	8,269
Import advances	1,670	13,750	666	16,086
M/L loans	3,559	4,821	11,081	19,461
Leasing	169	472	1,120	1,761
Total	**14,124**	**20,882**	**14,577**	**49,583**

39. TRADE PAYABLES

The "trade payables" are payable in the short-term and decreased by approx. Euro 5.6 million compared to December 31, 2013, following the commercial activity of the Group in the period. 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:

	Dec. 31, 2014	Dec. 31, 2013	Changes
Tax payables:			
Income taxes	5,818	2,314	3,504
Withholding taxes	60	95	(35)
Employee contributions	469	502	(33)
Non-recurring tax charge	8,877	8,310	567
Group VAT	6,941	8,840	(1,899)
Total tax payables	**22,165**	**20,061**	**2,104**

The non-recurring tax charges concern the total payable to the Tax Agency, definitively established in May 2014 following the notification of the final tax assessments which the Group settled on appeal in 2012, against which a sufficient provision had been made (Note 34). The payable of Euro 8.9 million (of which Euro 6 million by December 31, 2015), which benefits from quarterly instalments agreed over three years, corresponds to a net payment of Euro 6.8 million (Euro 4.9 million by December 31, 2015), considering the VAT receivables of Euro 2.9 million, included in the Tax Receivables account (Note 29), whose recovery is correlated to the above-mentioned instalments.

41. OTHER CURRENT LIABILITIES

	Dec. 31, 2014	Dec. 31, 2013	Changes
Accrued expenses	619	669	(50)
Other payables	6,856	7,327	(471)
Total other current liabilities	**7,475**	**7,996**	**(521)**

The account “accrued expenses” principally includes deferred employee remuneration.

The “other payables” at December 31, 2014 principally include employee remuneration and expenses (Euro 3.1 million), payable in the subsequent month, related social security charges (Euro 0.9 million), other related liabilities (Euro 0.4 million), royalty payment on accounts from licensees (Euro 0.6 million) and other miscellaneous amounts Euro (1.9 million).

42. DEFERRED INCOME

	Dec. 31, 2014	Dec. 31, 2013	Changes
Royalties	630	414	216
Sponsorship costs	1,186	1,497	(311)
Other deferred income	32	35	(3)
Total deferred income	**1,848**	**1,946**	**(98)**

The “sponsorship deferred income” 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. FINANCIAL INSTRUMENTS - DERIVATIVES

	Dec. 31, 2014	Dec. 31, 2013	Changes
Financial instruments - derivatives	1,645	2,037	(392)
Total financial instruments - derivatives	**1,645**	**2,037**	**(392)**

The account includes the adjustments to market value of the interest rate hedging operations on the medium-long-term “Superga loan” and on the Basic Village property loan (Note 35), signed with leading financial counterparties, which converted the variable interest rates into fixed interest rates, respectively at 6.36% and 6.04% (cash flow hedge). The adjustment was Euro 392 thousand, based on the movements in the money markets (Euribor) and the reduction of the debt following repayments made.

A negative equity reserve was recorded of Euro 1.2 million, 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 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 35.

In February 2010 the Intesa Sanpaolo S.p.A. Group and BasicItalia S.p.A. signed an agreement which would permit important access to subsidised finance for the start-up of franchising stores of the Group, against which a portion of the loan is guaranteed and the purchase of assets in leasing in the case of non-compliant of the store owner. For its part, BasicItalia S.p.A. has the contractual right to sub-enter into the management of the stores, in the event that the store owner does not comply with the loan and leasing repayments. At December 31, 2014 the deposit amounted to Euro 281 thousand and leasing guarantees amount to Euro 1.8 million.

In accordance with that outlined above guarantees were granted of Euro 1.2 million by credit institutions in favour of the lessees of the stores of BasicItalia S.p.A., RdK0 S.r.l. and BasicOutlet 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 for goods, through some Credit Institutions, totalling Euro 16.6 million (Euro 14.8 million at December 31, 2013).

45. CLASSIFICATION OF THE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

The financial instruments of the BasicNet Group include:

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

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

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

	Financial instruments at fair value recorded through:		Financial instruments at amortised cost	Non listed investments valued at cost	Book value at 31.12.2014
	P&L	Equity			
Assets:					
Equity invest. & other financial assets	-	-	-	297	**297**
Trade receivables	-	-	43,928	-	**43,928**
Other current assets	-	-	13,505	-	**13,505**
Financial instruments (currency risk)	-	1,182	-	-	**1,182**
Liabilities:					
Bank payables	-	-	33,894	-	**33,894**
Medium/long term loans	-	-	15,692	-	**15,692**
Trade payables	-	-	30,142	-	**30,142**
Other current liabilities	-	-	7,475	-	**7,475**
Financial instruments (interest rate risk)	-	1,645	-	-	**1,645**

The financial risk factors, identified at *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 petrol 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 December 31, 2014, unrealised exchange gains were recorded of Euro 809 thousand, while unrealised exchange losses were recorded of Euro 259 thousand, for a net exchange gain of Euro 517 thousand.

At the reporting date, there were 11 hedge operations on US Dollar fluctuations, totalling USD 22,1 million; the relative effects are illustrated in the account "Derivative financial instruments", in Note 32.

Group Management considers that the management and containment polices 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 December 31, 2014 is shown below:

	FY 2014	%	FY 2013	%
Fixed rate	11,186	24.50%	14,820	27.90%
Variable rate	34,386	75.50%	44,792	72.10%
Gross debt	**45,572**	**100.00%**	**59,612**	**100.00%**

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 December 31, 2014 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 +226 thousand and Euro -226 thousand.

Credit Risk

The doubtful debt provision (Note 28) which includes provisions against specific credit positions and a general provision on an historical analysis of receivables, represents approx. 11.5% of trade receivables at December 31, 2014.

Liquidity risk

The 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);
- worsened by the financial effects deriving from the settlement with the Tax Administration, which results in a financial payment of Euro 6.8 million over three years, having already paid Euro 10.5 million at December 31, 2014. The possibility to make the payments in quarterly instalments over the next three years permits compliance with the scheduled payments through the generation of cash deriving from operating activities, in particular the management of commercial licenses (royalties) and production (sourcing commission).

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**	**Beyond 5 years**
Superga medium/long term loan	1,781	34	1,815	1,815	-	-
UBI Banca loan	4,821	208	5,029	2,293	2,736	-
BasicVillage property loan	9,300	2,279	11,579	1,742	7,609	2,228
BasicItalia property loan	3,560	414	3,974	495	2,317	1,161
Lease payables	1,761	170	1,931	797	1,134	-
Total financial liabilities	**21,223**	**3,106**	**24,328**	**7,141**	**13,797**	**3,390**

Default risk and debt covenants

The covenants are described in detail in Note 35 and at December 31, 2014 were all complied with.

46. 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., RdK0 S.r.l., BasicOutlet S.r.l., Basic Village S.p.A. and Jesus Jeans S.r.l. have adhered to the national fiscal regime as per Article 177/129 of the CFA.

The transactions with related parties for the year ended December 31, 2014 are reported below:

	Investments	Trade receivables	Trade payables	Other income	Costs
Interests in joint ventures:					
- AnziBesson Trademark S.r.l.	78	16	-	3	-
- Fashion S.r.l.	321	-	3	2	-
Remuneration of Boards and Senior Executives	-	-	-	-	4,013

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 Professionale Pavesio e Associati and by Studio Legale Cappetti, of the Director Carlo Pavesio and the consultancy undertaken by Pantarei S.r.l. in which the Director Alessandro Gabetti Davicini is Sole Director and of Studio Boidi & Partners, of which the Chairman of the Board of Statutory Auditors is Massimo Boidi. 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 renewable put and call agreement with BasicWorld S.r.l, at a price equal to the costs incurred for their acquisition, in addition to interest. This agreement was signed based on the eventual interest of BasicNet S.p.A. to sell this equipment to guarantee the complete recovery of the costs incurred, including financial charges, utilising in the meantime the benefits which derive from such communication instruments for their brands and/or products and, by BasicWorld S.r.l., of the purchase, to avoid that such a collection which would be lost.

47. SUBSEQUENT EVENTS

They are described in the Directors’ Report.

48. CONSOB NO. DEM/6064293 OF JULY 28, 2006

Pursuant to Consob Communication DEM/6064293 of July 28, 2006, we report that there were no non-recurring significant operations during the year.

49. 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. Roma contract termination

The dispute was taken by BasicItalia S.p.A. against A.S. Roma S.p.A. and Soccer S.a.s. Brand Manager S.r.l., which on November 23, 2012 communicated the unilateral advance resolution of the team sponsorship, agreed with duration until June 30, 2017, for presumed non-compliance and, in particular, defects in the materials supplied. BasicItalia S.p.A., considering the reasons for the resolution unfounded, instigated an ordinary court procedure requesting compensation for significant damage incurred. A.S. Roma S.p.A. and Soccer S.a.s. appealed against the request of BasicItalia S.p.A. and counterclaimed requesting compensation for presumed damage. The proceedings are currently in the preliminary stages.

In addition, following the above termination of the contract, A.S. Roma sought to enforce payment of the surety granted by BNL S.p.A. in favour of BasicItalia S.p.A. for a maximum amount of Euro 5.5 million which guaranteed commitments undertaken by BasicItalia S.p.A. under the sponsorship agreement. Following the non-payment by BNL S.p.A., A.S. Roma petitioned the Rome Court to enforce a payment order against BNL for the full guaranteed amount. As a result of this procedure, in which BasicItalia S.p.A. (together with the parent company BasicNet S.p.A.) was joined as a party by BNL, the Rome Court, with judgement of December 7, 2013, rejected all applications by A.S. Roma, considering the enforcement illegitimate.

This sentence was not challenged by A.S. Roma and the sentence is final. On December 20, 2013, A.S. Roma again requested payment of the above-mentioned surety and, following the refusal of BNL to meet this new request, presented an appeal before the Rome Court on February 20, 2014. With judgement of December 15, 2014, the Rome Court rejected all requests made by A.S. Roma. AS Rome appealed against this decision before the Rome Appeals Court with subpoena dated February 10, 2015. The fearing is fixed for June 8, 2015.

Finally, we report that BasicItalia S.p.A. presented, also to the Rome Court, an injunction decree in order to attain from Soccer S.a.s. di Brand Manager S.r.l. (an AS Roma S.p.A. Group company) the payment of invoices issued for the supply of technical material delivered during 2013. Following the granting of the injunction decree, Soccer S.a.s. di Brand Manager S.r.l. appealed the decision and the relative procedure, to which BasicItalia S.p.A. is also party. These proceedings are currently also in the preliminary stages.

For the Board of Directors

The Chairman

Signed by Mr. Marco Daniele Boglione

ATTACHMENT 1

DISCLOSURE PURSUANT TO ARTICLE 149 DUODECIES OF THE CONSOB ISSUER'S REGULATION

Type of service	Service provider	Company	Fees earned 2014
Audit	PricewaterhouseCoopers S.p.A.	Parent Company BasicNet S.p.A. Subsidiaries	67,159 160,491
Certification services	PricewaterhouseCoopers S.p.A.	-	-
Other services	PricewaterhouseCoopers S.p.A.	-	-
Total			**227,650**

ATTACHMENT 2
Page 1 of 2

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

	Registered office	Corporate purpose	Share capital		Parent Holding %
SUBSIDIARIES					
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
- Basic Village S.p.A. - single shareholder company	Turin (Italy)	Building mgt. at Largo M. Vitale, 1.	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
- Jesus Jeans S.r.l. single shareholder company	Turin (Italy)	Owner of the Jesus Jeans brand.	EURO	10,000	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 [1]
- 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.					
- RdK0 S.r.l. - single shareholder company	Turin (Italy)	Management of stores.	EURO	10,000	100
S.r.l. single shareholder company	Turin (Italy)	Management of outlets owned by the Group.	EURO	10,000	100

[1] Shares subject to pledges with right of vote at Extraordinary Shareholders' Meeting to the Lead Bank Unicredit Banca d'Impresa S.p.A. for the "Syndicated" loan of July 16, 2007 with expiry on July 16, 2015.

ATTACHMENT 2
Page 2 of 2

COMPANIES INCLUDED IN THE CONSOLIDATION UNDER THE EQUITY METHOD

	Registered office	Corporate purpose	Share capital		Holding %
- through BasicNet S.p.A.					
- AnziBesson Trademark S.r.l.	Turin (Italy)	Owner of the AnziBesson brand under a joint-venture	EURO	50,000	50 [(2)]
- Fashion S.r.l.	Turin (Italy)	Owner of the Sabelt brand under a joint-venture	EURO	100,000	50 [(3)]

[(2)] The remaining 50% of the investment is held by Niccolò Besson.
[(3)] The remaining 50% of the investment is held by the Marsiaj family

ATTACHMENT 3

DECLARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS PARAGRAPH 5 AND 5-BIS OF LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998 "FINANCIAL INTERMEDIATION ACT"

The undersigned Marco Daniele Boglione as Executive Chairman, Franco Spalla as CEO, and Paolo Cafasso as Executive Officer Responsible for the preparation of financial statements 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 adequacy for company operations and the effective application, of the administrative and accounting procedures for the preparation of the 2014 consolidated financial statements.

In addition, we declare that the consolidated financial statements:

a) corresponds to the underlying accounting documents and records;

b) were prepared in accordance with International Financial Reporting Standards adopted by the European Union, and also in accordance with Article 9 of Legislative Decree No. 38/2005 and provide a true and fair representation of the balance sheet, financial position and results of the Issuer and of the consolidated companies;

c) the Directors' Report includes a reliable analysis on the performance and operating result as well as the situation of the Issuer, together with a description of the risks and uncertainties to which they are exposed.

Signed by Mr. Marco Daniele Boglione
Chairman

Signet by Mr. Franco Spalla
Chief Executive Officer

Signed by Mr. Paolo Cafasso
Executive Officer Responsible

FINANCIAL STATEMENTS

AND EXPLANATORY NOTES

OF BASICNET S.P.A AT DECEMBER 31, 2014

BASICNET S.p.A. – INCOME STATEMENT

(in Euro)

	Note	**FY 2014**	**FY 2013**	**Changes**
Direct sales	*(7)*	2,029,978	1,525,118	504,860
Cost of sales	*(8)*	(1,849,083)	(1,572,363)	(276,720)
GROSS MARGIN		**180,895**	**(47,245)**	**228,140**
Royalties and sourcing commissions	*(9)*	23,879,359	22,932,619	946,740
Other income	*(10)*	6,793,665	6,857,673	(64,008)
Sponsorship and media costs	*(11)*	(413,562)	(134,956)	(278,606)
Personnel costs	*(12)*	(7,903,424)	(8,071,934)	168,510
Selling, general and administrative costs, royalties expenses	*(13)*	(12,233,654)	(12,562,327)	328,673
Amortisation & Depreciation	*(14)*	(1,916,821)	(1,790,896)	(125,925)
EBIT		**8,386,458**	**7,182,934**	**1,203,524**
Net financial income (charges)	*(15)*	3,959	(484,863)	488,822
Dividends	*(16)*	4,950,000	-	4,950,000
PROFIT BEFORE TAXES		**13,340,417**	**6,698,071**	**6,642,346**
Income taxes	*(17)*	(3,230,786)	(2,115,041)	(1,115,745)
NET PROFIT		**10,109,631**	**4,583,030**	**5,526,601**

BASICNET S.p.A. – COMPREHENSIVE INCOME STATEMENT

The "Comprehensive Income Statement" is reported below, prepared in accordance with IAS 1 Revised. The statement shows the effects that would occur on the consolidated net result if the accounts that are recorded directly under equity, as required and permitted by IFRS, were instead recorded through the income statement.

(in Euro)

	Note	FY 2014	FY 2013	Changes
Profit for the year (A)		***10,109,631***	***4,583,030***	***5,526,601***
Effective portion of the Gains/(losses) on cash flow hedges		133,978	237,999	(104,021)
Re-measurement of post-employment benefits (IAS 19) (*)		(53,199)	58,795	(111,994)
Tax effect on other profits/(losses)		(22,215)	(81,617)	59,402
Total other gains/(losses), net of tax effect (B)	*(27)*	***58,564***	***215,177***	***(156,613)***
Total Comprehensive Profit (A)+(B)		**10,168,195**	**4,798,207**	**5,369,988**
Total Comprehensive Profit attributable to:				
- Parent company shareholders		**10,168,195**	**4,798,207**	**5,369,988**
- Minority interests		-	-	-

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

BASICNET S.p.A. – BALANCE SHEET

(in Euro)

ASSETS	*Note*	December 31, 2014	December 31, 2013
Intangible assets	*(18)*	11,812,590	11,699,404
Plant, machinery and other assets	*(19)*	1,364,117	1,299,260
Equity invest. & other financial assets	*(20)*	36,345,076	36,286,572
Deferred tax assets	*(21)*	280,275	205,832
Total non-current assets		**49,802,058**	**49,491,068**
Net inventories	*(22)*	759,932	760,325
Trade receivables	*(23)*	7,745,635	8,434,111
Other current assets	*(24)*	53,647,140	48,865,783
Prepayments	*(25)*	3,522,296	3,041,353
Cash and cash equivalents	*(26)*	1,042,443	3,142,757
Derivative financial instruments		-	-
Total current assets		**66,717,446**	**64,244,329**
TOTAL ASSETS		**116,519,504**	**113,735,397**

LIABILITIES	*Note*	December 31, 2014	December 31, 2013
Share capital		31,716,673	31,716,673
Treasury shares		(6,875,036)	(5,764,864)
Other reserves		46,955,747	42,314,153
Net Profit		10,109,631	4,583,030
TOTAL SHAREHOLDERS' EQUITY	*(27)*	**81,907,015**	**72,848,992**
Provisions for risks and charges		-	-
Loans	*(28)*	2,706,642	6,645,483
Employee and Director benefits	*(29)*	2,388,248	1,817,884
Other non-current liabilities	*(30)*	734,418	280,666
Total non-current liabilities		**5,829,308**	**8,744,033**
Bank payables	*(31)*	5,705,645	6,733,955
Trade payables	*(32)*	4,371,384	5,463,063
Tax payables	*(33)*	12,971,532	11,625,413
Other current liabilities	*(34)*	5,565,067	8,047,133
Accrued expenses	*(35)*	131,008	100,285
Derivative financial instruments	*(36)*	38,545	172,523
Total current liabilities		**28,783,181**	**32,142,372**
TOTAL LIABILITIES		**34,612,489**	**40,886,405**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**116,519,504**	**113,735,397**

BASICNET S.p.A. – CASH FLOW STATEMENT

(in Euro)

		December 31, 2014	December 31, 2013
A)	**OPENING SHORT-TERM BANK DEBT**	**926,663**	**(9,531,920)**
B)	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net profit for the year	10,109,631	4,583,030
	Amortisation & Depreciation	1,916,821	1,790,896
	Changes in working capital:		
	- (increase) decrease in trade receivables	688,476	(1,257,233)
	- (increase) decrease in inventories	393	89,826
	- (increase) decrease in other receivables	(4,736,744)	3,265,265
	- increase (decrease) in trade payables	(1,091,679)	1,563,815
	- increase (decrease) in other payables	(651,474)	18,065
	Net change in post-employment benefits	(80,489)	(39,094)
	Others, net	(24,561)	416,159
		6,130,374	**10,430,729**
C)	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Investments in fixed assets:		
	- tangible assets	(347,578)	(209,637)
	- intangible assets	(1,747,286)	(3,957,129)
	- financial assets	(58,503)	(71,335)
	Realisable value for fixed asset disposals:		
	- tangible assets	-	-
	- intangible assets	-	-
	- financial assets	-	-
		(2,153,367)	**(4,238,101)**
D)	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Loan (leasing) repayments	(14,730)	(15,277)
	Repayments of medium/long term loans	(4,517,860)	(2,910,715)
	Undertaking of short-term credit lines	-	7,500,000
	Acquisition of treasury shares	(1,110,172)	(308,053)
	Distribution of dividends	-	-
		(5,642,762)	**4,265,955**
E)	**OPERATIONS NOT GENERATING CASH FLOWS**		
	Conversion of financial receivables into investments		
	- receivables from subsidiaries	-	19,500,000
	- equity investments	-	(19,500,000)
		-	**-**
E)	**CASH FLOW IN THE YEAR**	**(1,665,755)**	**10,458,583**
F)	**CLOSING SHORT-TERM BANK DEBT**	**(739,092)**	**926,663**

Interest paid for the year amounts to respectively Euro 0.9 million in 2014 and Euro 1 million in 2013, while income taxes paid in the year amount respectively to Euro 0.4 million in both years.

BASICNET S.p.A. - STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in Euro)

				Reserves						
						Other reserves				
	Number shares	Share Capital	Treasury Shares	Legal Reserve	Shares held portfolio Reserve	IAS19 Reserve	Cash Flow Hedge reserve	Retained earnings	Net profit	Total
Balance at December 31, 2012	**60,993,602**	**31,716,673**	**(5,456,811)**	**3,595,531**	**5,456,811**	**(97,602)**	**(297,629)**	**30,688,095**	**2,753,770**	**68,358,838**
Allocation of result as per Shareholders' AGM resolution of April 29, 2013										
- Legal reserve			-	133,060	-	-	-	-	(133,060)	-
- Retained earnings			-	-	-	-	-	2,620,710	(2,620,710)	-
Acquisition of treasury shares			(308,053)	-	308,053	-	-	(308,053)	-	(308,053)
2013 Result			-	-	-	-	-	-	4,583,030	4,583,030
Other comprehensive income statement items:										
- Gains recorded directly to cash flow hedge reserve			-	-	-	-	172,549	-	-	172,549
- Gains/(losses) recorded directly to equity for IAS 19 re-measurement			-	-	-	42,628	-	-	-	42,628
Total comprehensive income statement			-	-	-	*42,628*	*172,549*	-	*4,583,030*	*4,798,207*
Balance at December 31, 2013	**60,993,602**	**31,716,673**	**(5,764,864)**	**3,728,591**	**5,764,864**	**(54,974)**	**(125,080)**	**33,000,752**	**4,583,030**	**72,848,992**
Allocation of result as per Shareholders' AGM resolution of April 29, 2013										
- Legal reserve			-	229,152	-	-	-	-	(229,152)	-
- Distribution of dividends			-	-	-	-	-	-		
- Retained earnings			-	-	-	-	-	4,353,878	(4,353,878)	-
Acquisition of treasury shares			(1,110,172)	-	1,110,172	-	-	(1,110,172)	-	(1,110,172)
2014 Results			-	-	-	-	-	-	10,109,631	10,109,631
Other comprehensive income statement items:										
- Gains recorded directly to cash flow hedge reserve			-	-	-	-	97,134	-	-	97,134
- Gains/(losses) recorded directly to equity for IAS 19 re-measurement			-	-	-	(38,570)	-	-	-	(38,570)
Total comprehensive income statement			-	-	-	*(38,570)*	*97,134*	-	*10,109,631*	*10,168,195*
Balance at December 31, 2014	**60,993,602**	**31,716,673**	**(6,875,036)**	**3,957,743**	**6,875,036**	**(93,544)**	**(27,946)**	**36,244,458**	**10,109,631**	**81,907,015**

BASICNET S.p.A. – NET FINANCIAL POSITION

(in Euro)

	December 31, 2014	December 31, 2013
Cash and cash equivalents	1,042,443	3,142,757
Bank overdrafts and bills	(1,781,535)	(2,216,094)
Sub-total net liquidity available	*(739,092)*	*926,663*
Short-term portion of medium/long-term loans	(3,924,110)	(4,517,860)
Short-term net financial position – third parties	**(4,663,202)**	**(3,591,197)**
Superga medium/long term loan	-	(1,781,250)
UBI Banca loan	(2,678,565)	(4,821,425)
Medium/long lease payables	(28,077)	(42,808)
Sub-total loans and leasing – third parties	*(2,706,642)*	*(6,645,483)*
Net financial position - third parties	**(7,369,844)**	**(10,236,680)**
Group financial receivables / (payables)	48,161,492	40,673,530
Net Financial Position - Group	**48,161,492**	**40,673,530**
Total net financial position	**40,791,648**	**30,436,850**

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

		December 31, 2014	December 31, 2013
A.	Cash	13,265	14,299
B.	Other cash equivalents	1,029,178	3,128,458
C.	Securities held for trading	-	-
D.	**Cash & cash equivalents (A)+(B)+(C)**	**1,042,443**	**3,142,757**
E.	**Current financial receivables**	**-**	**-**
F.	Current bank payables	(1,781,535)	(2,216,094)
G.	Current portion of non-current debt	(3,924,110)	(4,517,860)
H.	Other Group financial receivables/ (payables)	48,161,492	40,673,530
I.	**Current financial debt (F)+(G)+(H)**	**42,455,847**	**33,939,576**
J.	**Net current financial debt (I)-(E)-(D)**	**43,498,290**	**37,082,333**
K.	Non-current bank payables	(2,706,642)	(6,645,483)
L.	Bonds issued	-	-
M.	Derivatives fair value	(38,545)	(172,523)
N.	**Non-current financial debt (K)+(L)+(M)**	**(2,745,187)**	**(6,818,006)**
O.	**Net financial debt (J)+(N)**	**40,753,103**	**30,264,327**

The net debt differs from the Parent Company net financial position for the fair value of the derivatives, relating to the interest and currency hedging operations (Note 36).

BASICNET S.p.A. – 2014 INCOME STATEMENT PREPARED AS PER CONSOB RESOLUTION NO. 15519 OF JULY 27, 2006

(in Euro)

	FY 2014		FY 2013	
		Of which related parties Note 39		*Of which related parties Note 39*
Direct sales	2,029,978	*1,414,150*	1,525,118	*1,204,482*
Cost of sales	(1,849,083)	*(35,664)*	(1,572,363)	*(22,276)*
GROSS MARGIN	**180,895**		**(47,245)**	
Royalties and sourcing commissions	23,879,359	*5,205,021*	22,932,619	*3,877,840*
Other income	6,793,665	*6,510,200*	6,857,673	*6,666,200*
Sponsorship and media costs	(413,562)	*(6,471)*	(134,956)	
Personnel costs	(7,903,424)	*(1,501)*	(8,071,934)	
Selling, general and administrative costs, royalties expenses	(12,233,654)	*(3,386,271)*	(12,562,327)	*(5,666,611)*
Amortisation & Depreciation	(1,916,821)		(1,790,896)	
EBIT	**8,386,458**		**7,182,934**	
Net financial income (charges)	3,959	*494,003*	(484,863)	*632,931*
Dividends	4,950,000	*4,950,000*	-	
PROFIT BEFORE TAXES	**13,340,417**		**6,698,071**	
Income taxes	(3,230,786)		(2,115,041)	
NET PROFIT	**10,109,631**		**4,583,030**	

BASICNET S.p.A. – BALANCE SHEET AS AT DECEMBER 31, 2014 PREPARED AS PER CONSOB RESOLUTION NO. 15519 OF JULY 27, 2006

(in Euro)

ASSETS	December 31, 2014	*Of which Related Parties Notes (20) & (24)*	December 31, 2013	*Of which Related Parties Notes (20) & (24)*
Intangible assets	11,812,590		11,699,404	
Plant, machinery and other assets	1,364,117		1,299,260	
Equity invest. & other financial assets	36,345,076	*36,334,489*	36,286,572	*36,279,513*
Deferred tax assets	280,275		205,832	
Total non-current assets	**49,802,058**		**49,491,068**	
Net inventories	759,932		760,325	
Trade receivables	7,745,635		8,434,111	
Other current assets	53,647,140	*50,806,126*	48,865,783	*46,214,243*
Prepayments	3,522,296		3,041,353	
Cash and cash equivalents	1,042,443		3,142,757	
Derivative financial instruments	-		-	
Total current assets	**66,717,446**		**64,244,329**	
TOTAL ASSETS	**116,519,504**		**113,735,397**	

LIABILITIES	December 31, 2014	*Of which Related Parties Note 34*	December 31, 2013	*Of which Related Parties Note 34*
Share capital	31,716,673		31,716,673	
Treasury shares	(6,875,036)		(5,764,864)	
Other reserves	46,955,747		42,314,153	
Net Profit	10,109,631		4,583,030	
TOTAL SHAREHOLDERS' EQUITY	**81,907,015**		**72,848,992**	
Provisions for risks and charges	-		-	
Loans	2,706,642		6,645,483	
Employee and Director benefits	2,388,248		1,817,884	
Other non-current liabilities	734,418		280,666	
Total non-current liabilities	**5,829,308**		**8,744,033**	
Bank payables	5,705,645		6,733,955	
Trade payables	4,371,384		5,463,063	
Tax payables	12,971,532		11,625,413	
Other current liabilities	5,565,067	*2,419,444*	8,047,133	*4,785,344*
Accrued expenses	131,008		100,285	
Derivative financial instruments	38,545		172,523	
Total current liabilities	**28,783,181**		**32,142,372**	
TOTAL LIABILITIES	**34,612,489**		**40,886,405**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**116,519,504**		**113,735,397**	

BASICNET S.p.A. – CASH FLOW STATEMENT AS AT DECEMBER 31, 2014 PREPARED AS PER CONSOB RESOLUTION NO. 15519 OF JULY 27, 2006

(in Euro)

	December 31, 2013	*Of which related Parties*	**December 31, 2013**	*Of which related Parties*
A) OPENING SHORT-TERM BANK DEBT	**926,663**		**(9,531,920)**	
B) CASH FLOW FROM OPERATING ACTIVITIES				
Net profit for the year	10,109,631		4,583,030	
Amortisation & Depreciation	1,916,821		1,790,896	
Impairments on investments	-		-	
Changes in working capital:				
- (increase) decrease in trade receivables	688,476		(1,257,233)	
- (increase) decrease in inventories	393		89,826	
- (increase) decrease in other receivables	(4,736,744)	*(4,591,883)*	3,265,265	*2,884,433*
- increase (decrease) in trade payables	(1,091,679)		1,563,815	
- increase (decrease) in other payables	(651,474)	*(2,365,901)*	18,065	*(5,093,355)*
Net change in post-employment benefits	(80,489)		(39,094)	
Others, net	(24,561)		416,159	
	6,130,374		**10,430,729**	
C) CASH FLOW FROM INVESTING ACTIVITIES				
Investments in fixed assets:				
- tangible assets	(347,578)		(209,637)	
- intangible assets	(1,747,286)		(3,957,129)	
- financial assets	(58,503)		(71,335)	
Realisable value for fixed asset disposals:				
- tangible assets	-		-	
- intangible assets	-		-	
- financial assets	-		-	
	(2,153,367)		**(4,238,101)**	
D) CASH FLOW FROM FINANCING ACTIVITIES				
Loan (leasing) repayments	(14,730)		(15,277)	
Repayments of medium/long term loans	(4,517,860)		(2,910,715)	
Undertaking of medium/long term loans	-		7,500,000	
Acquisition of treasury shares	(1,110,172)		(308,053)	
Distribution of dividends	-		-	
	(5,642,762)		**4,265,955**	
E) OPERATIONS NOT GENERATING CASH FLOWS				
Conversion of financial receivables into investments				
- receivables from subsidiaries	-		19,500,000	*19,500,000*
- equity investments	-		(19,500,000)	*(19,500,000)*
	-		-	
E) CASH FLOW IN THE YEAR	**(1,665,755)**		**10,458,583**	
F) CLOSING SHORT-TERM BANK DEBT	**(739,092)**		**926,663**	

The undersigned herewith declares that the present financial statements reflect the underlying accounting entries.

For the Board of Directors

The Chairman

Signed by Mr. Marco Daniele Boglione

EXPLANATORY NOTES

1. GENERAL INFORMATION

BasicNet S.p.A. – with registered office at Turin, listed on the Italian Stock Exchange since November 17, 1999, in addition to its main function of Parent Company, manages the Network, providing the know-how for the use of the Group brands, undertaking research and development of the services and new products for the best utilisation of the brands, as well as undertaking activities of conception, development and communication and the Groups' Information Technology systems. The Company coordinates and provides subsidiaries with administration, finance and control, IT and payroll management services.

The duration of BasicNet S.p.A. is fixed by the company by-laws until December 31, 2050.

The publication of the financial statements of BasicNet S.pA. for the year ended December 31, 2014 was approved by the Board of Directors on March 20, 2015. The final approval of the accounts is the responsibility of the Shareholders' Meeting.

2. ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements for the year 2014 were prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB) and approved by the European Union at the date of the present document. 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 financial statements are prepared under the historical cost convention, modified where applicable for the measurement of certain financial instruments, as well as on the going concern assumption.

The accounting principles utilised in the financial statements are the same as those utilised in the previous year.

Accounting standards, amendments and interpretations applied from January 1, 2014

On May 12, 2011, the IASB issued *IFRS 10 – Consolidated Financial Statements,* replacing *SIC 12 – Consolidation*: *special purpose vehicles* and part of *IAS 27 – Consolidated and separate financial statements*. This latter was renamed *Separate financial statements* and only governs the accounting treatment of investments in the separate financial statements. The new standard, in addition to redefining the concept of control, provides a guide on determining the existence of control where such is difficult to ascertain. The adoption of this standard did not have any impact for the Company.

On May 12, 2011, the IASB issued *IFRS 11 – Joint arrangements*, which replaces *IAS 31 – Interests in Joint Ventures* and *SIC13 – Jointly Controlled Entities*: *Non-Monetary Contributions by Venturers*. The new standard establishes the criteria for the establishment of the substance of joint arrangements, based on the rights and obligations of the agreements, rather than on the legal form and establishes the equity method as the only method to be applied to holdings in joint ventures in the consolidated financial statements. The adoption of the standard resulted in the discontinuation of the proportional consolidation for joint ventures by the Company. The impact on the Income Statement, the Comprehensive Income Statement, the Balance Sheet and the Cash Flow Statement of the previous year is highlighted in Note 3 – Financial Statements – Restatement of the comparative consolidated figures. Investments in joint ventures continued to be recognised at cost less impairments, in accordance with international standards, in the separate financial statements of BasicNet S.p.A.

On May 12, 2011, the IASB issued *IFRS 12 – Disclosure of Interests in Other Entities*, which is a new and complete standard on additional disclosure for all forms of investments, including those in subsidiaries, joint ventures, associated companies, special purpose entities and other non-consolidated vehicle companies. The disclosures required are provided in the Explanatory Notes to the financial statements.

On May 12, 2011, the IASB issued an amended version of IAS 28 – *Investments in associates and joint ventures*, which incorporates the amendments to the classification of joint arrangements introduced by IFRS 11 and establishes the accounting principles for investments in associates and the criteria for the valuation at equity of associates and joint ventures. Joint ventures in the Annual Consolidated Report were recognised in accordance with this standard.

On December 16, 2011, the IASB issued certain amendments to IAS 32 – *Financial Instruments: presentation*, to clarify the application of a number of criteria for the off-setting of financial assets and liabilities present in IAS 32. The adoption of this standard did not have any impact for the Company.

On May 29, 2013, the IASB issued an amendment to *IAS 36 – Disclosure on recoverable amount of non-financial assets*, which governs the disclosure on the recoverable value of impaired assets, if this amount is based on the fair value net of selling costs. The adoption of this amendment did not have any significant impact for the Company.

On June 27, 2013, the IASB issued some minor amendments to *IAS 39 – Financial Instruments: recognition and measurement*, entitled "Novations of derivatives and continuity of Hedge Accounting". The amendments permit continuation of hedge accounting in the case in which a derivative financial instrument, designated as a hedge instrument, is replaced following the application of law or regulations in order to replace the original counterparty so as to guarantee the fulfilment of the obligation assumed and where certain conditions are satisfied. The same amendment will also be included in IFRS 9 – Financial instruments. These amendments must be applied retrospectively from periods beginning from January 1, 2014. The standard is currently not applied by the Company.

On May 20, 2013, the IASB published *IFRIC 21- Levies*, an interpretation of *IAS 37 – Provisions, contingent liabilities and contingent assets,* with effect from January 1, 2014, which establishes the recognition of liabilities for the payment of taxes other than corporation tax and in particular the events which give rise to the obligation and the moment of recognition of the liability. The adoption of this interpretation had no impact on the present separate financial statements.

<u>New Standards and Interpretations adopted by the EU but not yet in effect</u>

New Standards and Interpretations adopted by the EU, but not yet effective, are shown below.

<u>Improvements to IFRS (2011-2013 cycle)</u>: on December 18, 2014 EU Regulation 1361-2014 was issued and enacted at EU level some improvements to IFRS for the period 2011-2013. In particular the improvements refer to the following aspects:

- "*Amendments to IFRS 3: - Business combinations'*; the amendment clarifies that IFRS 3 is not applicable to recognise the accounting effects from the formation of a joint venture or joint operation (as established by IFRS 11) in the financial statements of joint ventures or joint operations;
- "Amendments to *IFRS 13 – Fair value measurement"*; the amendment clarifies that the exception within the standard which permits the measurement of financial assets and liabilities based on their net portfolio exposure, also applies to all contracts within the application of IAS 39/IFRS 9, even when they do not satisfy the requisites of IAS 32 to be classified as financial assets/liabilities;
- "Amendments to *IAS 40 – Property investments*"; the amendment introduced refers to IFRS 3 to establish whether the acquisition of an investment property falls within the application of business combinations

It is expected that these amendments, applicable from January 1, 2015, will not have any significant effects on the company financial statements.

<u>Improvements to IFRS (2010-2012 cycle)</u>: on December 17, 2014 EU Regulation 28-2015 was issued and enacted at EU level some improvements to IFRS for the period 2010-2012. In particular the improvements refer to the following aspects:

- "Amendments to *IFRS 2 – Share-based payments"*: the amendment clarifies some features of the maturity conditions, in addition to the definition of the "service conditions" and the "result conditions";

- "Amendments to *IFRS 3 - Business combinations*: the amendment clarifies the accounting treatment of "potential payments" within a business combination, referring to IAS 32 for its classification as financial liability or equity instrument;
- "Amendment to *IFRS 8 -Operating segments*": the amendment introduced requires disclosure on assessments made by management in operating segment combinations, describing the segments aggregated and the economic indicators evaluated to determine that the aggregated segments have similar economic features.
- "Amendment to *IAS 16 Property, plant and equipment and IAS 38 - Intangible assets:* both standards were amended to clarify the accounting treatment of the historic cost and accumulated depreciation of a fixed asset when the entity applies the revalued cost model.
- "Amendment to *IAS 24 Related party disclosures:* the amendment establishes the disclosure required when a third party entity provides services for the management of the senior executives of the entity which prepares the financial statements.

These amendments, applicable from January 1, 2015, should not result in any significant effects on the Parent Company financial statements.

Amendments to IAS 19 – Employee benefits, Defined Benefit plans, employee contribution plans: on December 17, 2014, EU Regulation No. 29-2015 was issued which enacts at European level some modifications of IAS 19. In particular, these amendments have the objective to clarify the accounting treatment of contributions paid by employees within a defined benefit plan.

It is expected that these amendments, applicable from January 1, 2015, will not have any significant effects on the company financial statements.

New standards and interpretations issued by IASB and not yet enacted by the EU

At the date of the present financial statements, the following new Standards/Interpretations were issued by IASB, applicable from January 1, 2016, but still not approved by the EU:

- *IFRS 14 – Regulatory deferral accounts;*
- Accounting for the acquisition in investments in joint ventures, amendments to *IFRS 11 – Joint arrangements;*
- Amendments to *IAS 16 – Property, plant and equipment and IAS 38 – Intangible assets*, clarification on the amortisation and depreciation methods applicable to intangible and tangible assets;
- Amendments to *IFRS 10 – Consolidated financial statements and IAS 28 - Investments in associates and joint ventures*, sales and conferment of assets between an investor and an associate/joint venture;
- Improvements to IFRS, 2012-2014 cycle;
- Amendments to IFRS 12, IFRS 10 and IAS 28, Investment entities – Consolidation exceptions;
- Amendments to IAS 1 – disclosures in the financial statements.

At the preparation date of the present financial statements the following new Standards/Interpretations were issued by IASB and are applicable respectively from January 1, 2017 and January 1, 2018: *IFRS 15 - Revenue from Contract with Customers* e *IFRS 9 - Financial instruments*.

The Company will adopt these new standards, amendments and interpretations, according to the scheduled application date and will evaluate the potential impacts, where they have been approved by the European Union.

3. FORMAT OF THE FINANCIAL STATEMENTS

BasicNet S.p.A. presents its income statement by nature of cost items; the assets and liabilities are classified between current and non-current. The cash flow statement was prepared applying the indirect method. The format of the 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.

4. ACCOUNTING POLICIES

The present financial statements were prepared on the going concern basis, and in accordance with the accruals principle. The financial statements are presented in Euro and all values are rounded into thousands of Euro.

The main accounting principles adopted in the preparation of the financial statements at December 31, 2014 are disclosed below:

Revenue recognition

Revenues are recognised in accordance with the probability that the company will receive economic benefits and the amount can be determined reliably. Revenues are recognised net of returns, discounts and allowances.

In particular, revenues from the sale of goods are recognised when the significant risks and benefits of the ownership of the goods are transferred to the buyer, the sales price has been agreed or determinable and collection of the receivable is expected. This moment generally corresponds with the transfer of ownership which coincides, normally, with the shipping or delivery of the goods.

Royalties and sourcing commissions are recognised on an accruals basis in accordance with the underlying contracts.

Recognition of costs and expenses

Costs and expenses are recognised in accordance with the accruals principle.

Cost relating to the preparation and presentation of sample collections are recognised in the income statement in the year in which the sales of the relative collections are realised. Any differences are recorded through accruals.

Interest income and expenses, and income and charges

Interest income and expenses and other income and expenses are recorded and shown in the financial statements on the accrual basis.

In accordance with IAS 23 – *Borrowing costs*, the financial charges directly attributable to the purchase, construction and production of the asset which requires a significant amount of time before use or sale are capitalised together with the value of the asset. Such an event has not arisen up to the present moment for the Group. If these conditions are not met the financial charges are expensed directly to the income statement.

Dividends

Dividends received

Dividends from investees are recognised in the income statement when the right to receive the dividend is established.

Dividends distributed

Dividends distributed are represented as changes in shareholders' equity in the year in which the Shareholders' Meeting approves the distribution and payment.

Translation of balances in foreign currencies

The receivables and payables originally expressed in foreign currencies are translated into Euro at the exchange rate when the transaction originated. Exchange differences arising on collections and payments in foreign currencies are recorded in the income statement.

Revenues and income, costs and charges related to currency transactions are recorded at the exchange rate at the transaction date.

At the end of the period, the assets and liabilities valued in foreign currencies, with the exception of fixed assets, are recorded at the exchange rates at the balance sheet date and the relative gains or losses on exchange are recorded in the income statement.

Income taxes

Income taxes include all the taxes calculated on the assessable income of the Company. Taxes on income are recognised in profit and loss, except where they relate to items charged or credited directly to equity, in which case the tax effect is also recognised directly in equity.

Other taxes not related to income, such as taxes on property and share capital, are included under operating charges.

Deferred taxes are calculated on all the temporary differences arising between the assessable income of an asset or liability and the relative book value in the financial statements, with the exception of the goodwill not fiscally deductible and of those differences deriving from investments in subsidiaries for which a write-down is not expected in the future.

Deferred tax assets on fiscal losses and unutilised tax credits carried forward are recognised only for those amounts for which it is probable there will be future assessable income to recover the amounts. The deferred tax assets and liabilities are offset when the income tax is applied by the same fiscal authority and when there is a legal right of compensation.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the temporary difference is reversed.

BasicNet S.p.A. adhered to the tax consolidation in accordance with Article 117 and thereafter of the CFA - Presidential Decree No. 917 of December 22, 1986 for the three year period.

BasicNet S.p.A. acts as the consolidating company and calculates a single assessable base for the Group of companies adhering to the national tax consolidation and therefore benefits from the possibility of offsetting assessable income with assessable losses in a single tax declaration.

Earnings per share/Diluted earnings per share

In accordance with paragraph 4 of IAS 33 – *earnings per share*, this latter is only presented at consolidated financial statement level.

Provisions and contingent liabilities

BasicNet S.p.A. 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 certainty any future payments required. In addition, the Company has instigated legal disputes for the protection of its Trademarks, and of its products, against counterfeit products. The cases and disputes against the Company 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 on legal matters.

The Company 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 contingent liabilities are not recorded in the financial statements, but are reported as a disclosure in the Notes unless the probability is remote. In accordance with paragraph 10 of *IAS 37 – Provisions, contingent liabilities and contingent assets* a contingent liability is (a) a possible obligation which derives from past events and whose existence will be confirmed only on the occurrence or otherwise of one or more future uncertain events, not entirely under the control of the enterprise, or (b) a current obligation which derives from past events but which cannot be recorded in the financial statements as the payment is improbable or cannot be reliably estimated.

Use of estimates

The preparation of the financial statements and the relative notes in application of IFRS require that management make estimates and assumptions on the values of the assets and liabilities in the financial statements and on the information relating to the assets and contingent liabilities at the balance sheet date. The actual results may differ from such estimates.

Estimates are utilised to measure intangible and tangible assets subject to impairment tests as described above, in addition to recognise provisions on doubtful debts, inventory obsolescence, amortisation and depreciation, write-down of assets, employee benefits and income taxes.

The estimates and assumptions are reviewed periodically and the effects of all variations are immediately recognised in the income statement.

Intangible assets

Intangible assets acquired or produced internally are recorded under assets, in accordance with *IAS 38 – Intangible Assets*, only if they can be identified, controlled by the Company, capable of generating future economic benefits and when the cost of the asset can be determined reliably.

Intangible assets with definite useful life are measured at purchase or production cost and amortised on a straight-line basis over their estimated useful life.

Software

Software acquired and IT programmes developed internally are amortised over five years, while the costs incurred to maintain or upgrade the original operational standard are expensed in the year and are not capitalised.

Development Costs

Development costs are capitalised when the capacity to generate future economic benefits is demonstrated and the other conditions required by IAS 38 – Intangible assets are satisfied.

Trademarks and patents

The brand K-Way is considered an intangible asset with indefinite useful life, in line with that at Group level for the principal brands, Kappa, Robe di Kappa and Superga; as such these assets are not amortised but subject to an impairment test at least annually. This depends on the strategic positioning reached whereby it is not currently possible to predict a time limit on the generation of future cash flow streams.

The patent rights are amortised over ten years.

Other intangible assets

Other intangible assets recognised on acquisition are recorded separately from goodwill, if their fair value can be determined on a reliable basis.

Goodwill

In the case of business combinations, the assets, the liabilities and the contingent liabilities acquired and identifiable are recorded at their fair value at the date of acquisition. The positive difference between the acquisition cost and the portion of the present value of the assets and liabilities is classified as goodwill and recorded in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recognised in the income statement at the date of acquisition.

Goodwill is not amortised, but is subject annually, or more frequently if specific events or circumstances indicate the possibility of having incurred an impairment, to verifications of any reduction in value, as provided by *IAS 36 Reduction in value of assets*. After initial recognition, goodwill is measured at cost less any loss in value. The impairment of goodwill may not be written back.

Plant, machinery and other assets

Plant and equipment are recorded at purchase or production costs, including accessory charges and direct and indirect costs, for the amount reasonably attributable to the assets.

Subsequent expenditures are only capitalised where they increase the future economic benefits of the asset to which they relate. All other expenditures are expensed as incurred.

Plant and equipment are amortised on a straight-line basis over the estimated useful life of each asset. The depreciation rates by asset category are shown below:

Description	Estimated useful life years
Plant and machinery	8
Furniture and furnishings	5-8
Motor vehicles	4
EDP	5-8

Fixed assets which at the balance sheet date are lower than the book value are recorded at this lower value, which however may not be maintained at this value in subsequent periods if the reasons for the adjustment no longer exist.

Ordinary maintenance costs are fully charged to the income statement.

Advances and costs for property, plant and equipment in progress which are not yet utilised in the operating activities are reported separately.

Leased assets

Property, plant and equipment acquired through finance lease contracts are recognised under the finance method as per IAS 17 – Leasing and recorded under assets at the purchase price decreased by depreciation.

The depreciation of these assets is reflected in the financial statements applying the same criteria as for the fixed assets to which the lease contracts refer.

Within liabilities a payable is recorded, under short-term and medium term, towards the leasing company; the lease payments are reversed from expenses for the use of third party assets and the financial charges for the period are recognised on an accruals basis.

Impairments

The carrying value of the assets of the Company are measured at each reporting date to determine whether there has been a loss in value, in which case an estimate is made of the recoverable value of the asset. A loss in value (impairment) is recorded in the income statement when the carrying value of an asset or a cash-generating unit exceeds its recoverable value.

The indefinite intangible assets (including goodwill) are tested annually and whenever there is an indication of a possible loss, in order to determine whether a loss in value has occurred.

Measuring recoverable amount

The recoverable value of a non-financial asset is the higher of the fair value less costs to sell and the value in use. For the determination of the value in use, the future cash flows are discounted utilising a rate which reflects the current market value of money and of the related risks of the activity. In the case of activities which do not generate cash flows sufficiently independent, it is necessary to calculate the recoverable value of the cash-generating unit to which the asset belongs.

Write-back of value

The value is recovered when changes take place in the valuations to determine the recoverable value. The recoverable value is recorded in the income statement adjusting the book value of the asset to its recoverable value. This latter must not be above the value which would have been determined, net of depreciation, if no loss in value of the asset had been recorded in previous years.

Equity invest. & other financial assets

Investments in subsidiaries, associates and joint ventures

In the separate financial statements of BasicNet S.p.A. the investments in subsidiaries, associates and joint ventures are recorded at cost, adjusted for any loss in value; the cost includes any directly attributable accessory charges. The positive difference, arising on purchase, between the acquisition cost and the share of net equity of the investment of the Company is, therefore, included in the carrying value of the investment.

Where there is an indication of a loss, the carrying value of the investment must be compared with the recoverable value, represented by the higher between the fair value, net of selling costs, and the value in use. For non-listed investments, the fair value is determined with reference to binding sales agreement. The value in use is determined discounting the expected cash flows from the investment at the weighted average cost of capital, net of the financial debt. The cash flows are determined on the basis of reasonable and identifiable assumptions, represented by the best estimates of the future economic conditions.

Where an impairment loss exists, it is recognised immediately through the income statement. Where the reasons for the write-down no longer exist, the value of the investment is restored within the limit of the original cost through the income statement.

Where the share of losses pertaining to the company in the investment exceeds the carrying value of the investment, the value of the investment is written down and the share of further losses is recorded as a provision under liabilities if the Company has the obligation to cover such losses.

Other investments

Investments other than those in subsidiaries, associated companies and joint ventures are recognised under non-current assets or current assets if held within the equity of the Company for a period, respectively, of greater than, or not greater than, 12 months.

On acquisition they are classified to the following categories:

- "financial assets available-for-sale" within non-current or current assets;
- "fair value assets with changes to the book value to the income statement", within current assets if held-for-trading.

The other investments classified as "financial assets available-for-sale" are measured at fair value; the change to the values of these investments are recognised to a net equity reserve through the other comprehensive income statement items, which will be reversed to the income statement on sale or impairment.

Other non-listed investments classified as "financial assets available-for-sale" for which the fair value may not be reliably estimated are valued at cost, adjusted for impairments to the income statement, according to *IAS 39 – financial instruments: recognition and measurement.*

The reduction in value of other investments classified as “financial assets available-for-sale” may not be subsequently reversed.

Changes in the value of other investments classified as “financial assets at fair value with changes recorded in the income statement” are recognised directly to the Income Statement.

Other financial assets

Financial assets consist of loans are recorded at their estimated realisable value.

Net inventories

Inventory is valued under the average weighted cost method.

Inventories are measured at the lower of purchase or production cost and their net realisable value.

Inventories include incidental charges and direct and indirect costs that can be reasonably allocated. Obsolete and slow-moving inventories are written down in relation to their possible utilisation or realisable value. When in future periods the reasons for the write-down no longer exist, they are restored to the original value.

Receivables and other current assets

Receivables recorded under current assets are stated at their nominal value, which substantially coincides with the amortised cost. The initial value is subsequently adjusted to take into account any write-downs which reflect the estimate of the losses on receivables, determined based on a specific provision on doubtful debts and a general provision based on past experience. Medium/long-term receivables which include an implicit interest component are discounted utilising an appropriate market rate. Receivables transferred without recourse, in which all the risks and benefits substantially are transferred to the factoring company, are reversed in the financial statements at their nominal value.

Cash and cash equivalents

The liquid assets principally relate to current bank accounts and cash. They are recorded for amounts effectively available at year end.

The cash equivalents are invested in highly liquid temporary financial instruments.

Accruals and prepayments

The account includes amounts related to two accounting periods, in accordance with the accruals concept.

Treasury shares

Treasury shares are recognised as a deduction from equity. The original cost of the treasury shares and the revenues deriving from any subsequent sale are recognised as equity movements.

Provisions for risks and charges

Provisions for risks and charges are recorded in the balance sheet only when a legal or implicit obligation exists deriving from a past event that determines the commitment of resources to produce economic benefits for their compliance and a reliable estimate of the amount can be determined.

Employee benefits

The Post-Employment Benefit in accordance with Italian legislation is quantified as a defined benefit plan and is measured in accordance with the “Projected Unit Credit Method”.

From January 1, 2007, this liability refers exclusively to the portion of the Post-Employment Benefit, matured up to December 31, 2006, which following the complementary pension reform (Legislative Decree No. 252 of December 5, 2005) continues to constitute an obligation of the company. Following the entry into force of the above-mentioned reform as enacted by Law No. 296 of December 27, 2006 (2007 Finance Law), the liability, as concerning services already completely matured, was restated without applying the pro-rata of the employment service and without considering, in the actuarial calculation, the components relating to future salary increases.

On June 16, 2011, the IASB issued an amendment to IAS 19 *Employee Benefits.* The new version of IAS 19 requires, in particular, for post-employment benefits, the recognition of the changes of the actuarial gains/losses under other items of the Comprehensive Income Statement. The cost relating to employment services, as well as the interest on the "time value" component in the actuarial calculations remain in the profit and loss account.

The portion of the Post-Employment Benefit paid to a supplementary pension fund is considered a defined contribution plan as the obligation of the company towards the employee ceases with the payment of the amount matured to the funds. Also the portion of the Post-Employment Benefit paid to the INPS Treasury fund is recorded as a defined contribution plan.

Payables

Financial payables are recorded at their nominal value which approximates the amortised cost. The book value of the trade and other payables at the balance sheet date approximates their fair value.

Derivative instruments and hedge accounting

BasicNet S.p.A. utilises derivative financial instruments to hedge interest rate fluctuations on some loans.

These instruments are initially recorded at their fair value, and subsequently measured according to whether they are "hedged" or "not hedged" as per IAS 39.

It is recalled that the BasicNet S.p.A. does not undertake derivative contracts for speculative purposes.

The hedging may be of two types:

- Fair value hedges;
- Cash flow hedges.

BasicNet S.p.A., before signing a hedge contract, undertakes a close examination of the relationship between the hedge instrument and the item hedged, in view of the objectives to reduce the risk, also evaluating the existence and the continuation over the life of the derivative financial instrument of the effectiveness requirements, necessary for the hedge accounting.

After their initial recognition, the derivatives are accounted as follows:

a) Fair value hedges

The changes in their fair value are recognised in the income statement, together with the changes in the fair value of the relative assets and liabilities hedged.
The Company does not utilise fair value hedge instruments.

b) Cash flow hedges

The part of the profit or loss of the hedge instrument, considered effective, is recorded directly in the comprehensive income statement; the non-effective part is however recorded immediately in the income statement. The accumulated amounts in the comprehensive income statement are recorded in the income statement in the year in which the scheduled hedge operation matures or the instrument hedged is sold, or when the effectiveness requirements for hedge accounting no longer exist.

c) Derivative financial instruments which do not have the effectiveness requirements for hedge accounting

The derivative financial instruments which do not comply with the requirements of IAS 39 for the identification of the hedge, where present, are classified in the category of financial assets and liabilities measured at fair value through the profit and loss account.

Hierarchy of Fair Value according to IFRS 7

IFRS 7 requires that the classification of financial instruments measured at fair value is determined based on the quality of the input sources used in the valuation.

The IFRS 7 classification implies the following hierarchy:

- *level 1*: determination of fair value based on prices listed ("unadjusted") in active markets for identical assets or liabilities;
- *level 2:* determination of fair value based on other inputs than the listed prices included in "level 1" but which are directly or indirectly observable. This category includes the instruments with which the Company mitigates the risk deriving from fluctuations in interest rates and currencies;
- *level 3*: determination of fair value based on valuation models whose input is not based on observable market data ("unobservable inputs").

5. OTHER INFORMATION

The subsequent events to the end of the year and the outlook for the current year are reported in the Directors' Report.

EXPLANATORY NOTES (IN EURO THOUSANDS)

6. DISCLOSURE BY OPERATING SEGMENT

As the Company simultaneously publishes the statutory and consolidated financial statements, the operating segment information is provided only for the consolidated financial statements in accordance with *IFRS 8 – Operating segments*.

7. DIRECT SALES

The direct sales of products undertaken by the Company refer only to samples of clothing and footwear to licensees. The breakdown of sample sales is as follows:

	FY 2014	FY 2013
Net sales to third parties	615,828	320,636
Net sales to subsidiaries	1,414,150	1,204,482
Total direct sales	**2,029,978**	**1,525,118**

Sales to subsidiaries are detailed in Note 39.

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

	FY 2014	FY 2013
Italy	1,392,245	1,121,285
Europe	403,009	243,081
The Americas	114,823	89,657
Asia and Oceania	104,667	67,405
Middle East and Africa	15,234	3,690
Total	**2,029,978**	**1,525,118**

The direct sale of samples reported a Euro 505 thousand increase, following increased orders from licensees.

8. COST OF SALES

The breakdown of the cost of sales is as follows:

	FY 2014	FY 2013
Samples purchased	1,192,596	1,092,415
Freight charges and accessory purchasing cost	338,396	238,643
Change in inventory of raw materials, ancillary, consumables and goods	(518)	51,166
Prototypes purchases and development	249,910	76,388
Others	68,700	113,751
Total cost of sales	**1,849,083**	**1,572,363**

The breakdown of the sample purchases and accessory purchases by geographic area is reported below:

	FY 2014	FY 2013
Asia and Oceania	824,051	603,527
Italy	260,338	395,609
Europe	57,748	45,017
The Americas	40,179	38,692
Middle East and Africa	10,280	9,570
Total	**1,192,596**	**1,092,415**

Sample purchases were made by BasicNet S.p.A. for resale to the licensees. The increase is principally related to higher sales.

9. ROYALTIES AND SOURCING COMMISSIONS

The breakdown of royalties and sourcing commissions by geographic area is reported below.

	FY 2014	FY 2013
Europe	12,347,483	10,718,889
The Americas	1,494,233	1,024,369
Asia and Oceania	9,139,788	9,983,247
Middle East and Africa	897,854	1,206,114
Total	**23,879,359**	**22,932,619**

Royalty income comprises fees on licenses for know-how and the development of the Group brand collections, in addition to royalties for the use of the K-Way brand. Sourcing commissions stem from usage rights of the know-how and are charged to the licensee producers on the sales made by them to the licensees of the *Network*.

The increase relates to the commercial developments described in the Directors' Report, based on the consolidated figures, whose effects are reflected also in the Company figures.

10. OTHER INCOME

	FY 2014	FY 2013
Assistant services to Group companies	6,510,200	6,666,200
Other income	283,465	192,473
Total other income	**6,793,665**	**6,857,673**

The "revenues for assistant services to Group companies" originates from assistance and consultancy in administration and finance, payroll, commercial contract agreements and IT services provided by the Parent Company to the subsidiaries BasicItalia S.p.A., Basic Village S.p.A., Basic Trademark S.A., Superga Trademark S.A., AnziBesson Trademark S.r.l., Jesus Jeans S.r.l and Fashion S.r.l.

"Other income" in 2014 includes Euro 94 thousand for expense recharges, Euro 46 thousand for contributions to the trade fair Bread&Butter invoiced to the German licensee, Euro 95 thousand for prior year income, Euro 26 thousand for sub-lease income, Euro 11 thousand for insurance reimbursements, in addition to minor amounts.

11. SPONSORSHIP AND MEDIA COSTS

	FY 2014	FY 2013
Communication contributions	182,696	67,308
Promotional expenses	11,797	9,215
Advertising	219,069	58,433
Total sponsorship and media costs	**413,562**	**134,956**

The increase of Euro 279 thousand concerns increased activities of an institutional nature relating to attendance at events and trade fairs, including non-recurring.

12. PERSONNEL COSTS

	FY 2014	FY 2013
Salaries and wages	5,537,188	5,699,675
Social security	1,986,497	1,990,554
Post-employment benefits	379,739	381,705
Total	**7,903,424**	**8,071,934**

Personnel costs include all charges relating to the provision of employment services of BasicNet S.p.A.. The changes in the headcount during the year were as follows:

	Human resources at December 31, 2014				Human resources at December 31, 2013			
Category	Number		Average age		Number		Average age	
	Male / Female	Total	Male / Female	Average	Male / Female	Total	Male / Female	Average
Executives	13 / 7	20	46 / 50	48	10 / 8	18	50 / 49	49
Managers	1 / -	1	52	52	1 / -	1	51 / -	51
White-collar	45 / 98	143	39 / 39	39	51 / 104	155	36 / 37	37
Blue-collar	1 / 2	3	34 /42	39	1 / 2	3	33 / 41	38
Total	60 / 107	167	41 / 39	40	63 / 114	177	39 / 38	38

The reduction in employee numbers stems from normal turn-over.
The average number of employees in 2014 was 172, comprising 19 executives, 1 senior manager, 149 white-collar employees and 3 blue-collar employees.

13. SELLING, GENERAL AND ADMINISTRATIVE COSTS, AND ROYALTIES EXPENSES

The breakdown of service costs, amounting to approx. Euro 12.2 million, is shown in the table below:

	FY 2014	FY 2013
Rental, accessory and utility expenses	3,260,050	3,265,081
Directors and Statutory Auditors emoluments	2,787,847	2,247,635
Commercial expenses	1,805,857	2,072,339
Sales services	314,677	353,754
Doubtful debt provision	240,000	320,000
Other general expenses	3,825,223	4,303,518
Total	**12,233,654**	**12,562,327**

“Rental charges” principally relate to the offices of the company, owned by the subsidiary Basic Village S.p.A.

The company’s remuneration policy, as well as Directors and Statutory Auditors emoluments for the offices held, pursuant to Article 78 of Consob Regulation No. 11971/97 and thereafter are reported in the Remuneration Report pursuant to Article 123-*ter* of the CFA which is available on the company’s internet site www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp, to which reference should be made.

“Commercial expenses” include costs related to the commercial activities and consulting costs for stylistic and graphic material.

"Sales services" include expenses for exporting samples in addition to "royalties' charges" principally relating to co-branding operations.

The "doubtful debt provision" of Euro 240 thousand, reducing Euro 80 thousand on the previous year, follows an improved estimate of the risk of non-payment of receivables due.

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 reduction is mainly due to lower recourse to legal and professional consultants.

14. AMORTISATION & DEPRECIATION

Depreciation of fixed assets includes depreciation on finance lease assets.

	December 31, 2014	December 31, 2013
Amortisation	1,634,100	1,494,470
Depreciation	282,721	296,426
Total amortisation & depreciation	**1,916,821**	**1,790,896**

The increase in the year reflects the investments made in previous years.

15. NET FINANCIAL INCOME (CHARGES)

	December 31, 2014	December 31, 2013
Interest on bank deposits	624	2,937
Intercompany interest income	498,785	649,100
Current account interest	(160,250)	(290,111)
Intercompany interest expense	(4,782)	(16,170)
Interest on medium/long term loans	(422,779)	(525,332)
Medium/long-term loan financial charges	(32,005)	(16,397)
Others	(143,837)	(264,879)
Total financial income and charges	***(264,244)***	***(460,852)***
Exchange gains	561,556	215,880
Exchange losses	(293,353)	(239,891)
Net exchange gains/(losses)	***268,203***	***(24,011)***
Total financial income/(charges)	**3,959**	**(484,863)**

"Intercompany interest income" derives from operations during the year and regulated through intercompany accounts, remunerated at market rates. "Bank interest expense" reduced, following the reduction in the debt and also of interest rates.

"Interest on medium/long-term loans" refers to the loan obtained in July 2007 for the acquisition by the Group of the Superga brand and the amortising loan obtained from UBI Banca in the second half of 2013. "Exchange gains realised" in 2014 amounted to Euro 294 thousand and "exchange losses realised" amounted to Euro 35 thousand. The translation of credit and debit balances at year-end resulted in the recognition of "non-realised exchange losses" of Euro 258 thousand and "non-realised exchange gains" of Euro 267 thousand.

16. DIVIDENDS

The subsidiary Basic Properties B.V. distributed to BasicNet dividends of Euro 4.9 million, based on the dividends in turn received from the entirely held subsidiaries Basic Trademark S.A. and Superga Trademark S.A..

17. INCOME TAXES

Current income tax

Current income taxes refer to IRAP Regional Tax of Euro 604 thousand and IRES Corporation Tax of Euro 2.6 million.

The reconciliation between the theoretical and actual rate is shown below:

Assessable for IRES

	December 31, 2014		December 31, 2013	
Ordinary rate applicable		**27.50%**		**27.50%**
Pre-tax result (current and deferred)	13,340,417		6,698,071	
Theoretical tax on statutory result		3,668,615		1,841,970
Effect of increases (decreases) to the ordinary rate:				
- permanent differences:				
. non-deducible sales rep. expenses	233,717		236,496	
. non-deductible (exempt) depreciation/amortisation	41,318		54,400	
. vehicle management expenses	233,948		210,034	
. prior year expenses/income non-deductible (exempt)	230		121,305	
. exempt dividends	(4,702,500)		-	
. other permanent differences	158,094		669,229	
Assessable income	9,305,223		7,989,535	
Effective tax		2,558,936		2,197,122
Effective rate		**19.18%**		**32.80%**
Difference between theoretical and actual rate		**(8.32%)**		**5.30%**

Reconciliation current IRES	December 31, 2014		December 31, 2013	
Pre-tax result and permanent differences	9,305,223		7,989,535	
Losses carried forward not utilised	-		(3,430,406)	
Effective tax charge	9,305,223	2,558,936	4,559,129	1,253,761
Temporary differences in the year affecting deferred taxes	237,756	65,383	(214,156)	(58,893)
Recovery prior year taxes (IRAP)		-		-
Current taxes on temporary differences and reversals		65,383		(58,893)
Separate taxation relating to CFC Hong Kong				10,000
Total current income taxes		**2,624,319**		**1,204,867**

Reconciliation current IRAP	December 31, 2014		December 31, 2013	
Ordinary rate applicable		3.90%		3.90%
Assessable IRAP	19,623,351		18,327,013	
Theoretical tax charge		765,311		714,754
Effect of increases (decreases) to the ordinary rate:				
- vehicle management expenses	11,318		8,203	
- prior year expenses/income non-deductible (exempt)	37,687		(84,981)	
- depreciation/amortisation for tax purposes	(606,026)		(605,159)	
- investment write-down	-		-	
- tax amnesty	(3,561,071)		(3,748,960)	
- other permanent differences	-		-	
- temporary differences on which deferred taxes not accrued:	(25,000)		(12,000)	
Assessable IRAP restated	15,480,259		13,884,116	
Effective tax		**603,730**		**541,481**
Effective rate		**3.08%**		**2.95%**
Difference between theoretical and actual rate		**(0.82%)**		**(0.95%)**

Deferred taxes

Following the results for the year and based on estimated future assessable income, deferred tax assets and liabilities were recognised – for IRES and IRAP purposes where applicable – on temporary differences; the effect in the year was income to the income statement of Euro 97 thousand.

ASSETS

18. INTANGIBLE ASSETS

The breakdown of intangible assets at December 31, 2014 compared to the previous year-end and the movements during the year are reported in the table below:

	December 31, 2014	December 31, 2013	Changes
Concessions, trademarks and similar rights	8,391,385	8,420,079	(28,694)
Other intangible assets	3,141,467	3,005,126	136,341
Intangible assets in progress	268,377	259,740	8,637
Industrial patents & intellectual property rights	11,361	14,459	(3,098)
Total intangible assets	**11,812,590**	**11,699,404**	**113,186**

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

	Concessions, trademarks and similar rights	Other intangible assets	Intangible assets in progress	Industrial patents	Total
Historical cost at 1.1.2013	**9,842,337**	**23,352,220**	**248,000**	**52,420**	**33,494,977**
Additions	*2,453,643*	*1,243,333*	*259,740*	*413*	*3,957,129*
Reclass.	-	*248,000*	*(248,000)*	-	-
Historical cost At 31.12.2013	**12,295,980**	**24,843,553**	**259,740**	**52,833**	**37,452,106**
Additions	*105,088*	*1,373,307*	*268,377*	*514*	*1,747,286*
Reclass.	-	*259,740*	*(259,740)*	-	-
Historical cost at 31.12.2014	**12,401,068**	**26,476,600**	**268,377**	**53,347**	**39,199,392**

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

	Concessions, trademarks and similar rights	Other intangible assets	Assets intangible assets in progress	Industrial patents	Total
Acc. Amort. at 1.1.2013	**(3,746,895)**	**(20,478,246)**	**-**	**(33,091)**	**(24,258,232)**
Amortisation	*(129,006)*	*(1,360,181)*	-	*(5,283)*	*(1,494,470)*
Acc. Amort. at 31.12.2013	**(3,875,901)**	**(21,838,427)**	**-**	**(38,374)**	**(25,752,702)**
Amortisation	*(133,782)*	*(1,496,706)*	-	*(3,612)*	*(1,634,100)*
Acc. Amort. at 31.12.2014	**(4,009,683)**	**(23,335,133)**	**-**	**(41,986)**	**(27,386,802)**

The changes in intangible assets during 2014 are shown in the table below:

	Concessions, trademarks and similar rights	Other intangible assets	Assets intangible assets in progress	Patents patents	Total
Opening net book value at 1.1.2013	**6,095,442**	**2,873,974**	**248,000**	**19,329**	**9,236,745**
Additions	*2,453,643*	*1,243,333*	*259,740*	*413*	*3,957,129*
Reclass.	-	*248,000*	*(248,000)*	-	-
Amortisation	*(129,006)*	*(1,360,181)*	-	*(5,283)*	*(1,494,470)*
Closing net book value at 31.12.2013	**8,420,079**	**3,005,126**	**259,740**	**14,459**	**11,699,404**
Additions	*105,088*	*1,373,307*	*268,377*	*514*	*1,747,286*
Reclass.	-	*259,740*	*(259,740)*	-	-
Amortisation	*(133,782)*	*(1,496,706)*	-	*(3,612)*	*(1,634,100)*
Closing net book value at 31.12.2014	**8,391,385**	**3,141,467**	**268,377**	**11,361**	**11,812,590**

At December 31, 2014 the intangible assets report investments of Euro 1.7 million, amortisation of Euro 1.6 million; there were no significant disposals during the year.

The increase in "concession, trademarks and similar rights" is due to costs incurred for the registration of trademarks in new countries, for renewals and extensions and for the purchase of license software.

The brand K-Way has a book value of Euro 8 million at December 31, 2014. In view of the strategic positioning reached by the brand, where there is currently no predictable time frame for the generation of future cash flow streams, it is considered an intangible asset with indefinite useful life.

The impairment test on the book value of the brand was carried out in line with previous years, discounting the royalty net cash flows estimated from the brands in the period 2015-2019. For the years beyond the fifth year a terminal value was estimated on the net royalty cash flow of the fifth year, with growth rates of 1.5%, lower than those for clothing (2.2%) and footwear (1.6%), taken from specialised financial websites (EU, January 2015). These net cash flows were discounted at the weighted average cost of capital (WACC) equal to 7% (7.25% in 2013), determined with reference to the following parameters, taken from the principal financial information websites:

- Sector Beta: the parameter, indicator of the sector risk, amounts to 1.25 (1.16 in 2013).
- Market Risk Premium (MRP): amounts to 5.75% (5% in 2013), unchanged compared to the previous year, and represents the difference between the return on the investments without risk and the return of the investments with risk.
- Risk Free Rate (RFR): amounts to 2.4% (4.27% in 2013), in line with the return on ten-year State bonds.
- Debt costs: amounts to 4.2%, unchanged on the previous year.
- Debt (40%)/equity (60%) ratio, unchanged compared to the previous year.

Following the impairment test no write-down is required of the book value of the brand. As in previous years, the results of the tests were compared with the valuations made by an independent advisor, which continue to illustrate values largely above the book values.

The breakdown of "other intangible assets" is as follows:

	December 31, 2014	December 31, 2013	Changes
Software programmes	3,135,167	2,999,926	135,241
Other intangible assets	6,300	5,200	1,100
Total other intangible assets	**3,141,467**	**3,005,126**	**136,341**

The account increased Euro 1.6 million principally due to the implementation of new software programmes realised internally and decreased due to the amortisation for the year of approx. Euro 1.5 million.

19. PLANT, MACHINERY AND OTHER ASSETS

The breakdown of plant, machinery and other assets at December 31, 2014 compared to the previous year is shown in the table below:

	Dec. 31, 2014	Dec. 31, 2013	Changes
Plant and machinery	30,418	14,442	15,976
Industrial and commercial equipment	47,317	56,671	(9,354)
Other assets	1,286,382	1,228,147	58,235
Total plant, machinery and other assets	**1,364,117**	**1,299,260**	**64,857**

The changes in the historical cost of plant, machinery and other assets were as follows:

	Plant and machinery	Industrial and commercial equipment	Other assets	Total
Historical cost at 1.1.2013	**137,935**	**241,507**	**5,780,042**	**6,159,484**
Additions	*14,500*	*9,702*	*185,522*	*209,724*
Divestments	-	-	*(4,153)*	*(4,153)*
Historical cost at 31.12.2013	**152,435**	**251,209**	**5,961,411**	**6,365,055**
Additions	*21,677*	*9,786*	*316,191*	*347,654*
Divestments	-	-	*(3,843)*	*(3,843)*
Historical cost at 31.12.2014	**174,112**	**260,995**	**6,273,759**	**6,708,866**

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

	Plant and machinery	Industrial and commercial equipment	Other assets	Total
Acc. Deprec. at 1.1.2013	**(135,284)**	**(173,450)**	**(4,464,701)**	**(4,773,435)**
Depreciation	*(2,709)*	*(21,088)*	*(272,629)*	*(296,426)*
Divestments	-	-	*4,066*	*4,066*
Acc. Deprec. at 31.12.2013	**(137,993)**	**(194,538)**	**(4,733,264)**	**(5,065,795)**
Depreciation	*(5,701)*	*(19,140)*	*(257,880)*	*(282,721)*
Divestments	-	-	*3,767*	*3,767*
Acc. Deprec. at 31.12.2014	**(143,694)**	**(213,678)**	**(4,987,377)**	**(5,344,749)**

The changes in the plant and machinery are shown in the table below:

	Plant and machinery	Industrial and commercial equipment	Other assets	Total
Net opening book value at 1.1.2013	**2,651**	**68,057**	**1,315,341**	**1,386,049**
Additions	*14,500*	*9,702*	*185,522*	*209,724*
Divestments	-	-	*(87)*	*(87)*
Depreciation	*(2,709)*	*(21,088)*	*(272,629)*	*(296,426)*
Net closing book value at 31.12.2013	**14,442**	**56,671**	**1,228,147**	**1,299,260**
Additions	*21,677*	*9,786*	*316,191*	*347,654*
Divestments	-	-	*(76)*	*(76)*
Depreciation	*(5,701)*	*(19,140)*	*(257,880)*	*(282,721)*
Net closing book value at 31.12.2014	**30,418**	**47,317**	**1,286,382**	**1,364,117**

This account "other assets" consist of:

	Dec. 31, 2014	Dec. 31, 2013	Changes
EDP	348,738	257,356	91,382
Furnishings and fittings	286,837	300,431	(13,594)
Transport vehicles	33,179	55,297	(22,118)
Other assets	617,628	615,063	2,565
Total other assets	**1,286,382**	**1,228,147**	**58,235**

The investments in the year relate to the acquisition of furnishings and fittings for Euro 43 thousand, EDP for Euro 206 thousand, moulds for new products for Euro 30 thousand, trade fair plant for Euro 28 thousand, plant for Euro 22 thousand, equipment and telephones of Euro 15 thousand and minor assets of Euro 3 thousand. The account also includes assets held under finance leasing contracts.

The account "other assets" includes the purchase cost of an IT collection comprising rare pieces which represents significant elements and representative of the IT revolution, in the 1970's and 1980's with the advent of the new personal computer. This collection is utilised in many events related to the promotion of the brands and logos of the Group. The account also includes the purchase cost of moulds for footwear, so that ownership is held in order to control the strategic stages of the production process utilised by the suppliers' of finished products.

20. EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS

The list of investments and changes during the year are shown in Attachment 1 to the explanatory notes:

	Dec. 31, 2014	**Dec. 31, 2013**	**Changes**
Investments in:			
- Subsidiaries	35,754,488	35,754,513	(25)
- Joint ventures	490,000	435,000	55,000
- Other companies	128	128	-
Total investments	***36,244,616***	***36,189,641***	***54,975***
Receivables:			
- Joint Ventures	90,000	90,000	-
- Other receivables	10,460	6,931	3,529
Total financial receivables	***100,460***	***96,931***	***3,529***
Total equity investments and other financial assets	**36,345,076**	**36,286,572**	**58,504**

Reference should be made to Attachment 1 for information on the book value of the investments in subsidiaries.

The movement on the previous year includes the direct capital injections of the joint venture Fashion S.r.l. during the year through the conversion of the loans.

In addition, the single share held by the company in Basic Trademark S.A. was sold to the subsidiary Basic Properties B.V., which already held the remaining share capital.

In line with the practice adopted by other large listed groups in Italy, BasicNet S.p.A. identifies in the negative differential between the share of net equity held in the subsidiary and its book value an indicator of an impairment for the investments of control in its financial statements. From this comparison, undertaken for all of the subsidiaries, it emerged the necessity to undertake an impairment test on the book value on the investment of the subsidiary BasicItalia S.p.A.

The test was undertaken comparing the book value of the investment with its value in use, determined through discounting the net cash flows from BasicItalia S.p.A. and its subsidiaries, in the five year period 2015-2019, to the WACC (Note 18), deducting the total net debt of the sub-group. This analysis did not require a write-down to the book value of the investment, which in 2014 significantly improved its key indicators, following the actions taken by management in the previous year to improve a number of the profitability variables (see the segment disclosure at Note 7 of the consolidated financial statements).

The book value of the subsidiary Basic Properties B.V., amounting to Euro 3.6 million at December 31, 2014, was unchanged compared to the previous year. The Dutch subsidiary, now only a sub-holding, in turn holds two controlling investments in Luxemburg companies owning the historic brands Kappa/Robe di Kappa and Superga, respectively Basic Trademark S.A. and Superga Trademark S.A. For the purposes of the impairment test, the book value of the investment in the Dutch sub-holding was compared with the value in use of the brands directly held, determined in accordance with the description at Note 21 of the consolidated financial statements. The impairment test did not give rise to any write-down.

The receivables from joint ventures relates to a shareholder loan in favour of AnziBesson Trademark S.r.l..

Other receivables refer to guarantee deposits.

21. DEFERRED TAX ASSETS

Deferred tax assets were recorded for Euro 280 thousand, net of deferred tax liabilities.

The breakdown of the accounts are shown below:

	Dec. 31, 2014	Dec. 31, 2013	Changes
Net deferred tax asset (liability)	280,275	205,832	74,443
Total net deferred tax asset (liability) as per financial statements	**280,275**	**205,832**	**74,443**

The deferred tax assets and liabilities recognised and their impact are reported in the table below:

(in thousands of Euro)	December 31, 2014			December 31, 2013			
	Amount of temporary differences	**Rate %**	**Tax effect**	**Amount of temporary differences**	**Rate %**	**Tax effect**	**Changes 2014/2013**
Deferred tax assets:							
- Excess doubtful debt provision not deductible	(485)	27.50	(133)	(289)	27.50	(79)	(54)
- Inventory obsolescence provision	(1,013)	31.40	(306)	(913)	31.40	(279)	(28)
- ROL surplus	(1,255)	27.50	(345)	(1,255)	27.50	(345)	-
- Charges temporarily non-deductible	(733)	27.50	(202)	10	27.50	3	(205)
- Effect IAS 39 – financial instruments	(39)	27.50	(11)	(173)	27.50	(47)	37
Total	**(3,525)**		**(997)**	**(2,619)**		**(748)**	**(249)**
Deferred tax liabilities:							
- prudent exchange differences, net	9	27.50	2	(8)	27.50	(3)	5
- Deprec./Amort. tax basis	2,275	31.40	714	1,669	31.40	524	190
- Effect IAS 19 – Employee Benefits	-	27.50	-	74	27.50	20	(20)
Total	**2,284**		**717**	**1,735**		**542**	**175**
Net deferred tax liability (asset)			(280)			(206)	(74)
Deferred tax asset relating to fiscal losses	-	27.50	-	-	27.50	-	
Deferred tax charge/(income) as per financial statements	**-**		**(280)**	**-**		**(206)**	**(74)**

22. NET INVENTORIES

The composition of the item is as follows:

	Dec. 31, 2014	Dec. 31, 2013	Changes
Finished products and goods for resale	1,772,707	1,668,460	104,247
Goods in transit or held at third parties	-	3,728	(3,728)
Payments on account to suppliers	-	912	(912)
Gross value	***1,772,707***	***1,673,100***	***99,607***
Inventory obsolescence provision	(1,012,775)	(912,775)	(100,000)
Total net inventories	**759,932**	**760,325**	**(393)**

"Inventories" includes samples to be sold to licensees. Inventories are valued under the weighted average cost method and net of the obsolescence provision considered reasonable for a prudent valuation of inventories of prior year sample collections. The movements in the provision during the year were as follows:

	2014	2013
Inventory obsolescence provision at 1.1	**912,775**	**670,775**
Provisions in the year	190,000	320,000
Utilisations	(90,000)	(78,000)
Inventory obsolescence provision at 31.12	**1,012,775**	**912,775**

The utilisation of the provision relates to the disposal of the excess samples from previous years.

23. TRADE RECEIVABLES

	Dec. 31, 2014	Dec. 31, 2013	Changes
Trade receivables - Italy	400,270	615,647	(215,377)
Trade receivables - Abroad	8,281,164	8,521,331	(240,167)
Doubtful debt provision	(935,799)	(702,867)	(232,932)
Total trade receivables	**7,745,635**	**8,434,111**	**(688,476)**

In particular, the breakdown of foreign receivables is as follows:

	Dec. 31, 2014	Dec. 31, 2013	Changes
Europe	1,391,164	2,365,855	(974,691)
The Americas	1,108,723	892,791	215,932
Asia and Oceania	5,643,829	5,058,566	585,263
Middle East and Africa	137,448	204,119	(66,671)
Total	**8,281,164**	**8,521,331**	**(240,167)**

"Trade receivables" amounts to approx. Euro 8.6 million and were written down to their realisable value through the doubtful debt provision, although the majority of the receivables are secured by bank guarantees.

The provision at the end of the year represents a prudent estimate of the risk. The movements in the doubtful debt provision during the year were as follows:

	Amount
Balance at 31.12.2013	**702,867**
Utilisation for administration procedures and other losses	(7,068)
Provisions in the year	240,000
Balance at 31.12.2014	**935,799**

The utilisation of the provision relates to the write-off made on the certainty of the receivable irrecoverability and consequent tax deductibility of the loss.

The book value of receivables, all due within one year, is in line with their fair value.

The aging of the receivables is as follows:

(In Euro thousands)	**December 31, 2014**	**December 31, 2013**
Receivables not overdue and not written down	6,036	5,647
Receivables written down, net of provision	49	617
Overdue and not written down	1,661	2,170
Total	**7,746**	**8,434**

The overdue receivables and not written down include one debtor overdue between 0-6 months, which are expected to be settled in the near future.

24. OTHER CURRENT ASSETS

	December 31, 2014	**December 31, 2013**	**Changes**
Receivables from Group companies	50,806,126	46,214,243	4,591,883
Tax receivables	1,550,136	1,856,903	(306,767)
Supplier advances	-	-	-
Other receivables	1,290,878	794,637	496,241
Total other current assets	**53,647,140**	**48,865,783**	**4,781,357**

The breakdown of "receivables from Group companies" is as follows:

	Dec. 31, 2014	Dec. 31, 2013	Changes
Trade receivables			
BasicItalia S.p.A.	2,576,700	794,015	1,782,685
Basic Village S.p.A.. with sole shareholder	-	31,414	(31,414)
Superga Trademark S.A.	-	490,313	(490,313)
Basic Properties America Inc.	-	20,607	(20,607)
Basic Trademark S.A.	-	916,667	(916,667)
Basic Properties B.V.	-	160,000	(160,000)
Anzi Besson Trademark S.r.l.	16,050	5,000	11,050
Fashion S.r.l.	-	40,011	(40,011)
BasicNet Asia Ltd.	51,636	35,776	15,860
RdK0 S.r.l. with sole shareholder	-	539	(539)
BasicOutlet S.r.l. with sole shareholder	-	501	(501)
Jesus Jeans S.r.l.	248	12,121	(11,873)
Total trade receivables	***2,644,634***	***2,506,964***	***137,670***
Financial receivables			
BasicItalia S.p.A. c/c *intercompany*	16,514,847	13,707,489	2,807,358
Basic Village S.p.A. c/c *intercompany*	1,025,932	5,522,604	(4,496,672)
Superga Trademark S.A. brand acquisition loan	19,000,000	19,000,000	-
Superga Trademark S.A. c/*intercompany*	5,658,274	4,010,668	1,647,606
Basic Trademark S.A. c/*intercompany*	2,823,228	-	2,823,228
RdK0 S.r.l. with sole shareholder c/*intercompany*	1,479,011	662,535	816,476
BasicOutlet S.r.l. with sole shareholder c/*intercompany*	1,660,200	704,849	955,351
BasicCRS S.r.l. with sole shareholder	-	99,134	(99,134)
Total financial receivables	***48,161,492***	***43,707,279***	***4,454,213***
Total	**50,806,126**	**46,214,243**	**4,591,883**

Financial receivables originate from loans and advances for the cash needs of the subsidiaries within the centralised treasury management; these receivables are at market interest rates and vary in accordance with the financial cash flow needs within the Group. The account reports a net increase of Euro 4.4 million, principally concerning transactions with BasicItalia S.p.A., Superga Trademark S.A. and Basic Trademark S.A., in addition to normal inter-company Treasury movements.

No receivables have a residual duration of above 5 years.

The account "tax receivables" includes withholdings on royalties totalling Euro 564 thousand, IRES receivable for advances of Euro 357 thousand, Tax reimbursement due of Euro 277 thousand, in addition to a VAT receivable to be recovered through the Group VAT settlement amounting to approx. Euro 328 thousand.

The account "other receivables" includes the premium paid to the insurance company against the Directors Termination Indemnities for Euro 1.2 million, as approved by the Shareholders' Meeting for the 2013-2016 three year mandate, as described in the Remuneration Report to which reference should be made and other minor amounts. The value increased following the payment of the instalments for the year to the insurance company.

25. PREPAYMENTS

The table below shows the breakdown of the account:

	Dec. 31, 2014	Dec. 31, 2013	Changes
Prepaid expenses on 2015 collections	3,156,013	2,762,216	393,797
Assistance and maintenance contract	31,545	62,449	(30,904)
Advertising	45,863	-	45,863
Rentals, leases, hire and other	288,875	216,688	72,187
Total prepayments	**3,522,296**	**3,041,353**	**480,943**

Prepaid costs include creative personnel costs and sample costs for collections for which the corresponding sales revenues have not been realised. The account increased due to the greater activity undertaken for the development of the brands and samples for licensees. Advertising costs concern trade fairs and shows of future collections and related sales meetings.

26. CASH AND CASH EQUIVALENTS

	Dec. 31, 2014	Dec. 31, 2013	Changes
Bank and post office deposits	1,029,178	3,128,458	(2,099,280)
Cash in hand and similar	13,265	14,299	(1,034)
Total cash and cash equivalents	**1,042,443**	**3,142,757**	**(2,100,314)**

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

SHAREHOLDERS’ EQUITY & LIABILITIES

27. SHAREHOLDERS’ EQUITY

	Dec. 31, 2014	Dec. 31, 2013	Changes
Share capital	31,716,673	31,716,673	-
Treasury shares	(6,875,036)	(5,764,864)	(1,110,172)
Legal reserve	3,957,743	3,728,591	229,152
Treasury shares in portfolio reserve	6,875,036	5,764,864	1,110,172
Other reserves:			
- Cash Flow Hedge Reserve	(27,946)	(125,080)	97,134
- remeasurement reserve for defined benefit plans (IAS 39)	(93,544)	(54,974)	(38,570)
- Retained earnings	36,244,458	33,000,752	3,243,706
Net profit for the year	10,109,631	4,583,030	5,526,601
Total Shareholders’ Equity	**81,907,015**	**72,848,992**	**9,058,023**

The account includes:

- The “legal reserve”, amounting to Euro 3.9 million, which increased by approx. Euro 229 thousand following the allocation of the result for the previous year, as approved by the Shareholders’ Meeting of April 28, 2014;
- The “reserve for treasury shares in portfolio”, amounting to Euro 6.9 million, which equates to the carrying value of the BasicNet shares held in portfolio at year-end, and was set up through utilisation of the “Retained earnings” following the Shareholders’ Meeting resolution, which authorised the purchase of treasury shares;
- The “cash flow hedge reserve”, which changed in the year due to the fair value measurement of the derivative contracts defined as cash flow hedges held at December 31, 2014, relating to the conversion of the variable rate of the Superga loan into a fixed rate. The market valuation of the cash flow hedge derivatives, described in Note 38, is shown net of the tax effect. This reserve is not available for distribution;
- The “*re-measurement reserve for defined benefit plans (IAS 19)*” refers to the changes in the actuarial gains/losses (“*re-measurement*”). The valuation is shown net of the tax effect. This reserve is not available for distribution;
- The “retained earnings”, which increased compared to the end of the previous year by Euro 3.2 million following the allocation of the result for the previous year, as approved by the Shareholders’ Meeting of April 28, 2014, net of the decrease for the acquisition of treasury shares.

The share capital of BasicNet S.p.A. amounted to Euro 31,716,673.04 (divided in 60,993,602 ordinary shares) of Euro 0.52 each fully paid in.

Based on the share buy-back programme, at the end of December the Company held 4,070,000 shares, equal to 6.46% of the share capital, for a total investment of approx. Euro 6.9 million. The weighted average number of shares outstanding in the year was 57,330,765.

The other gains and losses recorded directly in equity in accordance with IAS 1 are reported below and recognised to the Comprehensive Income Statement.

(In Euro thousands)	**Dec. 31, 2014**	**Dec. 31, 2013**	**Changes**
Effective part of the Gains/losses on cash flow hedge instruments	*134*	*238*	*(104)*
Re-measurement of post-employment benefits (IAS 19)	*(53)*	*59*	*(112)*
Tax effect relating to the Other items of the comprehensive income statement	*(22)*	*(82)*	*60*
Total other gains/(losses), net of tax effect	**59**	**215**	**(156)**

The tax effect relating to "Other gain/losses" is as follows:

(In Euro thousands)	**December 31, 2014**			**December 31, 2013**		
	Gross value	**- Tax Charge/ Benefit**	**Net value**	**Gross value**	**- Tax Charge/ Benefit**	**Net value**
Effective part of Gains/losses on cash flow hedge instruments	134	(37)	97	238	(65)	173
Re-measurement of post-employment benefits (IAS 19)	(53)	15	(38)	59	(17)	42
Total other gains/(losses), net of tax effect	**81**	**(22)**	**59**	**297**	**(82)**	**215**

The statement on the availability of the reserves at December 31, 2014 is show below:

STATEMENT ON UTILISATION AND DISTRIBUTION OF RESERVES AS PER ART. 2427 OF THE C.C. NO.7 BIS

	Amount	**Possibility of Utilisation**	**Quota available**	**Summary of utilisations made in the previous years**	
				to cover losses	**for other reasons**
SHARE CAPITAL	**31,716,673**				
PROFIT RESERVES					
Legal reserve	**3,957,743**	**B**	**--**		
OTHER RESERVES					
Retained earnings	**36,244,458**	**A,B,C**	**36,244,458**		
TOTAL	**71,918,874**		**36,244,458**		
Non-distributable quota			**(121,490) ***		
Quota distributable			**36,122,967**		

Key: A: for share capital increase, B: for coverage of losses - C: for distribution to shareholders - D: non utilisable

* Amount refers to the *cash flow hedge and re-measurement for employee benefits (IAS 19 Reserve)*

28. LOANS

The changes in the medium/long-term loans during the year are shown below:

(In Euro thousands)	31/12/2013	New loans	Repayments	31/12/2014	Short-term portion	Medium-long-term portion
Superga loan	4,156	-	2,375	1,781	1,781	-
UBI BANCA loan	6,964	-	2,143	4,821	2,143	2,678
Balance	**11,120**	**-**	**4,518**	**6,602**	**3,924**	**2,678**

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

	Dec. 31, 2014	Dec. 31, 2013	Changes
Loans:			
- "Superga loan"	-	1,781,250	(1,781,250)
- "UBI Banca loan"	2,678,565	4,821,425	(2,142,860)
- Other lenders	28,077	42,808	(14,731)
Total loans	**2,706,642**	**6,645,483**	**(3,938,841)**

The account includes the "UBI Banca loan" granted at the end of June 2013 by Unione Banche Italiane ScpA for an amount of Euro 7.5 million, at a variable rate with repayment of capital in 14 quarterly instalments and maturity at December 2016.At December 31, 2014, the Superga loan was repaid for Euro 2.1 million, with a residual balance of Euro 4.8 million, of which Euro 2.2 million short-term.

The contractual conditions require the maintenance of financial covenants relating to the consolidated financial statements of the BasicNet Group, which have all been complied with, in addition to commitments and clauses on the ownership in the share capital of BasicWorld S.r.l. and BasicNet S.p.A., which are described in the Explanatory Notes of the Consolidated Financial Statements.

The loan for the acquisition of the Superga brand of the Group will mature on July 16, 2015 and therefore the remaining three instalments were recorded under short-term debt. Guarantees were provided on these loans.

The contractual conditions include financial covenants relating to the consolidated financial statements of the BasicNet Group, which have all been complied with.

The contract includes further clauses related to some conditions on the ownership structure in the share capital of BasicWorld S.r.l. and BasicNet S.p.A..

The commitments have all been complied with at the date of the present Financial Statements.

"Payables to other lenders" relate to the accounting of the capital line of finance leases recorded in the accounts under the finance method as per IAS 17.

For completeness of information we provide details of the medium/long-term loans by maturity.

	Dec. 31, 2014	Dec. 31, 2013	Changes
Medium/long term loans:			
- due within 5 years	2,678,565	6,602,675	(3,924,110)
- due beyond 5 years	-	-	-
Total medium/long term loans	***2,678,565***	***6,602,675***	***(3,924,110)***
Leasing payables	28,077	42,808	(14,730)
Total leasing payables (maturity within 5 years)	***28,077***	***42,808***	***(14,730)***
Total loans	**2,706,642**	**6,645,483**	**(3,938,840)**

29. EMPLOYEE AND DIRECTOR BENEFITS

The account includes the post-employment benefits for employees of Euro 1.4 million and the termination indemnities of Directors of Euro 1 million.

The changes in the year of the post-employment benefit liability were as follows:

	December 31, 2014			December 31, 2013		
	Defined benefit plans	**Defined contribution plans**	**Total**	**Defined benefit plans**	**Defined contribution plans**	**Total**
Change in the balance sheet:						
Net liabilities recognised at the beginning of the year	1,417,884	-	1,417,884	1,456,978	-	1,456,978
Interest	33,197	-	33,197	37,197	-	37,197
Pension cost, net of withholdings	(1,918)	380,904	378,986	(264)	383,329	383,065
Benefits paid	(80,489)	-	(80,489)	(49,243)	-	(49,243)
Payments to the INPS treasury fund	-	(320,015)	(320,015)	-	(294,991)	(294,991)
Payments to other supplementary pension fund	-	(60,889)	(60,889)	-	(88,338)	(88,338)
- Actuarial gains/(losses)	53,199	-	53,199	(58,795)	-	(58,795)
Internal transfers to the Group	(33,625)	-	(33,625)	32,011	-	32,011
Net liabilities recognised in the accounts	**1,388,248**	**-**	**1,388,248**	**1,417,884**	**-**	**1,417,884**
Change in the income statement:						
Interest	33,197	-	33,197	37,198	-	37,198
Pension Cost	258	380,904	381,162	2,724	383,329	386,053
Actuarial gains/(losses)	-	-	-	-	-	-
Total charges/(income) for post-employment benefits	**33,455**	**380,904**	**414,359**	**39,922**	**383,329**	**423,251**

The account "post-employment benefits" includes the present value of the liabilities of the company in accordance with Article 2120 of the Civil Code. Based on the regulatory changes in 2007, the sums matured prior to January 1, 2007 to employees are recognised as defined benefit plans in accordance with *IAS 19 – Employee benefits*; those matured subsequent to this date are on the other hand recognised as defined contribution plans in accordance with the same standard.

Within the Company there are no other plans other than defined benefit plans. The actuarial valuation of the Post-Employment Benefit is prepared based on the "matured benefits" method through the Projected Unit Credit Method in accordance with IAS 19. Under this method the valuation is based on the average present value of the pension obligations matured based on the employment service up to the time of the valuation, without projecting the remuneration of the employee in accordance with the regulatory modifications introduced by the Pension Reform.

The actuarial model for the measurement of the post-employment benefit is based on various assumptions of a demographic and financial nature. The principal assumptions of the model concerning the actuarial valuations relating to personnel costs are:

	December 31, 2014	December 31, 2013
discount rate	1.86%	2.77%
inflation rate:		2.00%
For 2015	0.60%	
For 2016	1.20%	
For 2017 and 2018	1.50%	
From 2019	2.00%	
annual increase in post-employment benefit		3.00%
For 2015	1.950%	
For 2016	2.400%	
For 2017 and 2018	2.625%	
From 2019	3.000%	
annual increase in salaries	1-3%	1-3%

The change in the annual discount rate reflects the decrease in the yields of the "corporate bonds" of the basket utilised (Iboxx Eurozone Corporate) at the balance sheet date.

30. OTHER NON-CURRENT LIABILITIES

	Dec. 31, 2014	Dec. 31, 2013	Changes
Guarantee deposits	734,418	280,666	453,752
Total other non-current liabilities	**734,418**	**280,666**	**453,752**

The "guarantee deposits" include the guarantees received from licensees (in place of bank or corporate guarantees), to cover the minimum royalties guaranteed contractually. The net increase of approx. Euro 454 thousand relates to the increase of Euro 515 thousand for the agreement of new contract licenses and a decrease of Euro 62 thousand for the utilisation to cover overdue receivables.

31. BANK PAYABLES

	Dec. 31, 2014	Dec. 31, 2013	Changes
Bank payables due within one year:			
- short-term portion of medium/long-term loans	3,924,110	4,517,861	(593,751)
- bank overdrafts and bills	1,709,592	2,089,015	(379,423)
- interest expense on loans	71,943	127,079	(55,136)
Total bank payables	**5,705,645**	**6,733,955**	**(1,028,310)**

The average interest rates for BasicNet S.p.A. were:

	December 31, 2014	December 31, 2013
cash advances	4.39%	6.01%
medium-term loan	4.92%	5.02%

The "bank payables" include the short-term portion of the Superga loan of Euro 1.7 million and the interest expense (Euro 23 thousand) matured on the instalment repaid on January 18, 2015 and the short-term portion of the UBI Banca loan of Euro 2.2 million and the interest expense (Euro 49 thousand) matured on the instalment repaid on January 3, 2015.

Reference should be made to the Directors' Report for the changes in the net financial positions.

32. TRADE PAYABLES

	Dec. 31, 2014	Dec. 31, 2013	Changes
Trade payables - Italy	3,827,030	4,745,109	(918,079)
Trade payables - Foreign	544,354	717,954	(173,600)
Total trade payables	**4,371,384**	**5,463,063**	**(1,091,679)**

"Trade payables" are all due in the short-term period.

In particular, the breakdown of foreign suppliers is as follows:

	Dec. 31, 2014	Dec. 31, 2013	Changes
Europe	228,116	279,842	(51,726)
The Americas	17,250	28,561	(11,311)
Asia and Oceania	287,159	402,427	(115,268)
Middle East and Africa	11,829	7,124	4,705
Total	**544,354**	**717,954**	**(173,600)**

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.. No interest is charged on trade payables which are normally settled between 30 and 120 days. The carrying value of trade payables approximates their fair value.

33. TAX PAYABLES

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

	Dec. 31, 2014	Dec. 31, 2013	Changes
Tax payables:			
Income taxes	5,267,006	1,638,107	3,628,899
IRAP	49,415	-	49,415
Withholding taxes	20,023	9,619	10,404
VAT	6,940,829	8,839,532	(1,898,703)
Employee contributions	271,426	292,489	(21,063)
Non-recurring tax charge	422,833	845,666	(422,833)
Total tax payables	**12,971,532**	**11,625,413**	**1,346,119**

The account “IRES” concerns the payable in the year and an IRAP payable is present for 2014.

The VAT payable is consequent of the transfers of balances by the companies within the Group VAT consolidation.

The non-recurring tax charges concern the total payable to the Tax Agency, following the notification of the tax assessments which the Group settled on appeal in 2012.

34. OTHER CURRENT LIABILITIES

	Dec. 31, 2014	Dec. 31, 2013	Changes
Payables to Group companies	2,419,444	4,785,344	(2,365,901)
Other payables	2,901,401	3,012,502	(111,101)
Accrued expenses	244,222	249,287	(5,065)
Total other current liabilities	**5,565,067**	**8,047,133**	**(2,482,066)**

“Other payables” at December 31, 2014 principally include payables to social security institutions of Euro 478 thousand for the year 2014 and paid in 2015, employee, consultant and director payables of approx. Euro 1.7 million, which include vacation days matured at December 31, 2014, client payment on accounts of Euro 276 thousand and other items of Euro 457 thousand. All payables are due within one year.

The “accruals” refer to employee costs for the 14th month of the year.

The breakdown of “Payables to Group companies” are shown below:

	Dec. 31, 2014	Dec. 31, 2013	Changes
Trade payables:			
Basic Trademark S.A.	-	13,643	(13,643)
Basic Village S.p.A.. with sole shareholder	62,280	68,640	(6,360)
Basic Italia S.p.A. with sole shareholder	-	16,667	(16,667)
BasicNet Asia Ltd.	178,819	-	178,819
Fashion S.r.l	3,000	9,566	(6,566)
AnziBesson Trademark S.r.l.	-	28,046	(28,046)
Jesus Jeans S.r.l. with sole shareholder	-	1,611	(1,611)
Basic Properties B.V.	-	140,988	(140,988)
Basic Properties America Inc.	2,175,345	1,472,434	702,911
Trade payables	***2,419,444***	***1,751,595***	***(667,849)***
Financial payables:			
Basic Trademark S.A. c/c Intercompany	-	3,033,749	(3,033,749)
Total financial payables	***-***	***3,033,749***	***(3,033,749)***
Total	**2,419,444**	**4,785,344**	**(2,365,900)**

The financial payables to Basic Trademaek S.A. are within the normal operations in the Group’s central treasury management.

35. DEFERRED INCOME

	Dec. 31, 2014	Dec. 31, 2013	Changes
Royalties	131,008	84,031	46,977
Other income deferred to following year	-	16,254	(16,254)
Total deferred income	**131,008**	**100,285**	**30,723**

“Deferred income” for royalties refer to invoicing for revenues which will mature in the following year.

36. FINANCIAL INSTRUMENTS - DERIVATIVES

	Dec. 31, 2014	Dec. 31, 2013	Changes
Derivative financial instruments	38,545	172,523	(133,978)
Total financial instruments - derivatives	**38,545**	**172,523**	**(133,978)**

The account includes the adjustments to market value of the interest rate hedging operations on the medium-term Superga loan (Note 31), signed with Unicredit Banca d'Impresa S.p.A. and Intesa Sanpaolo S.p.A., which converted the variable interest rates into fixed interest rates at 6.36% (cash flow hedge). As indicated (Note 28), the loan was settled in July 2015 and with it the corresponding derivative.

An equity reserve was recorded of Euro 28 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.

37. GUARANTEES GIVEN AND OTHER CONTINGENT ASSETS

The details of the guarantees given are as follows:

	Dec. 31, 2014	Dec. 31, 2013	Changes
Unsecured guarantees:			
- Surety given on behalf of subsidiary companies	48,038,893	41,533,051	6,505,842
- Other guarantees	86,756	86,756	-
Total	**48,125,649**	**41,619,807**	**6,505,842**

- *Surety given on behalf of subsidiaries*

The sureties given on behalf of the subsidiaries refer for Euro 9.3 million to the guarantee given to the Unicredit Group on behalf of Basic Village S.p.A. against the loan granted in 2007 for the purchase of the building, guaranteed also by a first level mortgage on the building, for Euro 5.3 million to the guarantee given in 2008 by Intesa Sanpaolo S.p.A. on behalf of BasicItalia S.p.A. against 50% of the mortgage loan granted for the purchase of the building and for the remainder, Euro 33.4 million, guarantees given on behalf of BasicItalia S.p.A., to various credit institutions, to guarantee the commercial credit lines.

- *Other guarantees*

This refers to the joint commitments which BasicNet S.p.A. has with Basic Village S.p.A. and BasicItalia S.p.A. against the sureties given to the Turin Tax Administration following the request for reimbursement on VAT receivables within the Group VAT consolidation.

38. CLASSIFICATION OF THE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The principal risks and uncertainties of the activities of the Company and of the Group and the activities undertaken to reduce them or avoid them, which are undertaken at Group level, are described in the Directors' Report.

The financial instruments of BasicNet S.p.A. include:

- cash and cash equivalents and bank overdrafts.
- Medium/long-term loans.

- 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:

(In Euro thousands)	**Financial instruments at fair value recorded through:**		**Financial instruments at amortised cost**	**Book value at 31.12.2014**
	Income Statement	**Shareholders' Equity**		
Assets:				
Trade receivables	-	-	7,746	**7,746**
Other current assets	-	-	53,647	**53,647**
Financial instruments (currency risk)	-	-	-	-
Liabilities:				
Medium/long term loans	-	-	2,707	**2,707**
Trade payables	-	-	4,371	**4,371**
Other current liabilities	-	-	5,565	**5,565**
Financial instruments (interest rate risk)	-	39	-	**39**

The financial risk factors, identified at *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: currency, interest rates and price:
  a. the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in currency prices ("*currency risk*");
  b. 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*");
  c. 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");*
- 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 Company is exposed to the risk of fluctuations of commodity prices relating to raw materials (wool, cotton, rubber, synthetic fibre etc.) incorporated in the sample collections acquired on international markets, for resale to the licensees.
The Company does not hedge these risks as not directly dealing with raw materials but only finished products and the fluctuations can be transferred on to the final sales price.

Currency risk

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

In 2014, exchange gains were recorded of Euro 259 thousand, while unrealised exchange gains were recorded of Euro 9 thousand, for a net exchange gain of Euro 268 thousand (Note 15).

The group undertakes hedging of the currency risks at Group level.

Interest rate risk

The composition of the gross financial debt between fixed and variable interest rates at December 31, 2014 is shown below:

	Dec. 31, 2014	%	Dec. 31, 2013	%
Fixed rate	1,804,537	21.50%	4,210,586	31.50%
Variable rate	6,607,751	78.50%	9,168,851	68.50%
Gross debt	**8,412,288**	**100.00%**	**13,379,437**	**100.00%**

The interest rate fluctuation risks of some medium/term loans were hedged with conversion of the variable rate into fixed rates, as described in Notes 28 and 36. On the remaining part of the debt, the Group is exposed to fluctuation risks.

The interest on the short-term credit lines are on an average 4.39% in accordance with the type of lending, as illustrated in Note 31.
Where at December 31, 2014 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 +57 thousand and Euro -57 thousand.

Credit Risk

The doubtful debt provision (Note 23) which includes provisions against specific credit positions and a general provision on receivables not covered by guarantees, represents approx. 10.78% of trade receivables at December 31, 2014, against average losses in the last three years amounting to 0.1% of receivables and therefore an annual average value of 0.08%.

Liquidity risk

Reference should to the Explanatory Notes of the consolidated financial statements.

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	Beyond 5 years
Superga loan	1,781	34	1,815	1,815	-	-
UBI Banca loan	4,821	2008	5,029	2,293	2,736	-
Total financial liabilities	**6,602**	**242**	**6,844**	**4,108**	**2,736**	**-**

Default risk and debt covenants

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.

These covenants refer to the consolidated Group level and were all complied with at December 31, 2014. Reference should to the Explanatory Notes of the consolidated financial statements.

39. TRANSACTIONS WITH HOLDING COMPANIES, ASSOCIATES, OTHER INVESTMENTS AND RELATED PARTIES

The operations undertaken by BasicNet S.p.A. with the companies belonging to the Group in the ordinary management and regulated at market conditions were:

- Organisational, commercial, IT, and administrative services in accordance with specific contracts;
- The granting of rights for the use of know-how developed on the products;
- The granting under license of the K-Way, AnziBesson and Sabelt brands to the subsidiary BasicItalia S.p.A..
- Financial support for the management of the centralised treasury, relations with credit institutions, granting of sureties;
- Commercial assistance, principally relating to the sale of clothing samples, catalogues and payment of commissions;
- Building rental for commercial use by Basic Village S.p.A.;
- Purchase of products by BasicItalia S.p.A. for gifts and promotional expenses;
- Financial income and charges matured on loans within the treasury centralised management system, at market rates.

The income statement effects deriving from these transactions are summarised as follows:

REVENUES

BasicNet Group companies	Direct sales	Other income	Royalty income	Financial income	Dividends	Total
BasicItalia S.p.A.. with sole shareholder	1,398,292	701,200	5,205,021	19,346	-	**7,323,859**
Basic Trademark S.A.	-	5,500,000	-	-	-	**5,500,000**
Basic Properties B.V.	-	-	-	-	4,950,000	**4,950,000**
Superga Trademark S.A.	-	250,000	-	468,952	-	**718,952**
Basic Village S.p.A.. with sole shareholder	-	50,000	-	7,938	-	**57,938**
BasicNet Asia Ltd.	15,858	-	-	-	-	**15,858**
Jesus Jeans S.r.l. with sole shareholder	-	5,000	-	-	-	**5,000**
AnziBesson Trademark S.r.l.	-	2,500	-	-	-	**2,500**
Fashion S.r.l.	-	1,500	-	-	-	**1,500**
BasicOutlet S.r.l. with sole shareholder	-	-	-	1,355	-	**1,355**
RdK0 S.r.l. with sole shareholder	-	-	-	1,193	-	**1,193**
Total	**1,414,150**	**6,510,200**	**5,205,021**	**498,784**	**4,950,000**	**18,578,155**

COSTS

BasicNet Group companies	Cost of sales	Cost per sponsor	Personnel costs	Selling, general and administrative costs, royalties expenses	Financial charges	Total
Basic Village S.p.A.. with sole shareholder	-	-	1,501	1,998,501	-	**2,000,002**
BasicNet Asia Ltd.	-	-	-	859,041	-	**859,041**
BasicItalia S.p.A.. with sole shareholder	35,664	6,471	-	497,620	-	**530,754**
RdK0 S.r.l. with sole shareholder	-	-	-	30,988	-	**30,988**
Basic Trademark SA	-	-	-	-	4,782	**4,782**
BasicOutlet S.r.l.	-	-	-	30	-	**30**
Fashion S.r.l.	-	-	-	32	-	**32**
AnziBesson Trademark S.r.l.	-	-	-	60	-	**60**
Total	**35,664**	**6,471**	**1,501**	**3,386,271**	**4,782**	**3,434,689**

A breakdown of the transactions with related parties with reference to the note to which they refer for the year 2014 is shown below:

	Investments (Note 20)	**Receivables** (Note 24)	**Payables** (Note 34)	**Revenues** (Note 39)	**Costs** (Note 39)
Subsidiaries	35,754,513	50,790,076	2,416,444	12,386,423	3,049,004
Interests in joint ventures:	490,000	16,050	3,000	4,000	92
Remuneration of Boards and Senior Executives	-	-	-	-	3,097,198
Total	**36,244,513**	**50,806,126**	**2,419,444**	**12,390,423**	**6,146,294**

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 Professionale Pavesio e Associati, of the Director Carlo Pavesio and the consultancy undertaken by Pantarei S.r.l. in which the Director Alessandro Gabetti Davicini is Sole Director and of Studio Boidi & Partners, of which the Chairman of the Board of Statutory Auditors is Massimo Boidi. 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 renewable put and call agreement with BasicWorld S.r.l, at a price equal to the costs incurred for their acquisition, in addition to interest. This agreement was signed based on the eventual interest of BasicNet S.p.A. to sell this equipment to guarantee the complete recovery of the costs incurred, including financial charges, utilising in the meantime the benefits which derive from such communication instruments for their brands and/or products and, by BasicWorld S.r.l., of the purchase, to avoid that such a collection which would be lost.

40. 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.

Other disputes are described in the Explanatory Notes in the consolidated financial statements (Note 49).

For the Board of Directors

The Chairman

Signed by Mr. Marco Daniele Boglione

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INVESTMENTS AT DECEMBER 31, 2014

(in Euro)

Name/Registered office/Share capital	Share capital	Amount of the net equity	Profit (loss) for the year	Quota held directly	Quota held indirectly	Pro quota Net Equity	Book value
SUBSIDIARY COMPANIES							
BASICITALIA S.p.A. WITH SOLE SHAREHOLDER *Strada della Cebrosa, 106* *10156 TURIN* Share Capital Euro 7,650,000	7,650,000	10,964,157	26,302	100.00	-	10,964,157	31,599,725
BASICNET ASIA LTD. *15 floor, Linkchart Centre* *No.2 Tai Yip Street* *Kwun Tong, Kowloon* *HONG KONG* Share capital HKD 10,000.	1,062	222,000	26,712	100.00	-	222,000	927
BASICOUTLET S.r.l. WITH SOLE SHAREHOLDER *Strada della Cebrosa, 106* *10156 TURIN* Share capital Euro 10,000	10,000	113,744	15,186	-	100.00	-	-
BASIC PROPERTIES B.V. *Herikerbergweg 200 – LunArena – Amsterdam Zuidoost* *THE NETHERLANDS* Share capital Euro 18,160	18,160	6,006,964	4,968,573	100.00	-	6,006,964	3,657,747
BASIC PROPERTIES AMERICA, INC. *c/o Corporation Service Company* *11 S 12th Street - PO BOX 1463 – Richmond VA 23218 – U.S.A.* Share capital USD 8,469,157.77	6,976,045	5,840,605	375,800	-	100.00	-	-
BASIC TRADEMARK S.A. *42-44 Avenue de la Gare* *L-1610 LUXEMBOURG* Share Capital Euro 1,250,000.	1,250,000	2,413,472	3,855,844	-	100.00	-	-

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Name/Registered office/Share capital	Share capital	Amount of the net equity	Profit (loss) for the year	Quota held directly	Quota held indirectly	Pro quota Net Equity	Book value
SUBSIDIARY COMPANIES							
BASIC VILLAGE S.p.A. WITH SOLE SHAREHOLDER *Largo M. Vitale, 1* *10152 TURIN* Share capital Euro 412,800	412,800	4,012,146	223,611	100.00	-	4,012,146	414,715
JESUS JEANS S.r.l WITH SOLE SHAREHOLDER *Largo M. Vitale, 1* *10152 TURIN* Share capital Euro 10,000	10,000	27,811	3,583	100.00	-	27,811	81,375
RDK0 S.r.l. WITH SOLE SHAREHOLDER *Strada della Cebrosa, 106* *10156 TURIN* Share capital Euro 10,000	10,000	454,638	186,312	-	100.00	-	-
SUPERGA TRADEMARK S.A. *42-44 Avenue de la Gare* *L-1610 LUXEMBOURG* Share capital Euro 500,000	500,000	933	1,218,299	-	100.00	-	-
JOINT VENTURES							
ANZIBESSON TRADEMARK S.r.l. *Largo M. Vitale, 1* *10152 TURIN* Share capital 50,000	50,000	155,040	(25,857)	50.00	-	77,520	25,000
FASHION S.r.l. *C.so Stati Uniti, 41* *10129 TURIN* Share capital Euro 100,000	100,000	394,436	(104,453)	50.00	-	197,218	465,000

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INVESTMENTS AT DECEMBER 31, 2014

Name/Registered office/Share capital	31/12/2013 Book value	Acquisitions/ Incor.	Capital payments to cover losses	Impairments investments	Sales	31/12/2014 Book value	% held Parent
HOLDINGS IN SUBSIDIARY COMPANIES							
BasicItalia S.p.A.. with sole shareholder	31,599,724	-	-	-	-	31,599,724	100%
BasicNet Asia Ltd.	927	-	-	-	-	927	100%
Basic Properties B.V.	3,657,747	-	-	-	-	3,657,747	100%
Basic Trademark S.A.	25	-	-	-	(25)	-	-
Basic Village S.p.A.. with sole shareholder	414,715	-	-	-	-	414,715	100%
Jesus Jeans S.r.l. with sole shareholder	81,375	-	-	-	-	81,375	100%
TOTAL SUBSIDIARY COMPANIES	***35,754,513***	***-***	***-***	***-***	***(25)***	***35,754,488***	
HOLDINGS IN JOINT VENTURES							
AnziBesson Trademark S.r.l.	25,000	-	-	-	-	25,000	50%
Fashion S.r.l.	410,000	-	55,000	-	-	465,000	50%
TOTAL JOINT VENTURES	***435,000***	***-***	***55,000***	***-***	***-***	***490,000***	
HOLDINGS IN OTHER COMPANIES							
Consortiums & other minor	128	-	-	-	-	128	
TOTAL OTHER COMPANIES	***128***	***-***	***-***	***-***	***-***	***128***	
TOTAL INVESTMENTS	**36,189,641**	**-**	**55,000**	**-**	**(25)**	**36,244,616**	
FINANCIAL RECEIVABLES							
Other receivables (guarantees)	6,931	-	3,528	-	-	10,460	
Loans to subsidiaries	90,000	-	-	-	-	90,000	
TOTAL RECEIVABLES	**96,931**	**-**	**3,528**	**-**	**-**	**100,460**	
TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS	**36,286,572**	**-**	**58,528**	**-**	**(25)**	**36,345,076**	

ATTACHMENT 2

DECLARATION OF THE SEPARATE FINANCIAL STATEMENTS AS PER ARTICLE 154- BIS, PARAGRAPH 5 E AND 5-BIS OF LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998 "FINANCIAL INTERMEDIATION ACT"

The undersigned Marco Daniele Boglione as Executive Chairman, Franco Spalla as CEO, and Paolo Cafasso as Executive Officer Responsible for the preparation of financial statements 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 adequacy for company operations and the effective application, of the administrative and accounting procedures for the preparation of the 2014 financial statements.

In addition, we certify that the financial statements:

a) corresponds to the underlying accounting documents and records;

b) were prepared in accordance with International Financial Reporting Standards adopted by the European Union and also in accordance with Article 9 of Legislative Decree 38/2005 and provide a true and fair representation of the balance sheet, financial position and results of the Issuer;

c) the Directors' Report includes a reliable analysis on the performance and operating result as well as the situation of the Issuer, together with a description of the risks and uncertainties to which they are exposed.

Signed by Mr. Marco Daniele Boglione
Chairman

Signed by Mr. Franco Spalla
Chief Executive Officer

Signed by Mr. Paolo Cafasso
Executive Officer Responsible

ATTACHMENT 3

DISCLOSURE PURSUANT TO ARTICLE 149 DUODECIES OF THE CONSOB ISSUER'S REGULATION

Type of service	Service provider	Company	Fees earned 2014
Audit	PricewaterhouseCoopers S.p.A.	Parent Company BasicNet S.p.A.	67,159
		Subsidiaries	160,491
Certification services	PricewaterhouseCoopers S.p.A.	-	-
Other services	PricewaterhouseCoopers S.p.A.	-	-
Total			**227,650**