GROUP

2015 FIRST QUARTER REPORT

DIRECTORS' REPORT

FINANCIAL STATEMENTS

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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.

DIRECTORS' REPORT

Strong commercial and margin growth is reported for the first quarter, assisted by developments on the currency markets.

Q1 2015 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 145.4 million, up 24.8% on 2014;
- all regions report improved sales: Americas (+53.3%), Middle East and Africa (+46.6%), Asia and Oceania (+42.5%), Europe (+15.7%);
- significant development of Superga® and K-Way® sales - respectively up 67% and 33%; Kappa® and Robe di Kappa® sales up 10%;
- *royalties and sourcing commissions* of the Parent Company and the brand owning companies of Euro 16.2 million compared to Euro 13.2 million in Q1 2014 (+22%);
- *sales* of the BasicItalia Italian licensee company and its subsidiaries total Euro 38.8 million, up 11% on Q1 2014, with a contribution margin on sales of Euro 15.8 million, in line with Q1 2014, principally due to the level of purchases in US Dollars;
- *consolidated EBIT* of Euro 10.6 million (Euro 8.7 million in Q1 2014), + 21.5%;
- *consolidated pre-tax profit* of Euro 11.5 million (Euro 8 million in Q1 2014), +43.2%;
- *consolidated net profit* of Euro 7.6 million (Euro 5.4 million in Q1 2014), +39.5%;
- *net debt* further reduces to Euro 42.9 million, from Euro 45.6 million at December 31, 2014 and Euro 52 million at March 31, 2014, with a *debt/equity ratio*, including property mortgages of Euro 12.4 million, of 0.48 (0.56 at December 31, 2014);
- strong Stock Market performance, with gains of 65% since the beginning of the year.

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:

- ***Licensee Aggregate Sales*** Sales by Group Brand licensees, 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”.
- ***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.
- ***Cashflow*** “Group rnet result plus amortisation, depreciation and write-downs”.

Q1 2015 OPERATIONAL OVERVIEW AND EVENTS

Commercial activities

The actions taken to develop the international presence of the Brands in Q1 2015 included:

- for the Kappa® and Robe di Kappa® brands, present in 118 countries across the world, new agreements for Chile, Paraguay and Hungary. Commercial operations also focused on the renewal of expiring contracts, such as those for the major markets in the Middle East, South-East Asia and Eastern Europe and for Belgium;
- for the Superga® brand, present in 98 countries, and for the K-Way® brand, available on 18 markets, operations in the initial months of the year centered on the renewal of expiring territorial contracts. for the Superga® brand, present in 98 countries, a focus was placed on the review of new proposals for new territories and on expiring territorial contracts;
- for the K-Way® brand, available on 18 markets, in February a major collaboration agreement was signed with FCA (Fiat Chrysler Automobiles), for the creation of a product (VISIBAG®) from the coming together of two long standing brands: Fiat Panda and K-Way®, as further detailed below.

Group brand sales points

The development of the retail channel continued with new openings by licensees of K-Way® and Superga® mono-brand stores.

Following the recent openings, mono-brand Superga® stores opened by licensees globally number 132 (of which 87 in Italy), with 26 mono-brand K-Way® stores (of which 15 in Italy).

At March 31, 2015, Group Brand stores in Italy numbered 257.

At the beginning of the year, an optimisation process of the investee BasicItalia was undertaken, to concentrate all retail operations within a single company called BasicRetail (brand stores, brand outlets and “Allo Spaccio” discount stores), which on conclusion will be the only Group entity managing franchising operations.

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 the initial months of 2015, the sponsorship of the Korean Ski Association was agreed, which will boost the visibility to the Brand in view of the next Winter Olympic Games, to be held in South Korea in 2018.
Kappa® will again in 2015 sponsor in Italy the Kappa FuturFestival, which has a growing appeal in the electronic music world, welcoming thousands of young people from across the globe to Turin. Following period-end, a new sponsorship was signed in Italy for the coming season with SSC Napoli. In addition to the usual sponsorship and merchandising development, collaborations focusing on the development of the Napoli brand are established, leveraging on the extensive commercial partner Network developed under the Kappa® brand by the BasicNet Group throughout the World.

Superga® Brand

For Superga®, in addition to the numerous co-branding initiatives with well-known stylists and prestigious international clothing and footwear brands, previously in place, we add also that with Pinko for the new Pinko Uniqueness sneakers collection. In February 2015, the US licensee Steven Madden presented a new “Superga® x Rodarte” co-branding, with a new collection of sneakers created in collaboration with the founders and stylists of the well-known Rodarte brand.

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.

K-Way® Brand

As stated, during the first quarter at the 85^{th} International Motor Show of Geneva, the new Fiat Panda K-Way® was presented, a project created in collaboration with FCA, which from May will be available 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: 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. The initiative is further to the numerous co-branding initiatives for the development of capsule collections in previous quarters.

COMMENT ON THE KEY PERFORMANCE INDICATORS

Commercial and financial analysis

The breakdown by geographic area of ***aggregate sales*** of the licensee network in Q1 2015 is illustrated below:

Licensee Aggregate Sales *(In Euro thousands)*	**Q1 2015**	**%**	**Q1 2014**	**%**	**Changes**	**%**
Europe	93,410	*64.26*	80,721	*69.29*	12,689	*15.72*
The Americas	7,536	*5.18*	4,914	*4.22*	2,622	*53.35*
Asia and Oceania	28,651	*19.71*	20,108	*17.26*	8,543	*42.49*
Middle East and Africa	15,769	*10.85*	10,756	*9.23*	5,013	*46.60*
Total	**145,366**	***100.00***	**116,499**	***100.00***	**28,868**	**24.78**

Licensee ***aggregate sales*** of Euro 145 million increased 24.78% at current exchange rates, from Euro 116.5 million in Q1 2014. Sales benefitted from the appreciation of the US Dollar against the Euro in the final months of the year, although significant commercial development of 13.3% is reported at like-for-like exchange rates. The ongoing and intense international expansion of the Brands has delivered significant results on all non-European markets, with growth exceeding 45%. The European market, although a number of countries have particularly fragile economies, reported overall growth of 15.7%.

The sales of the main Group brands through the network of Global Licensees was as follows:

(In Euro thousands)	**Q1 2015**		**Q1 2014**		**Changes**	
Kappa and Robe di Kappa	87,193	*59.98%*	79,550	*68.28%*	7,643	*9.61%*
Superga	43,490	*29.92%*	26,022	*22.34%*	17,468	*67.13%*
K-Way	13,921	*9.58%*	10,483	*9.00%*	3,438	*32.8%*

The Superga® brand grew significantly (+67%) compared to Q1 2014. K-Way® has also continued to expand, growing sales 33%. The Kappa® and Robe di Kappa® brands, which overall represent 60% of aggregate sales, reported 9.6% growth on the same period of 2014.

As a result of increased sales, ***consolidated royalties*** and ***souring commissions***, and therefore not including the royalties of the directly-held Italian licensees, increased to Euro 12.6 million, compared to Euro 10 million in the previous year (+27%).

Total sales of the investee BasicItalia S.p.A. and its subsidiaries amounted to Euro 38.8 million, up 11% on Euro 35 million in Q1 2014.

The ***contribution margin on sales*** of Euro 15.8 million is in line with Q1 2014. The margin of 41% is reflective of the impact of the significant appreciation of the US Dollar against the Euro on the cost of product imports, in the absence of which the margin would have maintained at around 43%.

As outlined below, the effects of the strengthening of the US Dollar on the cost of imports by the subsidiary BasicItalia S.p.A. are adequately hedged through the currency hedging (flexi term) operations executed in 2014, covering the forecast currency needs for the current year and by royalties and sourcing commissions in US Dollars.

Other income of Euro 1.4 million includes indemnities and royalties concerning sales of promotional products.

Sponsorship and media costs of Euro 3.8 million accounted for 9.9% of revenues (substantially in line with the previous year).

Personnel costs of Euro 4.7 million reduced as a percentage of revenues from 12.8% in Q1 2014 to 12.1% in 2015.

Overhead costs, i.e. ***Selling*** and ***general and administrative costs*** and ***royalties expenses*** amounted to Euro 9.3 million, accounting for a similar percentage of revenues as Q1 2014. The account includes the doubtful debt provision of approx. Euro 0.7 million, which is in line with the previous year, therefore proportionally lower than business volume development.

EBITDA of Euro 12 million increased 18.7% (Euro 10.1 million in Q1 2014).

EBIT, after ***amortisation and depreciation*** of Euro 1.4 million, totalled Euro 10.6 million compared to Euro 8.7 million in Q1 2014 (+21.5%).

Consolidated net financial charges/income, including exchange gains and losses improved 242% on Q1 2014, due to exchange gains (Euro 1.6 million in Q1 2015, compared to substantial breakeven in Q1 2014), thanks to the currency hedges undertaken in 2014, in addition to the reduction of financial debt charges, following the reduction in the debt, together with more competitive procurement costs.

The ***Consolidated pre-tax profit*** of Euro 11.5 million, compared to Euro 8 million in 2014.

The ***consolidated net profit***, after current and deferred taxes of approx. Euro 4 million, amounted to approx. Euro 7.6 million compared to Euro 5.4 million in Q1 2014 (+39.5%).

Balance sheet overview

The following table outlines the key consolidated performance indicators:

(In Euro thousands)	**March 31, 2015**	**December 31, 2014**	**March 31, 2014**
Property	22,626	22,854	23,345
Brands	34,274	34,189	34,054
Non-current assets	25,715	25,562	26,784
Current assets	136,613	115,770	127,032
Total Assets	**219,228**	**198,375**	**211,215**
Group Shareholders' Equity	89,336	80,711	72,813
Non-current liabilities	20,734	20,495	28,516
Current liabilities	109,158	97,169	109,886
Total Liabilities and Shareholders' Equity	**219,228**	**198,375**	**211,215**

Financial position

Consolidated figures

(In Euro thousands)	**March 31, 2015**	**December 31, 2014**	**March 31, 2014**
Net financial position – Short-term	(28,286)	(29,880)	(31,935)
Financial payables – Medium-term	(12,994)	(13,932)	(17,931)
Finance leases	(1,637)	(1,761)	(2,173)
Total net financial position	**(42,917)**	**(45,573)**	**(52,040)**
Net Debt/Equity ratio (Net financial position/Shareholders' equity)	0.48	0.56	0.71

Parent Company BasicNet S.p.A. figures

(In Euro thousands)	**March 31, 2015**	**December 31, 2014**	**March 31, 2014**
Net financial position – Short-term	(3,730)	(4,663)	(5,207)
Financial payables – Medium-term	(2,143)	(2,679)	(5,473)
Finance leases	(70)	(28)	(40)
Financial position with third parties	**(5,943)**	**(7,370)**	**(10,720)**
Group financial receivables / (payables)	52,142	48,162	45,145
Total net financial position	**46,199**	**40,792**	**34,425**

In Q1 2015 capital expenditure totalled Euro 1.5 million, of which Euro 0.4 million concerning EDP and furniture and fittings and Euro 1.1 million the development of IT programmes and leasehold improvements.

Working capital management saw an increase in inventories and trade receivables, although to a lesser degree than business volume development in the period, highlighting the increasing efficiency of the working capital ratios.

Operating cash was generated for Euro 9 million, of which Euro 1.5 million invested and Euro 0.4 million utilised for the purchase of treasury shares.

Consolidated net debt, including medium-term loans and finance leases (Euro 1.6 million), reduced to Euro 42.9 million (of which Euro 12.4 million property loans), compared to Euro 52 million at March 31, 2014 (-17.5%). The *debt/equity ratio* at March 31, 2015 was 0.48 compared to 0.56 at December 31, 2014 and 0.71 at March 31, 2014.

The medium/long-term loan undertaken with Banca Intesa Sanpaolo, highlighted in the Subsequent events section of the 2014 Annual Accounts, was completed in the current month of April and with the issue of Euro 15 million. The four-year agreement, with quarterly repayments, is without covenants and has an option for advance repayment.

The proceeds will support developmental investments, in addition to optimising the duration of loans undertaken.

PRINCIPAL RISKS AND UNCERTAINTIES

BasicNet Group operations are exposed to market and financial risks - in addition to general operating risks - which are outlined in greater detail in the Annual Accounts and to which reference should be made as no new events occurred in the period.

TREASURY SHARES

Within the treasury share buy-back and utilisation programme, authorised by the Shareholders' AGM of April 28, 2014, in the first quarter 168,000 treasury shares were purchased for a total of approx. Euro 431 thousand.

BasicNet today holds a total of 4,123,000 treasury shares (6.76% of the Share Capital), for a total investment of Euro 7.4 million. At present market values, the directly held securities portfolio totals Euro 15.4 million.

OUTLOOK FOR THE CURRENT YEAR

Operating results are expected to be strong in the first half of 2015 based on the order book and the forecast *royalties and sourcing commissions*. This outlook remains subject to the variable economic conditions of the individual countries, in addition to exchange rate movements, both in terms of fluctuations to some of the major currencies and the impact that such changes may have on procurement prices.

FINANCIAL STATEMENTS

BASICNET GROUP Q1 2015 INCOME STATEMENT

(In Euro thousands)

	Q1 2015		Q1 2014		Changes	
		%		%		%
Licensee aggregate sales	**145,366**		**116,499**		**28,867**	***24.78***
Consolidated direct sales	38,832	*100.00*	34,993	*100.00*	3,839	*10.97*
Cost of sales	(23,033)	*(59.31)*	(19,242)	*(54.99)*	(3,791)	*(19.70)*
GROSS MARGIN	**15,799**	***40.69***	**15,751**	***45.01***	**48**	***0.30***
Royalties and sourcing commissions	12,657	*32.60*	9,973	*28.50*	2,684	*26.91*
Other income	1,429	*3.68*	460	*1.31*	968	*210.49*
Sponsorship and media costs	(3,838)	*(9.88)*	(3,384)	*(9.67)*	(454)	*(13.42)*
Personnel costs	(4,701)	*(12.11)*	(4,468)	*(12.77)*	(233)	*(5.21)*
Selling, general and administrative costs, royalties expenses	(9,294)	*(23.93)*	(8,178)	*(23.37)*	(1,116)	*(13.65)*
Amortisation & Depreciation	(1,448)	*(3.73)*	(1,423)	*(4.07)*	(24)	*(1.72)*
EBIT	**10,604**	***27.31***	**8,730**	***24.95***	**1,874**	***21.47***
Net financial income (charges)	972	*2.50*	(684)	*(1.96)*	1,656	*242.11*
Income/(charges) from investments	(69)	*(0.18)*	(8)	*(0.02)*	(61)	*N.A.*
PROFIT BEFORE TAXES	**11,507**	***29.63***	**8,038**	***22.97***	**3,469**	***43.16***
Income taxes	(3,946)	*(10.16)*	(2,619)	*(7.48)*	(1,327)	*(50.67)*
Group Net Profit	**7,561**	***19.47***	**5,419**	***15.49***	**2,142**	***39.53***
Earnings per share	**0.1329**		**0.0943**		**0.039**	***40.97***

CONSOLIDATED BALANCE SHEET AT MARCH 31, 2015

(In Euro thousands)

ASSETS	March 31, 2015	December 31, 2014	March 31, 2014
Intangible assets	41,802	41,184	40,909
Goodwill	10,444	10,516	10,604
Property, plant and equipment	29,730	30,183	31,243
Equity invest. & other financial assets	240	297	354
Investments in joint ventures	399	399	401
Deferred tax assets	-	26	673
Total non-current assets	**82,615**	**82,605**	**84,182**
Net inventories	52,849	46,297	50,553
Trade receivables	56,792	43,928	53,175
Other current assets	12,979	13,505	12,578
Prepayments	6,764	6,844	6,196
Cash and cash equivalents	4,477	4,014	4,531
Derivative financial instruments	2,752	1,182	-
Total current assets	**136,613**	**115,770**	**127,032**
TOTAL ASSETS	**219,228**	**198,375**	**211,215**

LIABILITIES	March 31, 2015	December 31, 2014	March 31, 2014
Share capital	31,717	31,717	31,717
Reserve for treasury shares in portfolio	(7,306)	(6,875)	(5,907)
Other reserves	57,364	43,432	41,585
Net Profit	7,561	12,437	5,419
Minority interests	-	-	-
TOTAL SHAREHOLDERS' EQUITY	**89,336**	**80,711**	**72,813**
Provisions for risks and charges	20	43	4.398
Loans	14,632	15,692	20,104
Employee benefits	3,727	3,573	2,997
Deferred tax liabilities	1,101	-	-
Other non-current liabilities	1,254	1,187	1,016
Total non-current liabilities	**20,734**	**20,495**	**28.516**
Bank payables	32,763	33,894	36,466
Trade payables	41,268	30,142	39,029
Tax liabilities	24,719	22,165	23,523
Other current liabilities	7,765	7,475	8,096
Accrued expenses	987	1,848	671
Derivative financial instruments	1,656	1,645	2,101
Total current liabilities	**109,158**	**97,169**	**109,886**
TOTAL LIABILITIES	**129,892**	**117,664**	**138,402**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**219,228**	**198,375**	**211,215**

CONSOLIDATED NET FINANCIAL POSITION

(In Euro thousands)	March 31, 2015	December 31, 2014	March 31, 2014
Cash and cash equivalents	4,477	4,014	4,531
Bank overdrafts and bills	(8,002)	(12,277)	(17,675)
Import advances	(19,824)	(16,086)	(12,666)
Sub-total net liquidity available	*(23,349)*	*(24,349)*	*(25,810)*
Short-term portion of medium/long-term loans	(4,937)	(5,531)	(6,125)
Net financial position – Short-term	**(28,286)**	**(29,880)**	**(31,935)**
Superga medium/long term loan	-	-	(1,188)
Basic Village property loan	(7,800)	(8,100)	(9,000)
BasicItalia property loan	(3,051)	(3,153)	(3,458)
UBI loan	(2,143)	(2,679)	(4,286)
Leasing payables	(1,638)	(1,761)	(2,173)
Sub-total loans	*(14,632)*	*(15,693)*	*(20.*104)
Consolidated Net Financial Position	**(42,917)**	**(45,573)**	**(52,040)**

The net financial position reported in the table above is in line with that established by Consob Communication No. 6064293 of July 28, 2006.

NOTES TO THE FINANCIAL STATEMENTS

The 2015 First Quarter Report was prepared in accordance with Article 82 and Attachment 3D of the "Regulation implementing Legislative Decree No. 58 of February 24, 1998 for Issuers" of May 14, 1999 and subsequent amendments.

The accounting principles adopted for the preparation of the present 2015 First Quarter Report, not subject to audit, are in line with those utilised for the preparation of the Annual Accounts.

It is highlighted that, as permitted by Consob communication DEM/5073567 of November 4, 2005, the Company availed of the option for reduced disclosure than that required by IAS 34 (Interim Reporting).

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The Executive Officer Responsible for the preparation of the corporate accounting documents Mr. Paolo Cafasso declares in accordance with Article 154-*bis*, paragraph 2 of the Consolidated Finance Act that the accounting information contained in the present document corresponds to the underlying accounting documents, records and accounting entries.

For the Board of Directors of BasicNet S.p.A.

The Chairman

Marco Daniele Boglione

Turin, April 27, 2015