GROUP

2015 THIRD QUARTER REPORT

DIRECTORS' REPORT

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

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 Renate Hendlmeier [(**)] Adriano Marconetto [(1)] Carlo Pavesio Elisabetta Rolando	**Directors**

[(1)] Independent Directors

[(*)] Resigned her position on October 23, 2015

[(**)] Co-opted to the Board on October 23, 2015

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

Continued growth reported in Q3 2015:

- aggregate sales of Group products - Kappa®, Robe di Kappa®, Superga®, K-Way®, Lanzera®, AnziBesson®, Jesus®Jeans and Sabelt® - by licensees globally of Euro 405.6 million, up 14.1% on 9M 2014. Significant commercial development at like-for-like exchange rates: +8.6%;

- sales up across all regions: Americas (+30.8%), Middle East and Africa (+27.4%), Asia and Oceania (+21.6%) and Europe (+8.9%);

- significant advancement made by Superga® and K-Way® - respectively up 31.8% and 18.6%; Kappa® and Robe di Kappa® sales up approx. 9%;

- *royalties and sourcing commissions* of Euro 44.7 million compared to Euro 39.3 million in 9M 2014 (+13.7%, +15.1% at consolidated level);

- sales of the BasicItalia Italian licensee company total Euro 102.5 million, up 8.3% on 2014. Contribution margin on sales of Euro 42.3 million compared to Euro 41.9 million in 9M 2014. Margin significantly improves in Q3 (+3.2%), thanks to commercial development, which together with careful procurement management absorbed the impacts incurred from purchases made in US Dollars;

- *EBITDA* of Euro 26.5 million, compared to Euro 24 million in 9M 2014 (+10.3%);

- *consolidated EBIT* of Euro 21.8 million, from Euro 19.4 million in 9M 2014 (+12.3%);

- *consolidated pre-tax profit* of Euro 22.4 million (Euro 17.6 million in 9M 2014), +27.6%;

- *consolidated net profit* of Euro 14.3 million (Euro 10.8 million in 9M 2014), +32.8%;

- *net debt* further reduces to Euro 46.3 million, from Euro 47.6 million at September 30, 2014, with a debt/equity ratio of 0.52 (compared to 0.60 last year), including the distribution of dividends in 2015 of approx. Euro 4 million, the buy-back of treasury shares for a further Euro 1.6 million and major capex of Euro 3.9 million;

- strong stock market performance, with gains over the past 12 months of 79%.

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 licensees, recognised by the BasicNet Group to the “royalties and sourcing commissions” account of the income statement;
- ***EBITDA:*** “operating result” before “amortisation and depreciation” and “write-downs and other provisions”;
- ***EBIT:*** “operating result”;
- ***Contribution margin on direct sales:*** “gross profit”
- ***Net financial debt:*** total of current and medium/long-term financial payables, less cash and cash equivalents and other current financial assets.

Q3 OPERATIONAL OVERVIEW AND EVENTS

Commercial activities

The actions taken to develop the international presence of the Brands in Q3 2015 concerned:

- for the Kappa® and Robe di Kappa® brands, commercial operations mainly focused on the renewal of expiring contracts, including Brazil and Hong Kong;
- for the Superga® brand, new agreements were signed for Panama, Columbia and Russia;
- for the K-Way® brand, operations focused on reaching agreements for the Chilean market.

Group brand sales points

The development of the retail channel continued with new openings by licensees of K-Way® and Superga® mono-brand stores. In particular, a new store with the Superga® brand opened in San Francisco, at Fillmore Street in the heart of the Californian city's shopping district.

Following the new openings, Kappa® and Robe di Kappa® mono-brand stores and shop in shops opened by licensees globally number 392 (of which 131 in Italy), with Superga® mono-brand stores and shop in shops totalling 184 (of which 84 in Italy), along with 34 K-Way® stores (of which 23 in Italy).

Sponsorship and communication

Kappa® Brand

For the Kappa® brand, the Belgian market licensee in July concluded a sponsorship agreement with the Standard Liège Football Team. In July and August, the new kits for the 2015-2016 seasons for SSC Napoli, US Sassuolo and Leeds United FC were presented.

Superga® Brand

For the Superga® brand, the model, actor and DJ Jack Guinness became the first male brand promoter, following on from the female icons who have also been brand ambassadors, Alexa Chung, Rita Ora, Suki Waterhouse and Binx (Leona Walton). The model and actress Esom is the new South Korean market brand promoter.

K-Way® Brand

In the quarter, three new co-brandings were presented with Petit Bateau and Swarovski and the renewed agreement with Hydrogen, following on from the development of numerous initiatives in the preceding quarters for the creation of capsule collections.

COMMENT ON THE KEY PERFORMANCE INDICATORS

Commercial and financial analysis

The breakdown by geographic area of ***aggregate sales*** of the licensee network in 9M 2015 is illustrated below:

Licensee Aggregate Sales *(In Euro thousands)*	**9M 2015**	**%**	**9M 2014**	**%**	**Changes**	**%**
Europe	260,737	*64.29*	239,527	*67.39*	21,210	*8.86*
The Americas	24,988	*6.16*	19,103	*5.37*	5,885	*30.81*
Asia and Oceania	73,129	*18.03*	60,131	*16.92*	12,998	*21.62*
Middle East and Africa	46,726	*11.52*	36,669	*10.32*	10,057	*27.43*
Total	**405,580**	***100.00***	**355,430**	***100.00***	**50,150**	**14.11**

Licensee aggregate sales of Euro 405,6 million increased 14.1% at current exchange rates, from Euro 355 million in 9M 2014. The ongoing international development of the Brands has delivered significant results on all non-European markets, with growth of 25%. The European market overall grew 8.9%, despite the challenging economic environment. Sales growth at like-for-like exchange rates was also very strong (+8.6%).

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

(In Euro thousands)	**9M 2015**		**9M 2014**		**Changes**	
Kappa & Robe di Kappa	266,356	*65.67%*	244,114	*68.68%*	22,242	*9.11%*
Superga	100,724	*24.83%*	76,404	*21.50%*	24,320	*31.83%*
K-Way	37,178	*9.17%*	31,343	*8.82%*	5,835	*18.62%*

The Superga® and K-Way® brands grew significantly on 9M 2014, respectively up 31.8% and 18.6%. The Kappa® and Robe di Kappa® brands, which overall represent approx. 66% of aggregate sales, reported 9% growth.

Due to the increased revenues, parent company and licensee ***royalties*** and ***sourcing commissions*** totalled Euro 44.7 million, compared to Euro 39.3 million in 9M 2014 (+13.8%); at consolidated level, royalties and sourcing commissions amounted to Euro 35.4 million, up 15.1% on Euro 30.8 million in the previous year.

Sourcing commissions concern finished product purchase management by commercial licensees, with managed sales in the first nine months totalling approx. Euro 165 million, up 25.4% on the first nine months of 2014.

Sales of the controlled BasicItalia S.p.A. and its subsidiary amounted to Euro 102.5 million, improving 8% on Euro 94.7 million in 9M 2014. The ***contribution margin on sales*** of Euro 42.3 million compares to Euro 41.9 million in the previous year. The improved margin in the third quarter (+3.2%) follows joint operations focused on optimising the collections, ensuring greater competitivity on purchase prices and a review of sales prices which, amid considerable commercial growth, absorbed charges arising from the strengthening of the US Dollar - the currency in which finished product purchases are principally denominated.

Other income of Euro 3.2 million includes indemnities and royalties related to sales of promotional products.

Sponsorship and media costs of Euro 13.3 million rose on the previous year following the agreement of new sponsorships, in particular with SSC Napoli, US Sassuolo and Leeds United FC in the second half of the year, confirming the major investment focused on brand development. Higher costs on the previous period temporarily impacted the result as not offset by merchandising sales which reach their peak once the league championships and European competitions are well underway.

Personnel costs of Euro 14.5 million reduced as a percentage of revenues from 14.4% in 9M 2014 to 14.1% in 9M 2015. Employees at September 30 numbered 483.

Selling and ***general and administrative costs*** and ***royalties expenses*** amounted to Euro 26.7 million - 26% of revenues. The account includes the doubtful debt provision of approx. Euro 2.3 million which includes the general allocations made in line with increased revenues.

EBITDA in the period amounted to Euro 26.5 million, with significant growth of 10.3% (Euro 24 million in 9M 2014).

EBIT, after amortisation and depreciation of Euro 4.7 million, totalled approx. Euro 21.8 million, up 12.3% on Euro 19.4 million in 9M 2014.

Consolidated net financial charges/income, including exchange gains and losses, improved significantly on 9M 2014, due to exchange gains (Euro 2.5 million in 9M 2015 compared to Euro 0.4 million in 9M 2014), thanks to the currency hedges undertaken in 2014 (flexi term), in addition to the reduction of financial debt charges, following both the reduction in the debt and more competitive debt servicing costs (Euro 1.7 million in 2015 compared to Euro 2.2 million in 2014).

The ***consolidated pre-tax profit*** of Euro 22.4 million increased 27.6% on Euro 17.6 million in 2014.

The ***consolidated net profit***, after current and deferred taxes of approx. Euro 8.1 million, amounted to Euro 14.3 million compared to Euro 10.8 million in 9M 2014 (+32.8%).

Balance sheet overview

The following table outlines the key consolidated performance indicators:

(In Euro thousands)	**September 30, 2015**	**December 31, 2014**	**September 30, 2014**
Property	22,181	22,854	23,079
Trademarks	34,151	34,189	34,128
Non-current assets	25,166	25,562	26,081
Current assets	143,427	115,770	134,600
Total assets	**224,925**	**198,375**	**217,888**
Group Shareholders' Equity	89,830	80,711	79,552
Non-current liabilities	28,496	20,495	21,186
Current liabilities	106,599	97,169	117,150
Total Liabilities and Shareholders’ Equity	**224,925**	**198,375**	**217,888**

Financial position

Consolidated figures

(In Euro thousands)	**September 30, 2015**	**December 31, 2014**	**September 30, 2014**
Net financial position – Short-term	(23,124)	(29,880)	(30,949)
Financial payables – Medium-term	(21,431)	(13,932)	(14,868)
Finance leases	(1,744)	(1,761)	(1,748)
Total net financial position	**(46,299)**	**(45,573)**	**(47,565)**
Net Debt/Equity ratio (Net financial position/Shareholders' equity)	0.52	0.56	0.60

Parent Company BasicNet S.p.A. figures

(In Euro thousands)	**September 30, 2015**	**December 31, 2014**	**September 30, 2014**
Net financial position – Short-term	(7,617)	(4,663)	(5,865)
Financial payables – Medium-term	(11,384)	(2,679)	(3,214)
Finance leases	(54)	(28)	(32)
Financial position with third parties	**(19,055)**	**(7,370)**	**(9,111)**
Group financial receivables / (payables)	58,722	48,162	48,307
Total net financial position	**39,716**	**40,792**	**39,196**

In 9M 2015 capital expenditure totalled Euro 3.8 million, of which Euro 1.3 million concerning EDP and furniture and fittings and Euro 2.5 million the development of IT programmes and leasehold improvements.

Working capital management saw an increase in inventories, mainly related to the increased quantities of stock already covered by orders, in particular team-related merchandising with delivery by year-end. Trade receivables decreased on the previous year, despite increased levels of business, confirming the stronger focus on the working capital ratios.

Operating cash flow generated in the period totalled Euro 18.9 million, compared to Euro 15.3 million in the previous year.

Consolidated net debt, including medium-term loans of finance leases (Euro 1.7 million) and mortgages (Euro 11.6 million), reduced from Euro 47.6 million at September 30, 2014 to Euro 46.3 million at September 30, 2015.

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 third quarter 176,153 treasury shares were purchased for a total of approx. Euro 671 thousand.

BasicNet today holds a total of 4,440,153 treasury shares (7.28% of the Share Capital), for a total investment of Euro 8.6 million. At present market values, the directly held securities portfolio totals Euro 17 million.

OUTLOOK FOR THE CURRENT YEAR

The available indicators confirm the general recovery in train which 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 (with regard only to the Italian commercial companies) may have on finished product procurement prices.

FINANCIAL STATEMENTS

BASICNET GROUP 9M 2015 INCOME STATEMENT

(In Euro thousands)

	9M 2015		9M 2014		Changes	
		%		%		%
Licensee aggregate sales	**405,580**		**355,430**		**50,150**	***14.11***
Consolidated sales	102,503	*100.00*	94,680	*100.00*	7,823	*8.26*
Cost of sales	(60,165)	*(58.70)*	(52,719)	*(55.68)*	(7,446)	*(14.12)*
GROSS MARGIN	**42,338**	***41.30***	**41,961**	***44.32***	**377**	***0.90***
Royalties and sourcing commissions	35,425	*34.56*	30,774	*32.50*	4,651	*15.11*
Other income	3,189	*3.11*	1,246	*1.32*	1,943	*155.93*
Sponsorship and media costs	(13,266)	*(12.94)*	(10,999)	*(11.62)*	(2,267)	*(20.61)*
Personnel costs	(14,474)	*(14.12)*	(13,598)	*(14.36)*	(876)	*(6.44)*
Selling, general and administrative costs, royalties expenses	(26,729)	*(26.08)*	(25,367)	*(26.79)*	(1,362)	*(5.37)*
Amortisation & Depreciation	(4,665)	*(4.55)*	(4,590)	*(4.85)*	(75)	*(1.62)*
EBIT	**21,818**	***21.29***	**19,427**	***20.52***	**2,391**	***12.31***
Net financial income (charges)	765	*0.75*	(1,795)	*(1.90)*	2,560	*142.61*
Income/(charges) from investments	(151)	*0.15*	(48)	*(0.05)*	(103)	*(215.55)*
PROFIT BEFORE TAXES	**22,432**	***21.88***	**17,584**	***18.57***	**4,848**	***27.57***
Income taxes	(8,135)	*(7.94)*	(6,816)	*(7.20)*	(1,319)	*(19.35)*
Group Net Profit	**14,297**	***13.95***	**10,768**	***11.37***	**3,529**	***32.77***
Cash flow (net result and amortisation and depreciation)	**18,962**		**15,358**		**3,604**	***23.46***

BASICNET GROUP – IFRS INCOME STATEMENT COMPARED WITH Q3 2014

(In Euro thousands)

	Q3 2015		Q3 2014		Changes	
		%		%		%
Licensee aggregate sales	**144,989**		**133,995**		**10,994**	***8.20***
Consolidated sales	38,579	*100.00*	34,942	*100.00*	3,637	*10.41*
Cost of sales	(22,839)	*(58.20)*	(19,688)	*(56.34)*	(3,151)	*(16.00)*
GROSS MARGIN	**15,740**	***40.80***	**15,254**	***43.66***	**486**	***3.19***
Royalties and sourcing commissions	11,624	*30.13*	11,191	*32.03*	433	*3.86*
Other income	1,057	*2.74*	350	*1.00*	707	*201.93*
Sponsorship and media costs	(5,441)	*(14.10)*	(3,714)	*(10.63)*	(1,727)	*(46.49)*
Personnel costs	(5,073)	*(13.15)*	(4,578)	*(13.10)*	(495)	*(10.83)*
Selling, general and administrative costs, royalties expenses	(8,464)	*(21.94)*	(8,823)	*(25.25)*	359	*4.06*
Amortisation & Depreciation	(1,610)	*(4.17)*	(1,673)	*(4.79)*	63	*3.78*
EBIT	**7,833**	***20.30***	**8,007**	***22.92***	**(174)**	***(2.19)***
Net financial income (charges)	420	*1.09*	(430)	*(1.23)*	849	*197.64*
Income/(charges) from investments	(13)	*(0.03)*	(28)	*(0.08)*	15	*55.10*
PROFIT BEFORE TAXES	**8,240**	***21.36***	**7,549**	***21.61***	**690**	***9.13***
Income taxes	(3,033)	*(7.86)*	(2,798)	*(8.01)*	(234)	*(8.37)*
Group Net Profit	**5,206**	***13.50***	**4,751**	***13.60***	**456**	***9.57***
Cash flow (net result and amortisation and depreciation)	**6,817**		**6,424**		**393**	***6.10***

CONSOLIDATED BALANCE SHEET AT SEPTEMBER 30, 2015

(In Euro thousands)

ASSETS	September 30, 2015	December 31, 2014	September 30, 2014
Intangible assets	41,505	41,184	41,135
Goodwill	10,293	10,516	10,355
Property, plant and equipment	29,237	30,183	30,308
Equity invest. & other financial assets	203	297	308
Interests in joint ventures	260	399	416
Deferred tax assets	-	26	766
Total non-current assets	**81,498**	**82,605**	**83,288**
Net inventories	61,108	46,297	52,685
Trade receivables	53,016	43,928	54,111
Other current assets	15,852	13,505	16,084
Prepayments	7,948	6,844	6,479
Cash and cash equivalents	4,583	4,014	3,483
Derivative financial instruments	920	1,182	1,758
Total current assets	**143,427**	**115,770**	**134,600**
TOTAL ASSETS	**224,925**	**198,375**	**217,888**

LIABILITIES	September 30, 2015	December 31, 2014	September 30, 2014
Share capital	31,717	31,717	31,717
Reserve for treasury shares in portfolio	(8,447)	(6,875)	(6,486)
Other reserves	52,263	43,432	43,553
Net Profit	14,297	12,437	10,768
Minority interests	-	-	-
TOTAL SHAREHOLDERS' EQUITY	**89,830**	**80,711**	**79,552**
Provisions for risks and charges	37	43	50
Loans	23,175	15,692	16,616
Employee benefits	3,848	3,573	3,445
Deferred tax liabilities	378	-	-
Other non-current liabilities	1,058	1,187	1,075
Total non-current liabilities	**28,496**	**20,495**	**21,186**
Bank payables	27,707	33,894	34,432
Trade payables	47,207	30,142	41,534
Tax payables	20,502	22,165	29,857
Other current liabilities	8,023	7,475	7,343
Accrued liabilities	1,509	1,848	2,269
Derivative financial instruments	1,651	1,645	1,715
Total current liabilities	**106,599**	**97,169**	**117,150**
TOTAL LIABILITIES	**135,095**	**117,664**	**138,336**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**224,925**	**198,375**	**217,888**

CONSOLIDATED NET FINANCIAL POSITION

(In Euro thousands)	**September 30, 2015**	**December 31, 2014**	**September 30, 2014**
Cash and cash equivalents	4,583	4,014	3,483
Bank overdrafts and bills	(6,279)	(12,277)	(14,021)
Import advances	(13,928)	(16,086)	(14,286)
Sub-total net liquidity available	*(15,624)*	*(24,349)*	*(24,824)*
Short-term portion of medium/long-term loans	(7,500)	(5,531)	(6,125)
Short-term net financial position	**(23,124)**	**(29,880)**	**(30,949)**
Intesa Sanpaolo loan	(10,313)	-	-
Basic Village property loan	(7,200)	(8,100)	(8,400)
BasicItalia property loan	(2,847)	(3,153)	(3,254)
UBI loan	(1,071)	(2,679)	(3,214)
Leasing payables	(1,744)	(1,761)	(1,748)
Sub-total loans	*(23,175)*	*(15,693)*	*(16,616)*
Consolidated Net Financial Position	**(46,299)**	**(45,573)**	**(47,565)**

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 Third 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 Third 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).

* * *

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, October 23, 2015