2015 ANNUAL REPORT

DIRECTORS' REPORT

CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

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

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

CORPORATE BOARDS of BasicNet S.p.A.

Board of Directors

Marco Daniele Boglione	**Chairman**
Daniela Ovazza Giovanni Crespi (3)	**Vice Chairmen**
Franco Spalla	**Chief Executive Officer**
Paolo Cafasso Alessandro Gabetti Davicini Renate Hendlmeier (1) (2) Adriano Marconetto (1) Carlo Pavesio Elisabetta Rolando	**Directors**

(1) Independent Directors

(2) Co-opted on 23/10/2015

(3) Vice Chairman since 23/10/2015

Remuneration Committee

Carlo Pavesio	**Chairman**
Adriano Marconetto	
Daniela Ovazza	

Control and Risks Committee

Adriano Marconetto	**Chairman**
Alessandro Gabetti Davicini	
Renate Hendlmeier (since 23/10/2015)	
Giovanni Crespi (until 23/10/2015)	

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,

Particularly satisfying results which meet the commercial growth objectives were delivered in 2015: Global licensee aggregate sales reached Euro 731 million, compared to Euro 623 million in 2014, up 17.2% (+10.5% at like-for-like exchange rates). The strong earnings and financial performance within a generally challenging economic environment is of even greater significance. The Consolidated Net Profit in fact amounted to Euro 16.8 million, with the Parent Company BasicNet S.p.A. posting a Net Profit in excess of Euro 12 million; both results significantly improved on the previous year - up 34.8% and 19.4% respectively.

The 2015 Key Financial Highlights were as follows:

- *aggregate sales* of Group products (Kappa®, Robe di Kappa®, Superga®, K-Way®, Lanzera®, AnziBesson®, Jesus®Jeans and Sabelt®) by the commercial and productive licensee network globally total Euro 731 million, up 17.2% on 2014 (Euro 517 million by the commercial licensees and Euro 214 million by the productive licensees);
- revenues up across all regions: Americas (+22.8%), Middle East and Africa (+18.4%), Asia and Oceania (+16.9%) and Europe (+14.1%);
- significant development of Superga® and K-Way® sales - respectively up 23.5% and 22.9%; substantial increases for Kappa® and Robe di Kappa® sales (+12.4%);
- *royalties and sourcing commissions* from aggregate sales of the commercial and productive licensees for the Parent Company and the brand owning companies of Euro 58.5 million, compared to Euro 51.9 million in 2014 (+12.7%) (+12.9% at consolidated level);
- *sales*, almost entirely concerning the Italian licensee company BasicItalia and its subsidiary, of Euro 133.9 million - up 11.2% on the previous year. Contribution margin on sales of Euro 54.8 million, compared to Euro 52.6 million in 2014 (+4.2%), despite the significant impact from purchases in US Dollars;
- *EBITDA* of Euro 32 million, up 8.7% on Euro 29.5 million in 2014;
- *EBIT* of Euro 25.7 million (Euro 23 million in 2014), improving 11.5% on the previous year;
- consolidated pre-tax profit (*EBT*) of Euro 26.4 million (Euro 20.6 million in 2014), +27.8%, partly due to significant exchange gains (approx. Euro 3 million);
- *consolidated net profit* of Euro 16.8 million;
- *net debt* further reduces to Euro 45.4 million, with a debt/equity ratio of 0.49 (0.56 at December 31, 2014), although with dividends distributed of approx. Euro 4 million, treasury shares acquired of Euro 1.9 million and investments of approx. Euro 5 million;
- strong stock market performance: +114.6% in 2015.

Parent Company Key Financial Highlights:

- EBIT of Euro 10.5 million (Euro 8.4 million in 2014);
- net profit of Euro 12 million (Euro 10.1 million in 2014); increase of dividends from investees;
- net cash position of Euro 45 million, improving 10.5% on 2014.

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

- ***Commercial licensee aggregate sales:*** sales by commercial licensees, recognised by the BasicNet Group to the "royalties" account of the income statement;
- ***Sourcing center aggregate sales:*** sales by productive licensees, recognised by the BasicNet Group to the "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.

2015 OPERATIONAL OVERVIEW AND EVENTS

Commercial activities

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

- for the Kappa® and Robe di Kappa® brands, present in 119 countries across the world, new agreements were signed for the territories of Chile, Paraguay and Hungary. Commercial operations also focused on renewing expiring contracts in the Middle East, South East Asia, Eastern Europe, Belgium, Brazil, Hong Kong and Russia;
- for the Superga® brand, present in 102 countries, new license contracts were signed for the territories of Panama, Columbia, Russia and Bulgaria and contracts for Israel and the main South East Asian markets were renewed;
- for the K-Way® brand a new licensing agreement was signed for Chile. The brand is available on 18 markets.

Group brand sales points

The development in many countries of the retail channel continued with new openings by licensees of K-Way® and Superga® mono-brand stores. At December 31, 2015, 233 Group Brand stores were open in Italy, with *plug@sell* sales up 9% (5% at like-for-like consolidation scope).

Following the new openings, Kappa® and Robe di Kappa® mono-brand stores and shop in shops of the licensees globally numbered 656 (of which 126 in Italy), while the Superga® brand had 172 sales points (of which 76 in Italy), with 34 K-Way® brand stores (23 in Italy).

Sponsorship and communication

Kappa® Brand

The Kappa® brand is historically associated with high profile sponsorships. The brand sponsors over 125 leading teams and federations, of which 76 football teams, in over 30 countries and on 5 continents.

New sponsorship agreements were signed in Italy with Benetton Treviso Rugby and, for football, with US Sassuolo Calcio and SSC Napoli. For this latter contract, in addition to the usual sponsorship and merchandising development, collaborations focusing on the development of the Napoli brand were established, leveraging on the extensive commercial partner Network developed under the Kappa® brand by the BasicNet Group throughout the World.

The English market licensee signed a new five-year sponsorship deal with the football team Leeds United, the licensee for the Belgium market reached a sponsorship agreement with Standard Liège Football Club and finally we report, in chronological order, the agreements of the Brazilian licensee with Santos FC, one of the best supported Brazilian teams, and the Vietnamese licensee for the sponsorship of Dtla and Becamex.

In the initial months of 2015, the sponsorship of the Korean Ski Association was agreed, which will further boost the visibility to the Brand in view of the next Winter Olympic Games, to be held in South Korea in 2018.

Superga® Brand

For Superga®, in addition to the many co-branding initiatives in place with well-known stylists and prestigious international clothing and footwear brands, we note the collaborations with Pinko, with AW LAB, with "Superga® x Rodarte", with Max Mara for the creation of the "Superga® for Weekend Max Mara", with the concept store 10 Corso Como for the "Superga® x Marta Ferri" and, finally, with the designer Chu Suwannapha for the creation of "Superga® x Chulaap" for the South African market.

For the English market, the model, actor and DJ Jack Guinness became the first male brand promoter and Abbey Lee is the new face for the brand's upcoming spring collection, 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

At the 85th International Motor Show of Geneva, the new Fiat Panda K-Way® was presented by FCA Italy S.p.A.. 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®, the 4x4 version of which has also been sold since last December, presents a major distinguishing feature: 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.

Further to the numerous initiatives developed for the creation of capsule collections, we add four co-brandings with Petit Bateau, Swarovski, the renewed agreement with Hydrogen and with the designer Tiffany Cooper.

2015 FINANCIAL PERFORMANCE OVERVIEW

THE GROUP

<u>BasicNet Group Key Financial Highlights</u>

The condensed income statement for the year is reported below:

(In Euro thousands)	**FY 2015**	**FY 2014**	**Changes**
Group Brand Aggregate Sales by the Network of commercial and productive licensees *	730,523	623,211	107,312
Royalties and sourcing commissions	46,547	41,202	5,345
Consolidated direct sales	133,941	120,506	13,435
EBITDA **	32,049	29,483	2,566
EBIT **	25,709	23,050	2,659
Group Net Profit	16,760	12,437	4,323
Basic earnings per share	0.2953	0.2169	0.0784

* *Data not audited*

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

<u>Commercial and financial analysis</u>

The breakdown of sales and production revenues generated through the global Group licensees was as follows:

	FY 2015	**FY 2014**	**Changes**	
(In Euro thousands) **Aggregated Sales of the Group Licensees ***	**Total**	**Total**	**Total**	**%**
Commercial Licensees	516,691	446,820	69,871	*15.6%*
Productive Licensees (*sourcing centers*)	213,832	176,391	37,441	*21.2%*
Total	**730,523**	**623,211**	**107,312**	***17.2%***

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

	FY 2015		**FY 2014**		**Changes**	
(In Euro thousands) **Aggregated Sale of the Group Commercial Licensees ***	**Total**	**%**	**Total**	**%**	**Total**	**%**
Europe	324,982	*62.9%*	284,719	*63.7%*	40,263	*14.1%*
The Americas	30,182	*5.8%*	24,584	*5.5%*	5,598	*22.8%*
Asia and Oceania	99,509	*19.3%*	85,147	*19.1%*	14,362	*16.9%*
Middle East and Africa	62,018	*12.0%*	52,370	*11.7%*	9,648	*18.4%*
Total	**516,691**	***100.0%***	**446,820**	***100.0%***	**69,871**	***15.6%***

* *Data not audited*

and of productive licensees:

(In Euro thousands) Aggregated Sales of the Group Productive Licensees *	FY 2015 Total	%	FY 2014 Total	%	Changes Total	%
Europe	13,918	*6.5%*	9,755	*5.5%*	4,163	*42.7%*
The Americas	4,310	*2.0%*	3,884	*2.20%*	426	*11.0%*
Asia and Oceania	195,180	*91.3%*	162,226	*91.9%*	32,954	*20.3%*
Middle East and Africa	424	*0.2%*	526	*0.3%*	(102)	*19.4 %*
Total	**213,832**	***100.0%***	**176,391**	***100.0%***	**37,441**	***21.2%***

* *Data not audited*

Commercial licensee aggregate sales of Euro 517 million increased 15.6% at current exchange rates, from Euro 446.8 million in 2014. The ongoing and intense international development of the Brands has delivered significant results across all non-European markets, with growth exceeding 18.3%. The European market overall reported growth of 14.1%.

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

(In Euro thousands)	FY 2015		FY 2014		Changes	
Kappa & Robe di Kappa	349,062	*67.7%*	310,495	*69.7%*	38,567	*12.4%*
Superga	116,470	*22.6%*	94,287	*21.1%*	22,183	*23.5%*
K-Way	50,243	*9.7%*	40,887	*9.2%*	9,356	*22.9%*

* *Data not audited*

The Kappa® and Robe di Kappa® brands, which overall represent over 67% of aggregated sales, grew 12.4% on 2014, with strong performances on the South American and Middle Eastern markets; Superga®, with 22.5% of aggregated sales reported significant growth of 23.5%, spread across all territories in which it is present, although growth was particularly strong in Asia and in the European territories of Germany and the UK; finally, K-Way®, which represents 9.7% of aggregated sales, reported growth of 22.9%, principally concerning Italy, although the performances on a number of international markets have begun to take off.

The sales of the productive licensees (Sourcing centers) are only made to commercial licensees or entities within the "operated by BasicNet" scope. The production licenses issued to the Sourcing Centers, differing from those issued to the commercial licensees, do not have regional limitations, but are rather based on technical production and business competences. Product sales by the Sourcing Centers to commercial licensees are made in advance of those made by the latter.

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 46.5 million, compared to Euro 41.2 million in the previous year (+12.9%).

Total sales of the investee BasicItalia S.p.A and its subsidiary BasicRetail S.r.l amounted to Euro 133.9 million - up 11.2% on Euro 120 million in 2014.

The contribution margin on sales of Euro 54.8 million compares to Euro 52.6 million in 2014. The improved margin, which grew 4.2%, follows the operations taken to optimise the collections, ensure greater procurement price competitiveness, the adjustment of certain product prices and - particularly - major commercial development. These factors absorbed charges arising from the strengthening of the US Dollar, the currency in which finished product purchases are principally denominated.

Other income, amounting to nearly Euro 4 million compared to Euro 2 million in 2014, includes indemnities received against brand counterfeiting and unauthorised usage actions and royalties from sales by licensees of Group brand promotional products.

Investments and ***overhead costs*** report the following movements:

- ***sponsorship and media investment*** of Euro 19.3 million rose 28.8% 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;
- ***personnel costs*** increased from Euro 18 million to Euro 18.8 million, accounting for 14.1% of revenues compared to 14.9% in 2014;
- ***selling, general and administrative costs and royalties expenses*** amounted to Euro 35.1 million compared to Euro 33.3 million in the previous year, reducing from 27.7% of revenues to 26.2%, with the total amount increasing less proportionally than sales results. The account includes the doubtful debt provision of approx. Euro 2.9 million, which is in line with the previous year.

EBITDA of Euro 32 million increased 8.7% (Euro 29.5 million in 2014).

Amortisation and depreciation amounted to Euro 6.3 million. The account includes amortisation and write-downs for key money recognised to third parties on Italian sales points for Euro 369 thousand.

EBIT of Euro 25.7 million compared to Euro 23 million in 2014, significantly growing (+11.5%) on 2014.

Consolidated net financial charges/income, including exchange gains and losses, improved significantly on 2014, due to exchange gains (approx. Euro 3 million in 2015, compared to Euro 0.5 million in 2014), thanks to the currency hedges undertaken in 2014 and 2015 (flexi term), in addition to the reduction in financial charges, following the decrease in funding costs and the reduction in the debt;

Consolidated pre-tax profit of Euro 26.4 million, up 27.8% on 2014.

Consolidated net profit, after current and deferred taxes of approx. Euro 9.6 million, amounted to Euro 16.8 million compared to Euro 12.4 million in 2014, growth of 34.8%.

Current income taxes do not include the benefits which will stem from the "Patent Box" tax breaks, introduced by Italian legislation at the end of 2014, although becoming operative at the end of the current year, for which the Group presented an application last December to benefit from these breaks from 2015.

The exact value of the reduced taxation on certain income components, deriving from the use of Group intellectual property, will in fact only be reflected subsequent to the ruling by the Tax Agency, expected in the second part of the year, with corrective recording in 2016.

Segment information

The Financial Highlights by Group segment were as follows:

- ***"Licenses and trademarks":*** concerns the management of the commercial licensee network and the sourcing centers by BasicNet S.p.A. and the Group company license holders.
  Commercial development in the year enabled the Parent Company and the Brand owning companies to generate royalties and sourcing commissions of approx. Euro 58.5 million, compared to Euro 51.9 million in the previous year (+12.7%). The 2015 EBIT of Euro 22.1 million compares with Euro 19.3 million in 2014. The segment net profit in 2015 was approx. Euro 14.7 million.
- ***"Proprietary licensees":*** comprising BasicItalia S.p.A. and its subsidiary BasicRetail S.r.l. The segment saw particular strong commercial growth, up 11.2% on the previous year. Sales increased from Euro 120 million in 2014 to Euro 133.5 million in 2015. The gross contribution margin on sales increased from Euro 52.6 million in 2014 to Euro 55 million in 2015. The sales from *plug@sell*® stores increased 9% (5% at like-for-like consolidation scope) on the previous year, with the margin increasing from 42% to 44%. On the basis of these components, the segment reported a net profit of Euro 1.8 million, compared to Euro 228 thousand in 2014.
- ***"Property":*** relating to the building at Largo Maurizio Vitale 1, Turin, reports a profit of Euro 275 thousand compared to Euro 224 thousand in 2014.

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, 2015**	**December 31, 2014**	**Changes**
Property	21,951	22,854	(903)
Brands	34,208	34,189	19
Non-current assets	25,015	25,562	(547)
Current assets	123,998	115,770	8,228
Total Assets	**205,172**	**198,375**	**6,797**
Group shareholders' equity	92,511	80,711	11,800
Non-current liabilities	26,449	20,495	5,954
Current liabilities	86,212	97,169	(10,957)
Total liabilities and shareholders' equity	**205,172**	**198,375**	**6,797**

Financial position

⇒Consolidated figures

(In Euro thousands)	**December 31, 2015**	**December 31, 2014**	**Changes**
Net financial position – Short-term	(24,796)	(29,880)	5,084
Financial payables – Medium-term	(19,021)	(13,932)	(5,089)
Finance leases	(1,545)	(1,761)	216
Total net financial position	**(45,362)**	**(45,573)**	**211**
Net Debt/Equity ratio (Net financial position/Shareholders' equity)	0.49	0.56	(0.07)

⇒Parent Company BasicNet S.p.A. figures

(In Euro thousands)	**December 31, 2015**	**December 31, 2014**	**Changes**
Net financial position – Short-term	(7,353)	(4,663)	(2,690)
Financial payables – Medium-term	(9,375)	(2,679)	(6,696)
Finance leases	(68)	(28)	(40)
Financial position with third parties	**(16,796)**	**(7,370)**	**(9,426)**
Group financial receivables/(payables)	61,852	48,162	13,690
Financial position with the Group	**61,852**	**48,162**	**13,690**
Total net financial position	**45,056**	**40,792**	**4,264**

The movements in ***fixed assets*** relate to investments, amounting to Euro 5.3 million, for the development of software programmes for Euro 2.6 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 1.1 million. The assets are depreciated for a total Euro 6.3 million.

Consolidated net debt, including finance leases (Euro 1.5 million) and property loans (Euro 11.2 million), reduced from Euro 45.6 million at December 31, 2014 to Euro 45.4 million at December 31, 2015, with dividends distributed of approx. Euro 4 million, investments in the year of approx. Euro 5 million and treasury share investments of Euro 1.9 million.

In April, Banca Intesa Sanpaolo S.p.A. issued a medium-term loan of Euro 15 million. The four-year loan, amortising quarterly, without covenants and with an advanced repayment facility, will support developmental investment, in addition to optimising the overall debt duration, establishing the medium-term debt at 57% of the total. Also in terms of financing, in July a swap on the variable interest rate of quarterly Euribor to a fixed rate of 0.23% was completed for the duration of the loan.

Working capital increased on the previous year, although less proportionally than commercial development. Trade payables reduced, enabling a benefit in terms of the lower prices available, while other current liabilities also decreased, particularly tax payables. Cash flow generated from operations (self-financing and change in working capital) totals approx. Euro 11.1 million, net of non-recurring tax payments of Euro 4.9 million.

The ***debt/equity*** ratio at December 31, 2015 reduced to 0.49 (0.56% at December 31, 2014), including the mortgage loans on property acquired.

The ***net cash position*** of the Parent Company BasicNet amounts to Euro 45 million, increasing on Euro 40.8 million in 2014.

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)	**December 31, 2015**	**December 31, 2014**	**Changes**
Royalties and sourcing commissions	27,327	23,879	3,448
Direct sales and other income	8,963	8,824	139
EBITDA *	12,618	10,303	2,315
EBIT *	10,544	8,386	2,158
Dividends from subsidiaries	5,400	4,950	450
Net Profit	12,070	10,110	1,960

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 27.3 million grew 14.4% on 2014.

Direct sales and other income amounted to Euro 8.9 million, up Euro 139 thousand on the previous year. Other income principally refers to payments for intercompany assistance services charged to the subsidiaries BasicItalia S.p.A., Basic Trademark S.A. (approx. Euro 6 million), Superga Trademark S.A. and Basic Village S.p.A..

EBIT increased 25.7% to Euro 10.5 million, following amortisation and depreciation of Euro 2 million.

During the year, the subsidiary BasicProperties B.V. distributed dividends of Euro 5.4 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 approx. Euro 12 million, after income taxes of Euro 4.2 million.

Balance sheet overview

(In Euro thousands)	**December 31, 2015**	**December 31, 2014**	**Changes**
Non-current assets	5,562	5,374	188
Brands	8,096	8,083	13
Investments	36,345	36,345	-
Current assets	83,056	66,718	16,338
Total Assets	**133,059**	**116,520**	**16,539**
Shareholders' Equity	88,049	81,908	6,141
Non-current liabilities	13,302	5,829	7,473
Current liabilities	31,708	28,783	2,925
Total liabilities and shareholders' equity	**133,059**	**116,520**	**16,539**

Medium/long-term loans include contractual clauses, specific guarantees and restrictions on shareholder control.

The ***non-current assets*** include investments in the year, principally relating to the strategic IT sector, for approx. Euro 2.3 million and the purchase of plant and equipment for Euro 0.5 million. The value of tangible and intangible assets are recorded net of amortisation and depreciation for the year of approx. Euro 2 million.

The ***Shareholders Equity*** at December 31, 2015 amounted to Euro 88 million (Euro 81.9 million at December 31, 2014).

RECONCILIATION BETWEEN CONSOLIDATED NET PROFIT AND PARENT COMPANY NET PROFIT

The reconciliation at December 31, 2015 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.	**12,070**	**88,049**
Result and net equity of the consolidated companies and value at equity	10,090	4,462
Elimination of the dividends received by the Parent Company	(5,400)	-
Group consolidated financial statements	**16,760**	**92,511**

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 2015 and 2014 are reported in the following table:

	31/12/2015	31/12/2014
SHARE PRICE INFORMATION		
Earnings per share	0.2953	0.2169
Net equity per share	1.517	1.323
Price per share/Net equity per share	3.198	1.746
Dividend per share	0.1000	0.070
Pay-out ratio (*)	33.6%	32.3%
Dividend Yield (**)	2.06%	3.03%
Price at year-end	4.850	2.310
Maximum price in year	4.940	2.720
Minimum price in year	2.220	2.080
Stock market capitalisation (in thousands of Euro)	295,819	140,895
Total number of shares	60,993,602	60,993,602
Shares outstanding	56,751,534	57,330,765

(*) percentage of consolidated net profit distributed as dividend

(**) ratio between the dividend and the share price on the last day of the financial year

The list of parties holding, directly or indirectly, more than 5% of the share capital (the significance threshold established by Article 120, paragraph 2 of Legs. Decree No. 58 of 1998 for BasicNet which is classified as a "Small-Medium sized enterprise" as per Article 1, letter w-quater 1) of Legs. Decree No. 58 of 1998), represented by shares with voting rights, according to the shareholders' register, supplemented by the communications received in accordance with Article 120 of Legislative Decree No. 58 of 1998 and other information held by the company, is as follows:

Shareholder	Holding
Marco Daniele Boglione (*)	36.698%
Wellington Management Group LLP (**)	9.570%
BasicNet S.p.A.	7.804%
J.P. Morgan Asset Management Holdings Inc.	5.024%

(*) held indirectly through BasicWorld S.r.l. for 36.187% and for the residual 0.511% directly;

(**) broken down between J. Cairds Investors (Bermuda) L.L.P. with 4.89% of voting rights and J. Cairds Partners L.L.P. with 4.68% of voting rights

PRINCIPAL RISKS AND UNCERTAINTIES

The BasicNet Group is subject to a variety of strategic, market and financial risks, as well as general business operational risks.

Strategic risks

These risks arise from factors that may comprise the value of the trademarks that the Group implements through its Business System. The Group requires the capacity to identify new business opportunities and markets and appropriate licensees for each market. The Group monitors the activities of its licensees and detects any problems on-line in the management of the brands in the various regions.

However, as the commercial licence contracts usually establish the advance payment of guaranteed minimum royalties, economic conditions on certain markets may impact the financial capacity of certain licensees, temporarily reducing royalties, particularly where such licensees had previously exceeded the guaranteed minimums.

Risks associated with economic conditions

The Group retains that its Business System has the flexibility needed to swiftly respond to changes in customers' tastes and to limited and localised consumer slowdown. However, the Group may be exposed to economic crisis and social and general unrest, which may impact on consumer trends and the general economic outlook.

Currency risk

The Group is exposed to currency risk on merchandise purchases or royalty income from commercial licensees and sourcing center commissions not within the Eurozone. These transactions are mainly in US Dollars and marginally in UK Sterling and Japanese Yen.
The risks on fluctuations of the US Dollar on purchases are measured, preliminary, in the preparation of the budgets and finished products price lists, so as to adequately cover the impact of these fluctuations on sales margins.
Subsequently, royalty income and sourcing commissions from sales are utilised to cover purchases in foreign currencies, within the normal activities of the Group centralised treasury management.
For the foreign currency purchases not covered by foreign currency receipts, or in the case of significant time differences between receipts and payments, forward purchase and sales contracts (flexi-term) are underwritten.
The Group does not undertake derivative financial instruments for speculative purposes.

Credit risk

Group trade receivables derive from licensee royalty income, sourcing center commissions billed and sales of finished products.
Royalty trade receivables are largely secured by bank guarantees, corporate sureties, letters of credit, guarantee deposits, or advance payment, provided by licensees.
Souring commission receivables are covered by the payables of the subsidiary company BasicItalia S.p.A. to the sourcing centres.
Receivables from Italian footwear and apparel retailers within the subsidiary BasicItalia S.p.A. are monitored continually by the credit department of the company alongside specialised legal recovery firms and regional credit bodies throughout the country, commencing from the customer order. Receivables from franchising brand stores are settled weekly in line with sales and do not present substantial 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 however much longer. These seasonal factors also impact upon the Group's financial cycle of the commercial operations on the domestic market.
Short-term debt to finance working capital needs comprises "import financing" and "self-liquidating bank advances" secured by the order backlog and 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 (swaps).

Risks relating to legal and tax disputes

The Group may be involved in legal and tax disputes, concerning specific issues and in various jurisdictions. Considering the uncertainties relating to these issues, it is difficult to predict with precision any future payments required. In addition, the Group has instigated legal action for the protection of its Trademarks, and of its products, against counterfeit products. The cases and disputes against the Group often derive from complex legal issues, which are often subject to varying degrees of uncertainty, including the facts and circumstances relating to each case, jurisprudence and different applicable laws.
In the normal course of business, management consults with its legal consultants and experts in fiscal matters. The Group accrues a liability against disputes when it considers it is probable that there will be a financial payment made and when the amount of the losses arising can be reasonably estimated.
The 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, fixed for June 8, 2015, was postponed to June 10, 2015. On June 8, 2015, both BasicItalia S.p.A. and BNL put forward the rejection of the appeal and the confirmation of the first level judgment. The hearing held on June 10, 2015 sent the case for the establishment of conclusions on July 4, 2018.

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 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 is also party and which is currently in the preliminary phase.

SUBSEQUENT EVENTS TO THE YEAR-END AND OUTLOOK

In March, BasicNet S.p.A and Briko S.p.A. concluded detailed agreements for the granting by Briko S.p.A. of an exclusive global distribution license to BasicNet for all products of the Italian brand Briko®.
Briko S.p.A., owned by the Boroli family, produces helmets, sunglasses and clothing for skiing and cycling.
BasicNet will bring its business model and specific applications to the brand, which in the past have delivered success for the Kappa®, Robe di Kappa®, Superga® and K-Way® brands.
The Briko® Brand, which currently posts annual revenues of approx. Euro 6 million, is distributed 60% in Italy, with the remainder in the USA, Northern Europe and Japan, and going forward can avail of the tried and trusted Basic Group licensee network to reach the major global markets.
The agreements also include a purchase option for BasicNet on the Brand, exercisable until June 30, 2019, at pre-established conditions, which may be exercised in advance based on the Brand's commercial volumes.

In general, Group operating results are expected to be strong in the first half of 2016 based on the order book and expected royalties and sourcing commissions.

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

*   *   *

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

Financial Statements at December 31, 2015, Directors' Report. Resolutions thereon.

Dear Shareholders,

in the presentation for the approval of the Shareholders' Meeting for the 2015 Financial Statements and the relative Directors' Report we propose the allocation of the net profit of Euro 12,070,269.36 as follows:

-	to the Legal reserve	Euro	603,513.47
-	to each of the 56,233,602 ordinary shares in circulation (excluding the 4,760,000 treasury shares held at March 18, 2016), a dividend of Euro 0.10 before withholding taxes for an amount of	Euro	5,623,360.20
-	to retained earnings the residual amount, equal to	Euro	5,843,395.69

The dividend will be paid from May 25, 2016, with record date of May 24, 2016 and coupon date (No. 9) of May 23, 2016.

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.

We propose therefore the following:

MOTION

the Shareholders' Meeting of BasicNet S.p.A., having reviewed the 2015 results, the Directors' Report and having noted the Board of Statutory Auditors' Report and that of the Independent Audit Firm PricewaterhouseCoopers S.p.A.,

RESOLVES

to approve the Directors' Report and the Financial Statements at December 31, 2015, in relation to each individual part and in its entirety, in addition to the proposal for the allocation of the Net Profit of Euro 12,070,269.36 and the dividend proposal.

Turin, March 18, 2016

for the Board of Directors

The Chairman

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*

<u>1. Brand positioning</u>

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 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.

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 Business System of BasicNet has enabled the Group to grow quickly, although maintaining a lean and agile structure: a large enterprise centered around many businesses on a fully web-based network integrated IT platform 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 by the Italian licensee, called *plug@sell*®. The model comprises 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 retail project of BasicRetail S.r.l. (a company entirely held by BasicItalia S.p.A.), 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 subsidiary BasicRetail 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.

BasicRetail manages 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 numerous other Group and third party activities.

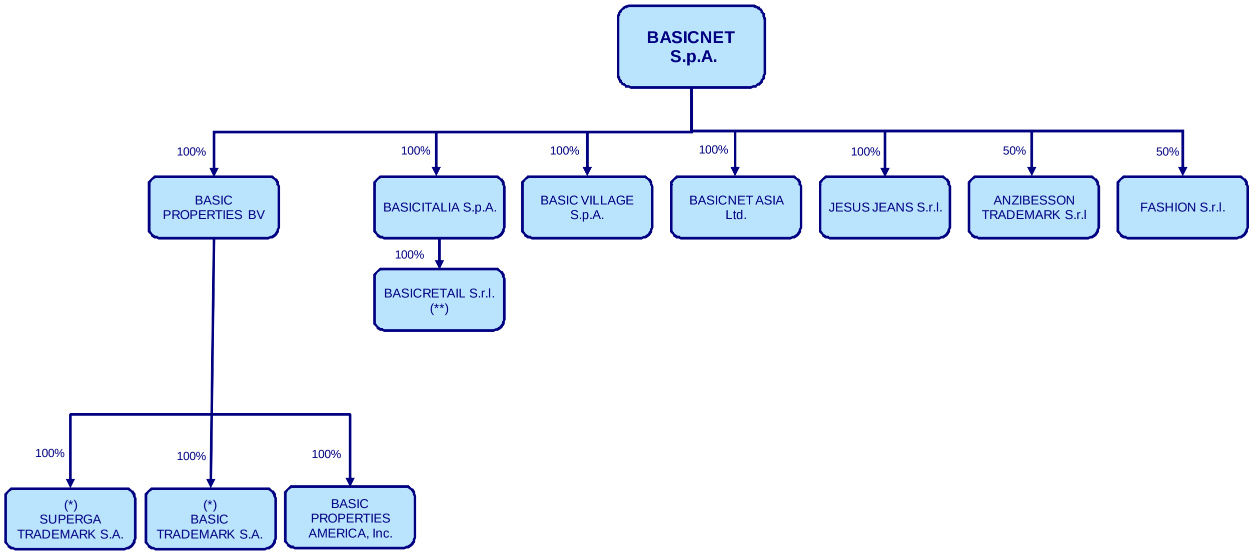
BUSINESS TARGETS

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:



(*) Con sede di amministrazione in Italia
(**) Già BasicOutlet S.r.l.

In the year subject to approval, the merger by incorporation of RdK0 S.r.l. into BasicOutlet S.r.l. took place, which changed its name to BasicRetail S.r.l., with the sale to this latter - by BasicItalia S.p.A. - of a number of assets related to the Group's retail operations, to be operated under franchises; these changes to the corporate structure did not impact the consolidated values.

HUMAN RESOURCES

At December 31, 2015, the Group headcount was 508, as follows:

	Human Resources at December 31, 2015				Human Resources at December 31, 2014			
Category	Number		Average age		Number		Average age	
	Male / Female	Total	Male / Female	Average	Male / Female	Total	Male / Female	Average
Executives	17 / 9	26	47 / 48	47	16 / 8	24	46 / 50	47
Managers	1 / -	1	53 / --	53	1 / -	1	52 / -	52
White-collar	134 / 323	457	35 / 36	36	125 / 310	435	35 / 36	36
Blue-collar	14 / 10	24	45 / 42	43	15 / 9	24	44 / 42	43
Total	166 / 342	508	36 / 36	36	157 / 327	484	37 / 36	36

Source: BasicGuys.com

The increase principally relates to personnel involved in the management of the Group brand sales points.

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

- 1,085 online training hours
- 1,108 classroom training hours and 330 store-based training hours
- 669 individuals trained (employees and franchisees)

Since 2004, the Group has introduced a number of initiatives to improve the work-life balance of employees: a) the creation of the "*Banca-ore*" (time bank) which facilitates flexible over-time management, b) reversible part time for workers with small children, c) the "*BasicCare*" desk handling payments to employees and routine commissions and d) 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 2015 Annual Accounts, the company purchased until the date of today's Board meeting 637,000 shares, amounting to 1.04% of the Share Capital. BasicNet today holds a total of 4,760,000 treasury shares (7.80% of the Share Capital), for a total investment of Euro 9.8 million.

The Company intends to continue the share buy-back programme in 2016 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 2016 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 40 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, 2015 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. (USA) and BasicNet Asia Ltd (Hong Kong), 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 by external consultants under the supervision of internal staff and protected by copyright, are capitalised and amortised over 5 years from when the programmes become operative.

CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT

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

1.0 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.

2.0 DISCLOSURE ON THE OWNERSHIP STRUCTURE AT MARCH 18, 2016 (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 4,760,000 treasury shares, equal to 7.80% 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)

The list of parties holding, directly or indirectly, more than 5% of the share capital (the significance threshold established by Article 120, paragraph 2 of Legs. Decree No. 58 of 1998 for BasicNet which is classified as a "Small-Medium sized enterprise" as per Article 1, letter w-quater 1) of Legs. Decree No. 58 of 1998), represented by shares with voting rights, according to the shareholders' register, supplemented by the communications received in accordance with Article 120 of Legislative Decree No. 58 of 1998 and other information held by the company, is as follows:

Shareholder	Direct shareholder	% of ordinary share capital	% of voting capital
Marco Daniele Boglione	BasicWorld s.r.l.	36.187%	36.187%
Marco Daniele Boglione	Marco Daniele Boglione	0.511%	0.511%
Total		*36.698%*	*36.698%*
BasicNet S.p.A.	BasicNet S.p.A.	7.804%	7.804%
Wellington Management Company LLP	J. Cairds Investors (Bermuda) L.P.	4.890%	4.890%
Wellington Management Company LLP	J. Cairds Partners L.P.	4.680%	4.680%
Total		*9.570%*	*9.570%*
JPMorgan Asset Management Holding Inc.		5.024%	5.024%

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.

- Authorisation of share buy-back plan

  The Shareholders' Meeting of April 27, 2015 approved, for a period of twelve months, or until the next Shareholders' AGM to approve the 2015 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 2.5 million. Based on this authorisation the Company, at the date of the Report, had acquired 637,000 shares, equal to 1.04% of the Share Capital. BasicNet today holds a total of 4,760,000 treasury shares (7.80% of the Share Capital), for a total investment of Euro 9.8 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 i) ("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.borsaitaliana.it/comitato-corporate-governance/homepage/homepage.htm).
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 2016, as in previous years, this percentage was 4.5% (Consob Resolution No. 19499 of January 28, 2016);
- 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.
At the meeting of October 23, 2015, the Board of Directors, on the proposal of the Chairman, appointed the Director Gianni Crespi as the non-executive Vice Chairman. Following this appointment, the Director Gianni Crespi was declared non-independent as per Article 148, paragraph 3, of the Consolidated Finance Act and Article 3 of the Self-Governance Code for Listed Companies, with which BasicNet complies.
Following this declaration, the Director Paola Bruschi resigned her position in order to allow for the entry to the Board of a new independent director. The Board, after thanking the departing Director Paola Bruschi for the contribution made during her mandate and, in particular for her availability, co-opted in accordance with Article 2386 of the Civil Code, Ms. Renate Hendlmeier, who will remain in office, along with the entire Board of Directors, until the next Shareholders' Meeting for the approval of the 2015 Annual Accounts.
The Director Renate Hendlmeier declared her independence in accordance with Article 148, paragraph 3 of the Consolidated Finance Act and Article 3 of the Self-Governance Code for listed companies, which have been established, on the basis of the declarations received, by the Board of Directors. Ms. Hendlmeier declared ownership of 2,000 BasicNet shares.
The Board finally supplemented the Control and Risks Committee, appointing the Director Renate Hendlmeier as a member and the Director Adriano Marconetto as Chairman, in replacement of the Director Gianni Crespi.
A brief curriculum vitae of the members of the Directors 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 the Chief Executive Officer of BasicWorld S.r.l.; Director of the Piedmont Foundation for Cancer Search; President of the Piedmont Oncological Foundation; Director of Fondazione Telecom Italia. He is a member of the Management Board of the Industrial Union of Turin and of the Piedmont "Cavalieri del Lavoro" Group. In June 2011, he was appointed a "Cavaliere al Merito del Lavoro" (Italian State Recognition) by the President of the Republic Giorgio Napolitano.

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..

Gianni Crespi – Vice Chairman (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 and Etas Group S.p.A. and publisher of the Etas brand. From 1990 to 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 he was 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.. Until the end of 2015, he was an Independent Director of Innovest S.p.A. and a Director of Sirti S.p.A., HIIT S.p.A. and of UnoPiù S.p.A..

He was an Independent Director and Chairman of the Control and Risks Committee of BasicNet S.p.A. until his appointment as Vice Chairman at the Board meeting of October 23, 2015.

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

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 and member of the Control and Risks Committee 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.;

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..

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. and Strategic Development Director of the Galbani Group. 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..

Renate Hendlmeier – Director – Member of the Control and Risks Committee (in office since 2015)
She was born in Plattling in 1957. She was the CFO of the Basic Group between 1987 and 1999 and thereafter headed and coordinated the Basic Group's property management activities between 1999 and 2003, while being involved in corporate reorganisation between 2004 and 2006. She currently holds corporate and voluntary positions with an international association based in Turin.

Adriano Marconetto – Independent Director – Member of the Control and Risks Committee and Remuneration 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 CEO of the company Electro Power System S.p.A. In 2012 he founded and managed the company ProxToMe, Inc. and took on the role of Executive Chairman. In 2015, he founded the company YAR Srl, of which he is CEO. 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. He also has experience in arbitration and disputes.

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 of the 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., Non-Executive and Independent Director of P. Fiduciaria Srl (Pictet Group), Non-Executive and Independent Director of Simon Fiduciaria SpA (Ersel Group), Member of the Supervisory Board of the Piedmont Oncological Foundation; He is a Member of the Board for Relations between Italy and the United States and a Director of Alliance Française in Turin. He is an Honorary Consul of the Republic of Panama. He is Chairman of the Piedmont Arbitration Board.

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 Director of the company Mad Cap S.r.l., specialised in the production of promotional clothing and accessories and thereafter from 1997 to 1999 commercial manager at Swingster Europe S.p.A., a subsidiary of BasicNet specialised in corporate merchandise, and from 1999 at the BasicNet Group as a senior manager.
Currently within the Group she is the Chairperson of BasicItalia S.p.A. and since 2011 has been the Chief Executive Officer of BasicRetail 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, BasicRetail 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 2015 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 December 2015, the company published its financial calendar which established the dates for the five Board meetings for 2016, for the review of the preliminary results, the approval of the 2015 separate and consolidated financial statements and the approval of the interim results. On February 10 the first meeting was held, which reviewed the 2015 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 22, 2015, assessed the functioning of the Board and its Committees and presented the result of this assessment at the Board meeting of March 18, 2016. 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.

In compliance with the Self-Governance Code which recommends to the Board, on its renewal, the expression of opinions to shareholders on the profile of individuals whose presence is considered beneficial for the Board, on this occasion the Board does not consider such a need to exist, given the substantially positive assessment on the functioning of the Board and its Committees from the self-assessment carried out.

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.

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 22,383,334 shares, equal to 36.698% 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, 311,668 shares, equal to 0.511% 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.

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, 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: Renate Hendlmeier, who replaced Gianni Crespi on October 23, 2015, as stated above, and Adriano Marconetto.

The Board of Directors on their respective appointment to office and in the Board meeting of March 18, 2016 assessed the independence of the Directors Renate Hendlmeier 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 2015 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 March 4, 2016, 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 2015, two Internal Dealing communications were published concerning operations carried out on the BasicNet share by the shareholder Wellington Management Group LLP.

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.

The Committee, at the meeting of October 23, 2015, considering the competences of the Director Gianni Crespi and the co-option of a new director, in replacement of the resigning Director Paola Bruschi, drew up a proposal for the remuneration of the new Vice Chairman Gianni Crespi and the new Director and member of the Control and Risks Committee. In 2016, two meetings were held, the first of which in February for the proposal of a bonus for top management, in recognition of their contribution and the results achieved; the second of March 18 concerned the allocation of a bonus to executive directors, both of BasicNet S.p.A. and of the subsidiary BasicItalia S.p.A., 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 usually 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 18, 2016, 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 Directors 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. 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, with the exception of the executive directors of BasicNet and the President of BasicItalia, as defined by Attachment 1 of the Consob Related Parties Regulation.
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 Control and Risk Committee was appointed in the Board meeting of April 29, 2013 and afterwards integrated in the Board meeting of October 23, 2015. The Committee is composed of three Directors, of which two independent: Adriano Marconetto, Independent and Non-Executive Director, Alessandro Gabetti Davicini, Non-Executive Director, Renate Hendlmeier, Independent and Non-Executive Director. On their appointment the Board considered that the members had adequate accounting and financial experience.
In 2015, the Committee met four times and had regular access to the corporate documents requested and principally reviewed:

- the reports prepared by the Internal Auditing and Supervision Board during 2015;
- 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 audit firm.

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 Vice President Organization 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 18, 2016 confirmed an adequate annual budget available to the Committee for the execution of 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 verifies that the risks to which BasicNet and its subsidiaries are exposed are correctly identified, managed and monitored in line with the Group's strategic objectives. 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 18, 2016 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 company departments 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;
– an identification and assessment process of the major Group companies and of the principal company processes for the preparation of the income statement and balance sheet, through qualitative and quantitative analysis;
– 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 risk and internal control management system relating to financial reporting is coordinated and managed by the Executive Officer for the preparation of the financial statements, in concert with the Internal Audit department, for the verification of control system operations.

The Executive Officer periodically reports to the Board of Statutory Auditors and the Control and Risks Committee on the adequacy, also in organisational terms, and on the reliability of the administrative-accounting system, on the activities carried out and on the efficacy of the internal control system with regards to financial reporting risks.

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

The Executive Director Paolo Cafasso was appointed at the meeting of October 23, 2015, in replacement of Paola Bruschi, to oversee the Control and Risks Committee.

Within this role Paolo Cafasso 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 Control and Risks Committee, the Board of Statutory Auditors and the executive director responsible for the functioning of the internal control and risk management system, at the Committee meetings.

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 Audit department assesses the adequacy of the IT systems and the reliability of information available in view of the complexity of the operating environment, the size and the territorial reach of the company and verifies the adequacy of the organisational processes adopted by the company for the physical, logistical and organisational security of the IT system. The Internal Audit department also operates in support of other control system actors involved in the issues of compliance and risk management, in order to ensure compliance with law and to monitor the exposure level and vulnerability of the company to risks.
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.

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 the 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 Risk Control Committees, attended usually by the internal control and risk management manager, the Executive Responsible, the Internal Audit Manager, the Supervisory Board and at least one member of the Board of Statutory Auditors, provide an opportunity for the parties involved in the system to meet and coordinate.

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).

As outlined in the chapter concerning remuneration, the Board, with the favourable opinion of the Independent Directors and the Board of Statutory Auditors, in 2015 passed motions on two occasions concerning the remuneration of executive directors. In 2015, no resolutions were presented to the Board of Directors concerning transactions with related parties.
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 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, development, 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 14 of the most cited Italian commercial research centres, located throughout Italy.
Since March 2015 he has been the Chairman of the Research Group for control reforms 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., 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 DB Schenker Rail Italia Srl, sole Statutory Auditor of DB Schenker Rail Italy S.r.l with sole shareholder, Chairman of the Board of Statutory Auditors of Dytech – Dynamic Fluid Technologies S.p.A. with sole shareholder, 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 Board of Statutory Auditors of ITW Italy Holding S.r.l., Chairman of the Board of Statutory Auditors of ITW Lys Fusion S.r.l. with sole shareholder and 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 1964. 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 and mechatronics sectors and as holding companies. Member of the Board of Auditors of non-profit bodies.

He is involved in corporate, fiscal and financial market legal consultancy, valuations of businesses and enterprises, preparation of expert opinions, consultancy, negotiation and tax and contractual assistance in business combination operations, fiscal due diligence and financial expertise 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 SanLorenzo S.p.A., Statutory Auditor of Merlo S.p.A., Statutory Auditor of Suzuki Italia S.p.A. and Statutory Auditor 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., Statutory Auditor of Jacobacci & Partners S.p.A., Chairman of the Board of Directors of Fidicont 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.
Her 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. She provides assistance and consultancy in the field of tax disputes.

She 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 (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

Marco Daniele Boglione

CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES OF THE BASICNET GROUP AT DECEMBER 31, 2015

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.

BASICNET GROUP CONSOLIDATED INCOME STATEMENT

(In Euro thousands)

	Note	FY 2015	%	FY 2014	%	Changes	%
Consolidated direct sales	*(8)*	133,941	*100.00*	120,506	*100.00*	13,435	*11.15*
Cost of sales	*(9)*	(79,126)	*(59.08)*	(67,912)	*(56.36)*	(11,214)	*(16.51)*
GROSS MARGIN		**54,815**	***40.92***	**52,594**	***43.64***	**2,221**	***4.22***
Royalties and sourcing commissions	*(10)*	46,547	*34.75*	41,202	*34.19*	5,345	*12.97*
Other income	*(11)*	3,980	*2.97*	2,019	*1.68*	1,961	*97.13*
Sponsorship and media costs	*(12)*	(19,342)	*(14.44)*	(15,018)	*(12.46)*	(4,324)	*(28.79)*
Personnel costs	*(13)*	(18,881)	*(14.10)*	(17,974)	*(14.92)*	(907)	*(5.05)*
Selling, general and administrative costs, royalties expenses	*(14)*	(35,070)	*(26.18)*	(33,340)	*(27.67)*	(1,730)	*(5.19)*
Amortisation & Depreciation	*(15)*	(6,340)	*(4.73)*	(6,433)	*(5.34)*	93	*1.45*
EBIT		**25,709**	***19.19***	**23,050**	***19.13***	**2,659**	***11.53***
Net financial income (charges)	*(16)*	734	*0.55*	(2,342)	*(1.94)*	3,076	*131.34*
Share of profit/(loss) of investments valued at equity	*(17)*	(59)	*(0.04)*	(65)	*(0.05)*	6	*9.23*
PROFIT BEFORE TAXES		**26,384**	***19.70***	**20,643**	***17.13***	**5,741**	***27.81***
Income taxes	*(18)*	(9,624)	*(7.19)*	(8,206)	*(6.81)*	(1,418)	*(17.28)*
NET PROFIT		**16,760**	***12.51***	**12,437**	***10.32***	**4,323**	***34.76***
Of which:							
- **Shareholders of BasicNet S.p.A.**		**16,760**	***12.51***	**12,437**	***10.32***	**4,323**	***34.76***
- **Minority interests**		-	-	-	-	-	-
Earnings per share	*(19)*						
- **basic**		**0.2953**		**0.2169**		**0.0784**	***36.15***
- **diluted**		**0.2953**		**0.2169**		**0.0784**	***36.15***

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 2015	FY 2014
Profit for the year (A)		**16,760**	**12,437**
Effective portion of the Gains/(losses) on cash flow hedges		330	1,576
Re-measurement of post-employment benefits (IAS 19) (*)		84	(96)
Gains/(losses) from translation of accounts of foreign subsidiaries		667	696
Tax effect on other profits/(losses)		(114)	(407)
Total other gains/(losses), net of tax effect (B)	*(32)*	**967**	**1,769**
Total Comprehensive Profit (A)+(B)		**17,727**	**14,206**
Total Comprehensive Profit attributable to:			
– Shareholders of BasicNet S.p.A.		17,727	14,206
- 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, 2015	December 31, 2014
Intangible assets	*(20)*	41,513	41,184
Goodwill	*(21)*	10,245	10,516
Property, plant and equipment	*(22)*	28,769	30,183
Equity invest. & other financial assets	*(23)*	307	297
Interests in joint ventures	*(24)*	340	399
Deferred tax assets	*(25)*	-	26
Total non-current assets		**81,174**	**82,605**
Net inventories	*(26)*	49,025	46,297
Trade receivables	*(27)*	46,701	43,928
Other current assets	*(28)*	12,178	13,505
Prepayments	*(29)*	7,756	6,844
Cash and cash equivalents	*(30)*	6,971	4,014
Financial hedge instruments	*(31)*	1,367	1,182
Total current assets		**123,998**	**115,770**
TOTAL ASSETS		**205,172**	**198,375**

LIABILITIES	*Note*	December 31, 2015	December 31, 2014
Share capital		31,717	31,717
Reserve for treasury shares in portfolio		(8,823)	(6,875)
Other reserves		52,857	43,432
Net Profit		16,760	12,437
Minority interests		-	-
TOTAL SHAREHOLDERS' EQUITY	*(32)*	**92,511**	**80,711**
Provisions for risks and charges	*(33)*	45	43
Loans	*(34)*	20,566	15,692
Employee and Director benefits	*(35)*	4,108	3,573
Deferred tax liabilities	*(36)*	717	-
Other non-current liabilities	*(37)*	1,013	1,187
Total non-current liabilities		**26,449**	**20,495**
Bank payables	*(38)*	31,767	33,894
Trade payables	*(39)*	25,151	30,142
Tax payables	*(40)*	17,421	22,165
Other current liabilities	*(41)*	7,738	7,475
Accrued expenses	*(42)*	2,637	1,848
Financial derivative instruments	*(43)*	1,498	1,645
Total current liabilities		**86,212**	**97,169**
TOTAL LIABILITIES		**112,661**	**117,664**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**205,172**	**198,375**

CONSOLIDATED CASH FLOW STATEMENT OF THE BASICNET GROUP

(In Euro thousands)

	December 31, 2015	December 31, 2014
A) OPENING SHORT-TERM BANK DEBT	**(24,349)**	**(25,191)**
B) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit	16,760	12,437
Amortisation & Depreciation	6,340	6,433
Result of companies valued under the equity method	59	65
Changes in working capital:		
. (Increase) decrease in trade receivables	(2,772)	(243)
. (Increase) decrease in inventories	(2,728)	1,972
. (Increase) decrease in other receivables	1,015	614
. Increase (decrease) in trade payables	(4,991)	(5,584)
. Increase (decrease) in other payables	(3,123)	(2,365)
Net change in post-employment benefits	(188)	(184)
Others, net	747	466
	11,119	**13,611**
C) CASH FLOW FROM INVESTING ACTIVITIES		
Investments in fixed assets:		
- tangible assets	(1,683)	(1,516)
- intangible assets	(3,375)	(3,526)
- financial assets	-	-
Realisable value for fixed asset disposals:		
- tangible assets	75	32
- intangible assets	-	11
- financial assets	-	52
	(4,983)	**(4,947)**
D) CASH FLOW FROM FINANCING ACTIVITIES		
Lease contracts (repayments)	(215)	(587)
New medium/long term loans	15,000	-
Loan repayments	(7,406)	(6,125)
Conversion of short-term credit lines	-	-
Acquisition of treasury shares	(1,948)	(1,110)
Dividend payments	(3,979)	-
	1,452	**(7,822)**
E) CASH FLOW IN THE YEAR	**7,588**	**842**
F) CLOSING SHORT-TERM BANK DEBT	**(16,761)**	**(24,349)**

Interest paid for the year amounts to respectively Euro 2.4 million in 2015 and Euro 3.1 million in 2014, while income taxes paid in the year amount respectively to Euro 6.3 million in 2015 and Euro 1.3 million in 2014.

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(In Euro thousands)

	Share Capital	Treas. shares	Retained earnings	Translation reserve	Remeas. Reserve IAS 19	Cash Flow Hedge Reserve	Net Result	Total Group Net Equity
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 28, 2014								
- Retained earnings		-	4,501	-	-	-	(4,501)	-
- Dividends distributed		-	-	-	-	-	-	-
Acquisition of treasury shares		(1,110)	-	-	-	-	-	**(1,110)**
2014 Result		-	-	-	-	-	12,437	**12,437**
Other comprehensive income 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		*-*	*-*	*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**
Allocation of result as per Shareholders' AGM resolution of April 27, 2015								
- Retained earnings		-	8,458	-	-	-	(8,458)	-
- Distribution of dividends		-	-	-	-	-	(3,979)	**(3,979)**
Acquisition of treasury shares		(1,948)	-	-	-	-	-	**(1,948)**
2015 Result		-	-	-	-	-	16,760	**16,760**
Other comprehensive income items:								
- Gains/(losses) recorded directly to translation reserve		-	-	667	-	-	-	**667**
- Gains/(losses) recorded directly to equity for IAS 19 re-measurement		-	-	-	61	-	-	**61**
- Gains recorded directly to cash flow hedge reserve		-	-	-	-	239	-	**239**
Total comprehensive income		*-*	*-*	*667*	*61*	*239*	*16,760*	*17,727*
Balance at December 31, 2015	**31,717**	**(8,823)**	**51,459**	**1,693**	**(202)**	**(93)**	**16,760**	**92,511**

CONSOLIDATED NET FINANCIAL POSITION

(In Euro thousands)

	December 31, 2015	December 31, 2014
Cash and cash equivalents	6,971	4,014
Bank overdrafts and bills	(4,266)	(12,277)
Import advances	(19,466)	(16,086)
Sub-total net liquidity available	*(16,761)*	*(24,349)*
Short-term portion of medium/long-term loans	(8,035)	(5,531)
Short-term net financial position	**(24,796)**	**(29,880)**
Intesa loan	(9,375)	-
Basic Village property loan	(6,900)	(8,100)
BasicItalia property loan	(2,746)	(3,153)
UBI Banca loan	-	(2,679)
Leasing payables	(1,545)	(1,761)
Sub-total loans and leasing	*(20,566)*	*(15,693)*
Consolidated Net Financial Position	**(45,362)**	**(45,573)**

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

		December 31, 2015	December 31, 2014
A.	Cash	268	72
B.	Other cash equivalents	6,903	3,942
C.	Securities held for trading	-	-
D.	**Cash & cash equivalents (A)+(B)+(C)**	**6,971**	**4,014**
E.	**Current financial receivables**	**-**	**-**
F.	Current bank payables	(23,732)	(28,363)
G.	Current portion of non-current debt	(8,035)	(5,531)
H.	Other current financial payables	-	-
I.	**Current financial debt (F)+(G)+(H)**	**(31,767)**	**(33,894)**
J.	**Net current financial debt (I)-(E)-(D)**	**(24,796)**	**(29,880)**
K.	Non-current bank payables	(20,566)	(15,693)
L.	Bonds issued	-	-
M.	Fair value of hedges (cash flow hedges)	(131)	(463)
N.	**Non-current financial debt (K)+(L)+(M)**	**(20,697)**	**(16,156)**
O.	**Net financial debt (J)+(N)**	**(45,493)**	**(46,036)**

The net financial debt differs from the consolidated net financial position for the fair value of the interest and currency hedging operations - cash flow hedges (Notes 31 and 43).

EXPLANATORY NOTES

1. GENERAL INFORMATION

BasicNet S.p.A. – with registered office in Turin, listed on the Italian Stock Exchange since November 17, 1999 and its subsidiaries, operate in the sports and casual clothing, footwear and accessories sector through the brands Kappa, Robe di Kappa, Jesus Jeans, 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, 2015 was approved by the Board of Directors on March 18, 2016.

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, 2015 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, Asian 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, 2015 are the same as those utilised for the previous year.

Accounting standards, amendments and interpretations applied from January 1, 2015

As per IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the IFRS in effect from January 1, 2015 are indicated and briefly illustrated below.

Improvements to IFRS (2011-2013 cycle): 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:

- Amendment 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;
- Amendment 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;

- Amendment 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.

Improvements to IFRS (2010-2012 cycle): 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:

- Amendment to IFRS 2 – *Share-based payments"*; the amendment clarifies the definition of "maturity conditions", separately setting out the "service conditions" and the "result conditions";
- Amendment to IFRS 3 - *Business combinations;* the amendment clarifies the classification 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 operating 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 *IFRS 13 - Fair Value measurements*; the Basis for Conclusions of IFRS 13 were amended to clarify that short-term receivables and payables may be measured at the nominal value according to the invoices, where the discounting impact is not significant;
- 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.

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 amendments 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.

These amendments did not impact the Group consolidated financial statements at December 31, 2015.

New Standards and Interpretations adopted by the EU, but not yet effective

Amendments to IFRS 11 *(Joint Arrangements): Accounting for the acquisition of investments in Joint arrangements*
On November 24, 2015, EU Regulation No. 2015/2173 was issued, enacting at European level some limited modifications to IFRS 11. The amendments add new guidelines on the calculation of the acquisition of an investment in a joint operation, whose activities constitute a business (as defined by IFRS 3 - *Business Combinations*).

Amendments to *IAS 16 (Property, plant and equipment)* and *IAS 38 - (Intangible Assets)*
On December 2, 2015, EU Regulation No. 2015/2231 was issued, enacting at European level some limited modifications to IAS 16 and IAS 38. The amendments to both standards establishes that an asset should not be depreciated based on the revenues to be generated over a set period. the IASB clarifies that revenues generated from an activity which includes the use of an asset generally reflect factors other than the consumption of economic benefit of the asset.

Improvements to IFRS (2012–2014 cycle): on December 15, 2015 EU Regulation 2015/2343 was issued and enacted at EU level a number of improvements to IFRS for the period 2012-2014; with regard to these amendments we highlight:

- IFRS 5 - *Non-current assets held for sale and discontinued operations*; the amendments clarify that where a non-current asset (or disposal group) is reclassified from "held for sale" to "held for distribution" or vice versa, this reclassification does not constitute an amendment to a sales or distribution plan and therefore should not be recognised as such;

- IFRS 7 - *Financial instruments: additional disclosure*; these amendments concern service contracts: if an entity transfers a financial asset to third parties and the conditions of IAS 39 are complied with for the elimination of the asset, the amendment to IFRS 7 requires that disclosure of any residual involvement which the entity may still have in relation to the transferred asset is reported.
- IAS 19 **-** *Employee Benefits*; the standard requires that the discount rate used for post-employment benefit obligations must be calculated on the basis of the market yields of leading corporate bonds and in Countries in which there is no "deep market" for such bonds, the market yields of government securities must be used. The amendment establishes that in evaluating the existence of a "deep market" for leading company bonds, the market must be considered at currency level and not at individual Country level;
- IAS 34 - *Interim financial statements*; the amendment clarifies how information in the interim financial statements may be supplemented by other information available in other sections of the Interim Financial Statements (e.g. Directors' Report) through referencing.

Amendments to IAS 1 *(Presentation of financial statements)* - Disclosure initiatives

On December 18, 2015, EU Regulation No. 2015/2406 was issued, enacting at European level some limited modifications to IAS 1. In particular, the amendments, which are part of a wider improvement initiative for the presentation and disclosure of financial statements, include updates in the following areas:

- *materiality*: it is established that this concept applies to financial statements in their totality and that the inclusion of immaterial information may affect the utility of financial disclosure;
- *de-aggregation and subtotals*: it is established that separate income statement, comprehensive income statement and balance sheet accounts may be de-aggregated;
- *structure of the notes*: entities are granted a certain degree of flexibility in setting the order of presentation of the notes, while not affecting the comprehensibility or comparability of financial statements;
- *investments valued at equity;* in the comprehensive income statement it is necessary to divide the parts that may be reclassified to the separate income statement from those that may not.

It is expected that these amendments, to be applied from January 1, 2016, will not have any significant effects on the Group consolidated financial statements.

New Accounting standards and amendments to IASB accounting standards

At the date of the present consolidated financial statements, the following new Standards/Interpretations were issued by IASB, although still not approved by the EU:

- IFRS 9 **-** *Financial instruments* **-** applicable from January 1, 2018;
- IFRS 15 **-** *Revenue from contracts with customers*, applicable from January 2018;
- *IFRS 16* - *Leases*, applicable from January 2019;
- 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, applicable from January 1, 2016;
- IFRS 14 – *Regulatory deferral accounts* **-** application from January 1, 2016.

The Group will adopt these new standards, amendments and interpretations, according to the scheduled application date; any impacts on the financial statements, with the exception of IFRS 14, which will cause none, are being assessed.

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.

4. CONSOLIDATION PRINCIPLES

The consolidated financial statements were prepared including the financial statements at December 31, 2015 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	**FY 2015**		**FY 2014**	
	Average	**At year end**	**Average**	**At year end**
US Dollar	1.1041	1.0887	1.3184	1.2141
HK Dollar	8.5590	8.4376	10.2259	9.4170
Japanese Yen	133.5853	131.0700	140.4328	145.2300
UK Sterling	0.7240	0.7340	0.8027	0.7789

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, 2015 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 main accounting principles adopted in the preparation of the consolidated financial statements at December 31, 2015 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 corresponds with the transfer of ownership which coincides, normally, with the shipping or delivery of the goods and in some exceptional cases with the delayed delivery according to the specific instructions from the client. 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 2015, 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 (Note 49) unless the probability of payment 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 AnziBesson and Sabelt trademarks are incorporated into the value of the investment, measured at equity and amortised also over twenty 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. They are amortised according to market conditions and generally within the period in which control of the asset is exercised.

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 (key money). This commercial goodwill, where related to commercial positions of value, is recognised to the consolidated financial statements as an intangible assets with indefinite useful life, and subject to an impairment test at least once a year, or more frequently in the presence of impairment indicators, comparing the book value with the higher between the value in use and the fair value less selling costs, with this latter also determined in view of valuations made by independent experts. Commercial goodwill relating to other positions is amortised over the duration of the relative rental contract.

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.

The establishment of the CGU's within the Group is based on the assessment of results and definition of strategies by management, in addition to the business model adopted. The Group identifies the CGU's as follows: 1) the property complex at Largo Maurizio Vitale 1 in Turin called the "Basic Village", held by the subsidiary of the same name; 2) the brands within the "licenses and trademarks" sector; 3) the Group brand sales points and the national licensing business as a whole, within the "proprietary licensees" sector, comprising BasicItalia S.p.A. and its subsidiary.

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 accounting of relative operations

The BasicNet Group utilises 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 financial instrument of the effectiveness requirements, necessary for the hedge accounting.

After their initial recognition, they 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., 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, both at retail level and end-consumer level, through BasicItalia S.p.A. (proprietary licensor) and its subsidiary BasicRetail S.r.l., into which Rdk0 S.r.l. was merged by incorporation with effect from July 1, 2015; all end-consumer sales operations through Group brand sales points directly managed and supporting other mono-brand Group sales points operated by third parties as clients of BasicItalia were concentrated in this company. This operation did not impact the Group consolidated and segment figures;

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

December 31, 2015	**Licenses and trademarks**	**Proprietary licensees**	**Property**	**Inter-segment eliminations**	**Consolidated**
Direct sales – third parties	752	133,187	2	-	133,941
Direct sales – inter-segment	*1,513*	*295*	*2*	*(1,810)*	-
(Cost of sales – third parties)	(2,153)	(76,971)	(2)	-	(79,126)
(Cost of sales – inter-segment)	*(44)*	*(1,474)*	-	*1,518*	-
GROSS MARGIN	**68**	**55,037**	**2**	**(292)**	**54,815**
Royalties and sourcing commissions – third parties	46,547	-	-	-	46,547
Royalties and sourcing commissions – inter-segment	*11,938*	*2*	-	*(11,940)*	-
Other income - third parties	2,352	1,014	614	-	3,980
Other income – inter-segment	*301*	*9,203*	*2,752*	*(12,256)*	-
(Sponsorship and media costs – third parties)	(5,259)	(14,083)	-	-	(19,342)
(Sponsorship and media costs – inter-segment)	*(9,244)*	*(6)*	-	*9,250*	-
(Personnel costs – third parties)	(8,850)	(10,031)	-	-	(18,881)
(Personnel costs – inter-segment)	-	-	-	-	-
(Selling, general and administrative costs, royalties expenses – third parties)	(11,258)	(22,214)	(1,598)	-	(35,070)
(Selling, general and administrative costs, royalties expenses – inter-segment)	*(2,217)*	*(12,971)*	*(50)*	*15,238*	-
Depreciation & amortisation	(2,261)	(3,204)	(875)	-	(6,340)
EBIT	**22,117**	**2,747**	**845**	**-**	**25,709**
Financial income – third parties	1,989	4,893	-	-	6,882
Financial income – inter-segment	*193*	-	-	*(193)*	-
(Financial charges – third parties)	(1,519)	(4,090)	(539)	-	(6,148)
(Financial charges – inter-segment)	-	*(193)*	-	*193*	-
Share of profit/(loss) of investments	(59)	-	-	-	(59)
(Share of profit/(loss) of investments - inter-segment)	-	-	-	-	-
PROFIT BEFORE TAXES	**22,721**	**3,357**	**306**	**-**	**26,384**
Income taxes	(8,004)	(1,589)	(31)	-	(9,624)
Non-recurring tax charges	-	-	-	-	-
NET PROFIT	**14,717**	**1,768**	**275**	**-**	**16,760**
Significant non-cash items:					
Amortisation & Depreciation	(2,261)	(3,204)	(875)	-	(6,340)
Write-downs	-	-	-	-	-
Total non-cash items	**(2,261)**	**(3,204)**	**(875)**	**-**	**(6,340)**
Investments in non-current assets	**(3,007)**	**(2,222)**	**(95)**	**-**	**(5,324)**
Segment assets and liabilities:					
Assets	**185,731**	**108,679**	**17,196**	**(106,434)**	**205,172**
Liabilities	**78,231**	**95,393**	**12,702**	**(73,665)**	**112,661**

December 31, 2014	**Licenses 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)	-	-	-	-	-
Share of profit/(loss) of investments	(65)	-	-	-	(65)
(Share of profit/(loss) of investments - inter-segment)	-	-	-	-	-
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:					
Depreciation & amortisation	(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**

The 2015 segment results compared with the previous year are reported below:

"LICENSES AND TRADEMARKS" SECTOR	**2015**	**2014**	**Changes**
Direct sales – third parties	752	616	136
Direct sales – inter-segment	*1,513*	*1,398*	*115*
(Cost of sales – third parties)	(2,153)	(1,813)	(340)
(Cost of sales – inter-segment)	*(44)*	*(36)*	*(8)*
GROSS MARGIN	**68**	**165**	**(97)**
Royalties and sourcing commissions – third parties	46,547	41,201	5,346
Royalties and sourcing commissions – inter-segment	*11,938*	*10,672*	*1,266*
Other income - third parties	2,352	665	1,687
Other income – inter-segment	*301*	*751*	*(450)*
(Sponsorship and media costs – third parties)	(5,259)	(4,313)	(946)
(Sponsorship and media costs – inter-segment)	*(9,244)*	*(5,933)*	*(3,311)*
(Personnel costs – third parties)	(8,850)	(8,352)	(498)
(Personnel costs – inter-segment)	-	-	-
(Selling, general and administrative costs, royalties expenses – third parties)	(11,258)	(10,960)	(298)
(Selling, general and administrative costs, royalties expenses – inter-segment)	*(2,217)*	*(2,529)*	*312*
Depreciation & amortisation	(2,261)	(2,091)	(170)
EBIT	**22,117**	**19,276**	**2,841**
Financial income – third parties	1,989	1,036	953
Financial income – inter-segment	*193*	*30*	*163*
(Financial charges – third parties)	(1,519)	(1,394)	(125)
(Financial charges – inter-segment)	-	-	-
Share of profit/(loss) of investments	(59)	(65)	6
(Share of profit/(loss) of investments - inter-segment)	-	-	
PROFIT BEFORE TAXES	**22,721**	**18,883**	**3,838**
Income taxes	(8,004)	(6,898)	(1,106)
Non-recurring tax charges	-	-	-
NET PROFIT	**14,717**	**11,985**	**2,732**
Significant non-cash items:			
Depreciation & amortisation	(2,261)	(2,091)	(170)
Write-downs	-	-	-
Total non-cash items	**(2,261)**	**(2,091)**	**(170)**
Investments in non-current assets	**(3,007)**	**(821)**	**(2,186)**
Segment assets and liabilities:			
Assets	**185,731**	**183,968**	**1,763**
Liabilities	**78,231**	**84,805**	**(6,574)**

"PROPRIETARY LICENSES" SECTOR	**2015**	**2014**	**Changes**
Direct sales – third parties	133,187	119,888	13,299
Direct sales – inter-segment	*295*	*173*	*122*
(Cost of sales – third parties)	(76,971)	(66,097)	(10,874)
(Cost of sales – inter-segment)	*(1,474)*	*(1,372)*	*(102)*
GROSS MARGIN	**55,037**	**52,592**	**2,445**
Royalties and sourcing commissions – third parties	-	1	(1)
Royalties and sourcing commissions – inter-segment	*2*	*-*	*2*
Other income - third parties	1,014	753	261
Other income – inter-segment	*9,203*	*6,326*	*2,877*
(Sponsorship and media costs – third parties)	(14,083)	(10,705)	(3,378)
(Sponsorship and media costs – inter-segment)	*(6)*	*(5)*	*(1)*
(Personnel costs – third parties)	(10,031)	(9,622)	(409)
(Personnel costs – inter-segment)	-	-	-
(Selling, general and administrative costs, royalties expenses – third parties)	(22,214)	(20,962)	(1,252)
(Selling, general and administrative costs, royalties expenses – inter-segment)	*(12,971)*	*(12,177)*	*(794)*
Depreciation & amortisation	(3,204)	(3,456)	252
EBIT	**2,747**	**2,745**	**2**
Financial income – third parties	4,893	1,396	3,497
Financial income – inter-segment	-	*1*	*(1)*
(Financial charges – third parties)	(4,090)	(2,766)	(1,324)
(Financial charges – inter-segment)	*(193)*	*(30)*	*(163)*
Share of profit/(loss) of investments	-	-	-
(Share of profit/(loss) of investments - inter-segment)	-	-	-
PROFIT BEFORE TAXES	**3,357**	**1,346**	**2,011**
Income taxes	(1,589)	(1,118)	(471)
Non-recurring tax charges	-	-	-
NET PROFIT	**1,768**	**228**	**1,540**
Significant non-cash items:			
Depreciation & amortisation	(3,204)	(3,456)	252
Write-downs	-	-	-
Total non-cash items	**(3,204)**	**(3,456)**	**252**
Investments in non-current assets	**(2,222)**	**(835)**	**(1,387)**
Segment assets and liabilities:			
Assets	**108,679**	**108,469**	**210**
Liabilities	**95,393**	**96,936**	**(1,543)**

“REAL ESTATE” SECTOR	**2015**	**2014**	**Changes**
Direct sales – third parties	2	2	-
Direct sales – inter-segment	*2*	*2*	-
(Cost of sales – third parties)	(2)	(2)	-
(Cost of sales – inter-segment)	-	-	-
GROSS MARGIN	**2**	**2**	**-**
Royalties and sourcing commissions – third parties	-	-	-
Royalties and sourcing commissions – inter-segment	-	-	-
Other income - third parties	614	601	13
Other income – inter-segment	*2,752*	*2,780*	*(28)*
(Sponsorship and media costs – third parties)	-	-	-
(Sponsorship and media costs – inter-segment)	-	-	-
(Personnel costs – third parties)	-	-	-
(Personnel costs – inter-segment)	-	-	-
(Selling, general and administrative costs, royalties expenses – third parties)	(1,598)	(1,418)	(180)
(Selling, general and administrative costs, royalties expenses – inter-segment)	*(50)*	*(50)*	-
Depreciation & amortisation	(875)	(886)	11
EBIT	**845**	**1,029**	**(184)**
Financial income – third parties	-	-	-
Financial income – inter-segment	-	*6*	*(6)*
(Financial charges – third parties)	(539)	(614)	75
(Financial charges – inter-segment)	-	*(7)*	*7*
Share of profit/(loss) of investments	-	-	-
(Share of profit/(loss) of investments - inter-segment)	-	-	-
PROFIT BEFORE TAXES	**306**	**414**	**(107)**
Income taxes	(31)	(190)	159
Non-recurring tax charges	-	-	-
NET PROFIT	**275**	**224**	**51**
Significant non-cash items:			
Depreciation & amortisation	(875)	(886)	11
Write-downs	-	-	-
Total non-cash items	**(875)**	**(886)**	**11**
Investments in non-current assets	**(95)**	**(144)**	**49**
Segment assets and liabilities:			
Assets	**17,196**	**16,356**	**840**
Liabilities	**12,702**	**12,344**	**358**

- The "Licenses and trademarks" segment includes royalties and sourcing commissions, which increased to Euro 58.5 million from Euro 51.9 million in 2014 following the development of aggregate sales. The segment net profit totalled Euro 14.7 million, compared to Euro 12 million in 2014;
- the "Proprietary Licensees" segment, comprising BasicItalia S.p.A. and its subsidiary BasicRetail S.r.l., reported sales growth of 11.2% to Euro 133.5 million. The contribution margin on sales of Euro 55 million is substantially in line with the previous year. The margin of 41.2% reflects the impact of the significant appreciation of the US Dollar against the Euro on the cost of product imports, while total revenues grew on the back of higher sales volumes. Personnel costs and overhead costs increased on the previous year due to the expansion of operations. The segment reports a profit of Euro 1.8 million, compared to Euro 228 thousand in 2014;
- the "Property" segment, relating to the building at Largo Maurizio Vitale 1, Turin, reports a profit of Euro 276 thousand compared to a profit of Euro 224 thousand in 2014.

8. CONSOLIDATED DIRECT SALES

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

	FY 2015	FY 2014
Italy	124,758	113,186
EU countries other than Italy	6,047	5,650
Rest of the World	3,136	1,670
Total consolidated direct sales	**133,941**	**120,506**

Direct sales revenues relate to merchandise sold by BasicItalia S.p.A. and BasicRetail S.r.l., both through National and Regional Servicing Centres and directly to the public (Euro 133.5 million) and by BasicNet S.p.A. for sample merchandise sales (Euro 0.4 million). Sales on the home market accounted for 93.1%, while approx. 4.5% of sales were in other EU countries, with the remaining approx. 2.4% 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 2015	FY 2014
Goods purchased – Overseas	60,593	46,850
Goods purchased – Italy	5,669	4,886
Samples purchased	1,632	1,168
Accessories purchased	156	112
Freight charges and accessory purchasing cost	8,290	7,432
Packaging	409	411
Changes in inventory of raw materials, ancillary, consumables and goods	(2,728)	2,273
Cost of outsourced logistics	3,868	3,825
Other	1,327	955
Total cost of sales	**79,126**	**67,912**

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 increase in the cost of sales is commented upon in the paragraph concerning the "Proprietary licensees" segment at Note 7.

10. ROYALTIES AND SOURCING COMMISSIONS

"Royalties and sourcing commission" refer to royalty fees for the brand licenses in the countries where the licenses have been assigned, or recognised to authorised sourcing centres for the production and sale of group brand products by commercial licencees.

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

The breakdown by region is reported below:

	FY 2015	FY 2014
Europe (EU and non-EU)	20,123	18,928
The Americas	4,492	4,012
Asia and Oceania	18,163	14,966
Middle East, Africa	3,769	3,296
Total	**46,547**	**41,202**

11. OTHER INCOME

	FY 2015	FY 2014
Rental income	382	392
Recovery of condominium expenses	205	175
Income from promo sales	448	360
Other income	2,945	1,092
Total other income	**3,980**	**2,019**

The "recovery of condominium expenses" concerns the recharge to lessees of utility costs.

"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.

"Other income" includes prior year accruals' reversals, the recharge of expenses to third parties and other indemnities against counterfeiting and unauthorised usage protection actions.

12. SPONSORSHIP AND MEDIA COSTS

	FY 2015	FY 2014
Sponsorship and marketing	16,522	13,209
Advertising	2,060	1,296
Promotional expenses	760	513
Total sponsorship and media costs	**19,342**	**15,018**

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

"Advertising" refers to billboard advertising and press communication campaigns. These costs increased on the previous year, particularly in terms of K-Way brand support costs, which saw significant growth on the domestic market.

"Promotional expenses" concern gifts of products and advertising material, mainly for events and not relating to specific sponsorship contracts. The increase in the year relates to exhibitor and advertising material costs incurred by BasicItalia S.p.A. for the Italian Group brand stores, in support of the commercial operations of the network of franchised stores.

13. PERSONNEL COSTS

	FY 2015	FY 2014
Wages and salaries	13,672	12,874
Social security charges	4,290	4,212
Post-employment benefits	919	888
Total	**18,881**	**17,974**

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

	Human Resources at December 31, 2015				Human Resources at December 31, 2014			
Category	Number		Average age		Number		Average age	
	Male / Female	Total	Male / Female	Average	Male / Female	Total	Male / Female	Average
Executives	17 / 9	26	47 / 48	47	16 / 8	24	46 / 50	47
Managers	1 / -	1	53 / --	53	1 / -	1	52 / -	52
White-collar	134 / 323	457	35 / 36	36	125 / 310	435	35 / 36	36
Blue-collar	14 / 10	24	45 / 42	43	15 / 9	24	44 / 42	43
Total	166 / 342	508	36 / 36	36	157 / 327	484	37 / 36	36

The increase principally concerns personnel involved in the management of Group brand sales points.
The average number of employees in 2015 was 483, comprising 25 executives, 1 senior manager, 433 white-collar employees and 24 blue-collar employees.

14. SELLING, GENERAL AND ADMINISTRATIVE COSTS AND ROYALTIES EXPENSES

	FY 2015	FY 2014
Selling and royalty service expenses	8,239	6,767
Rental, accessory and utility expenses	9,901	9,203
Commercial expenses	3,316	3,551
Directors and Statutory Auditors emoluments	3,527	3,438
Doubtful debt provision	2,859	2,986
Other general expenses	7,229	7,395
Total selling, general and administrative costs, and royalties expenses	**35,070**	**33,340**

"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 increase is related both to higher revenues and the greater proportion of the component subject to commissions.

"Rental expenses" increased following the opening of new directly managed sales points in the year.

"Commercial expenses" include costs relating to selling activities, comprising product catalogue costs, trade fairs and exhibitions, communication costs 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, including the Post-employment benefits provisioned for some Directors, 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 website www.basicnet.com Shareholder' Meeting 2016 section, to which reference should be made.

The account "other general expenses" includes legal and professional fees, bank charges, other taxes, consumption materials, hire charges, and corporate and other minor expenses. The reduction is mainly due to lower legal and professional consultant costs in the year.

15. AMORTISATION & DEPRECIATION

	FY 2015	FY 2014
Amortisation	3,318	3,444
Depreciation	3,022	2,989
Total amortisation & depreciation	**6,340**	**6,433**

Amortisation on intangible assets includes Euro 315 thousand of key-money write-down relating to some sales points closed or for which the decision to close has been made, within a normal rotation of less profitable sales point in favour of the opening of new locations or more appropriate operational strategies.

16. NET FINANCIAL INCOME (CHARGES)

	FY 2015	FY 2014
Interest income	8	49
Current account interest	(709)	(1,217)
Commercial interest expenses	(58)	(53)
Interest on medium/long term loans	(991)	(1,133)
Property lease interest	(82)	(97)
Other	(402)	(408)
Total financial income and charges	***(2,234)***	***(2,859)***
Exchange gains	6,874	2,383
Exchange losses	(3,906)	(1,866)
Net exchange gains/(losses)	***2,968***	***517***
Total financial income/(charges)	**734**	**(2,342)**

Debt service charges reduced following the general reduction in interest rates, in addition to the reduction of the debt itself. Net exchange gains of Euro 2.9 million are reported, particularly due to hedges (flexi-term) on the US Dollar from the second half of 2014.

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

The account, introduced following the application of *IFRS 11 – Joint arrangements*, reflects the effect on the consolidated result for the year of the valuation at equity of the joint ventures AnziBesson Trademark S.r.l. and Fashion S.r.l. (Note 24).

18. INCOME TAXES

"Income taxes" concerns current income taxes of approx. Euro 9 million and approx. Euro 0.6 million of deferred tax charges.

The current taxes estimate does not take into account any benefits from the application of the "Patent Box" tax break, introduced into Italian legislation at the end of 2014, although becoming operative from the end of 2015, for which the Group presented, in accordance with the applicable regulation, a specific option to the Tax Agency last December in order to include also financial year 2015 in the five-year validity of the option.

The exact value of any benefit of the tax break on certain income components, deriving from the use of Group intellectual property, will in fact only be reflected in the financial statements when the criteria for the determination of the benefit are defined, therefore subsequent to the ruling by the Tax Agency, expected by the end of 2016.

19. EARNINGS PER SHARE

The basic earnings per share, for 2015, 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 2015**	**FY 2014**
Net profit attributable to owners of the Parent	16,759,819	12,436,670
Weighted average number of ordinary shares	56,751,534	57,330,765
Basic earnings per ordinary share	0.2953	0.2169

At December 31, 2015 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 2014 and 2015 relates to the number of treasury shares acquired in the year.

ASSETS

20. INTANGIBLE ASSETS

	Dec. 31, 2015	Dec. 31, 2014	Changes
Concessions, trademarks and similar rights	34,521	34,549	(28)
Software development	4,509	4,313	196
Other intangible assets	2,450	2,311	139
Industrial patents	33	11	22
Total intangible assets	**41,513**	**41,184**	**329**

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

	Concessions, trademarks and similar rights	Software development	Other intangible assets	Industrial patents	Total
Historic cost at 1.1.2014	**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**
Additions	*192*	*2,569*	*639*	*28*	*3,428*
Disposals and other changes	*118*	-	-	-	*118*
Write-downs	-	*(268)*	-	-	*(268)*
Historic cost at 31.12.2015	**47,032**	**38,053**	**8,825**	**81**	**93,991**

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

	Concessions, trademarks and similar rights	Software development	Other intangible assets	Industrial patents	Total
Acc. Amort. at 1.1.2014	**(11,874)**	**(29,379)**	**(5,505)**	**(37)**	**(46,795)**
Amortisation	*(299)*	*(2,060)*	*(370)*	*(5)*	*(2,734)*
Disposals and other changes	-	-	-	-	-
Write-downs	-	-	-	-	-
Acc. Amort. at 31.12.2014	**(12,173)**	**(31,439)**	**(5,875)**	**(42)**	**(49,529)**
Amortisation	*(338)*	*(2,105)*	*(500)*	*(6)*	*(2,949)*
Disposals and other changes	-	-	-	-	-
Acc. Amort. at 31.12.2015	**(12,511)**	**(33,544)**	**(6,375)**	**(48)**	**(52,478)**

The net book value of intangible assets is reported below:

	Concessions, trademarks and similar rights	Software development	Other intangible assets	Industrial patents	Total
Opening net book value at January 1, 2014	**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**
Additions	*192*	*2,569*	*639*	*28*	*3,428*
Disposals and other changes	*118*	-	-	-	*118*
Amortisation	*(338)*	*(2,105)*	*(500)*	*(6)*	*(2,949)*
Write-downs	-	*(268)*	-	-	*(268)*
Closing net book value at December 31, 2015	**34,521**	**4,509**	**2,450**	**33**	**41,513**

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, whose net value is approx. Euro 1 million, and Jesus Jeans, whose net value is approx. Euro 0.1 million, amortised over 20 years, as they have not yet reached a market positioning equal to those of the principal brands.

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.

At December 31, 2015 the Kappa and Robe di Kappa brands report a book value of Euro 4 million (Euro 2.4 million net of fiscal amortisation), with the Superga brand reporting a book value of Euro 21 million (approx. Euro 17 million net of fiscal amortisation); the K-Way brand was valued at Euro 8.1 million (Euro 5.2 million net of fiscal amortisation).

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 2016-2020. 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%, in line with average rates for clothing (2.2%) and footwear (1.5%), taken from specialised financial websites (EU, January 2016). These net cash flows were discounted at the weighted average cost of capital (WACC) equal to 6.5% (7% in 2014), 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 1.18 (1.25 in 2014).
- Market Risk Premium (MRP): amounts to 6.25% (5.75% in 2014), 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 1.75% (2.4% in 2014), in line with the return on ten-year State bonds.
- Debt cost: amounts to 2.72%, (4.2% in 2014).
- 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 development" increased approx. Euro 2.6 million for investments and decreased Euro 2.1 million for amortisation in the year.

The account "other intangible assets" principally includes investments related to the franchising project, with investment of Euro 0.6 million and amortisation in the year of Euro 0.5 million.

21. GOODWILL

	Dec. 31, 2015	Dec. 31, 2014	Changes
Goodwill	10,245	10,516	(271)
Total goodwill	**10,245**	**10,516**	**(271)**

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 2.3 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 6.5% (Note 20).

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 20), and the market values. The impairment test undertaken at December 31, 2015 did not result in further write-downs than those allocated to some sales points closed or for which the decision to close has been made, within a normal rotation of less profitable sales point in favour of the opening of new locations or more appropriate operational strategies for Euro 315 thousand.

22. PROPERTY, PLANT AND EQUIPMENT

	Dec. 31, 2015	Dec. 31, 2014	Changes
Property	21,951	22,854	(903)
Furniture and other assets	4,647	4,785	(138)
Plant and machinery	348	432	(84)
EDP	1,652	1,959	(307)
Industrial and commercial equipment	171	153	18
Total property, plant and equipment	**28,769**	**30,183**	**(1,414)**

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

	Property	Furniture and other assets	Plant and machinery	EDP	Industrial and commercial equipment	Total
Historic cost at 1.1.2014	**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**
Additions	*22*	*904*	*117*	*575*	*65*	*1,683*
Disposals and other changes	-	*(34)*	*(36)*	*(14)*	-	*(84)*
Historic cost at 31.12.2015	**34,693**	**14,148**	**1,334**	**12,744**	**909**	**63,828**

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 1.1.2014	**(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)**
Depreciation	*(923)*	*(1,021)*	*(165)*	*(867)*	*(47)*	*(3,023)*
Disposals and other changes	*(2)*	*12*	-	-	-	*10*
Acc. Deprec. at 31.12.2015	**(12,742)**	**(9,502)**	**(986)**	**(11,091)**	**(738)**	**(35,059)**

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, 2015	**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 Dec. 31, 2014	**22,854**	**4,785**	**432**	**1,959**	**153**	**30,183**
Additions	*22*	*904*	*117*	*575*	*65*	*1,683*
Depreciation	*(923)*	*(1,021)*	*(165)*	*(867)*	*(47)*	*(3,023)*
Disposals and other changes	*(2)*	*(22)*	*(36)*	*(14)*	-	*(74)*
Closing net book value at Dec. 31, 2015	**21,951**	**4,646**	**348**	**1,653**	**171**	**28,769**

"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 1.7 million, principally relating to the acquisition of furniture and EDP for the opening of new stores.

The net book value of property, plant and equipment acquired according to the finance lease formula is reported below:

	Net value at December 31, 2015
Furniture and other assets	1,856
EDP	821
Equipment	33
Total	**2,710**

23. EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS

	Dec. 31, 2015	Dec. 31, 2014	Changes
Investments in other companies	-	2	(2)
Total investments	*-*	***2***	***(2)***
Other receivables, guarantees	307	295	12
Total financial receivables	***307***	***295***	***12***
Total investments & other financial assets	**307**	**297**	**10**

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

24. INVESTMENTS IN JOINT VENTURES

	Dec. 31, 2015	Dec. 31, 2014	Changes
Investments in:			
- Joint ventures	340	399	(59)
Total investments in joint ventures	**340**	**399**	**(59)**

Investments in joint ventures concern the value of the investment in AnziBesson Trademark S.r.l. of Euro 55 thousand and in Fashion S.r.l. of Euro 285 thousand, both held 50%. The two companies respectively own the AnziBesson and Sabelt trademarks. These investments were valued at equity from January 1, 2014 as per IFRS 11.

25. DEFERRED TAX ASSETS

The “deferred tax assets” are reported net of deferred tax liabilities:

	Dec. 31, 2015	Dec. 31, 2014	Changes
Deferred tax assets	-	26	(26)
Total deferred tax assets	**-**	**26**	**(26)**

Reference should be made to the comment at Note 36 of the present Notes.

26. NET INVENTORIES

	Dec. 31, 2015	Dec. 31, 2014	Changes
Finished products and goods for resale	52,039	49,510	2,529
Obsolesence provision	(3,014)	(3,213)	199
Total net inventories	**49,025**	**46,297**	**2,728**

Finished inventories include goods in transit at the balance sheet date which at December 31, 2015 amount to approx. Euro 1.7 million compared to Euro 2.8 million at December 31, 2014, goods held at Group brand stores for Euro 10.5 million, compared to Euro 10.7 million at December 31, 2014 and goods to be shipped against orders, to be delivered at the beginning of the following year, for Euro 8.6 million compared to Euro 10.3 million at December 31, 2014.

The inventory of available products increased on the previous year, principally due to the new sponsorships, in particular of SSC Napoli and of US Sassuolo from the second part of 2015. In any case, the value of stock increased less proportionally than the revenues reported across all distribution channels.

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:

	2015	2014
Inventory obsolescence provision at 1.1	**3,213**	**2,363**
Provisions in the year	670	1,465
Utilisations	(869)	(615)
Inventory obsolescence provision at 31.12	**3,014**	**3,213**

27. TRADE RECEIVABLES

	Dec. 31, 2015	Dec. 31, 2014	Changes
Gross value	52,390	49,615	2,775
Doubtful debt provision	(5,689)	(5,687)	(2)
Total trade receivables	**46,701**	**43,928**	**2,773**

"Trade receivables" refer for Euro 31.2 million to goods sold by proprietary licensees (substantially in line with December 31, 2014) and for which a doubtful debt provision was recorded of Euro 4.1 million (Euro 4.4 million at December 31, 2014), for Euro 21.3 million to royalties and sourcing commissions (Euro 18.4 million at December 31, 2014) against which a doubtful debt provision was recorded of Euro 1.7 million (Euro 1.3 million at December 31, 2014) and Euro 0.06 million other receivables (Euro 0.04 million at December 31, 2014). 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:

	2015	2014
Doubtful debt provision at 1.1	**5,687**	**6,406**
Provisions in the year	2,859	2,986
Utilisations	(2,857)	(3,705)
Doubtful debt provision at 31.12	**5,689**	**5,687**

All amounts are due within 12 months.

The maturity of the receivables is as follows:

	Dec. 31, 2015	Dec. 31, 2014
Receivables not overdue and not written down	30,598	28,153
Receivables written down, net of provision	3,969	4,467
Overdue and not written down	12,134	11,308
Total	**46,701**	**43,928**

The overdue receivables and not written down principally include one debtor overdue between 0-6 months.

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.

28. OTHER CURRENT ASSETS

	Dec. 31, 2015	Dec. 31, 2014	Changes
Tax receivables	9,599	10,785	(1,186)
Other receivables	2,579	2,720	(141)
Total other current assets	**12,178**	**13,505**	**(1,327)**

"Tax receivables" principally include VAT receivables of Euro 3.8 million, corporate income taxes paid on account of Euro 0.7 million and withholding taxes on royalties of Euro 5 million.

The account "other receivables" principally includes payments to suppliers (Euro 0.06 million) and the premium paid to the insurance company against Directors Termination Indemnities of certain Directors for Euro 1.8 million and other minor receivables.

29. PREPAYMENTS

	Dec. 31, 2015	Dec. 31, 2014	Changes
Expenses pertaining to future Collections	4,756	4,365	391
Sponsorship and media	2,246	1,782	464
Other	754	697	57
Total prepayments	**7,756**	**6,844**	**912**

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.

30. CASH AND CASH EQUIVALENTS

	Dec. 31, 2015	Dec. 31, 2014	Changes
Bank and postal deposits	6,903	3,943	2,960
Cash in hand and similar	68	71	(3)
Total cash and cash equivalents	**6,971**	**4,014**	**2,957**

"Bank deposits" refer to temporary current account balances principally due to receipts from clients. In particular, they are held at: BasicItalia S.p.A. (Euro 3.4 million), BasicRetail S.r.l. (Euro 1.4 million), BasicNet S.p.A. (Euro 1.1 million), Basic Properties America Inc. (Euro 0.8 million) and, for the difference, the other Group companies (Euro 0.2 million).

Against the agreement signed with Intesa Sanpaolo S.p.A. (described in Note 44), Euro 323 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.

31. FINANCIAL DERIVATIVE INSTRUMENTS

	Dec. 31, 2015	Dec. 31, 2014	Changes
Derivative financial instruments	1,367	1,182	185
Derivative financial instruments	**1,367**	**1,182**	**185**

The account includes the market value at December 31, 2015 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 2016 and 2017, 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, 2015, commitments were in place on estimated future purchases, for USD 60.9 million, divided into 25 operations with variable maturities in 2016 and 2017 at fixed exchange rates between USD/Euro 1.0890 and USD/Euro 1.2904, with a weighted average exchange rate of the purchases equal to USD/Euro 1.1038. During 2015, forward purchase operations were utilised for USD 34.25 million and the relative effects were recognised to the income statement.

SHAREHOLDERS' EQUITY & LIABILITIES

32. SHAREHOLDERS' EQUITY

	Dec. 31, 2015	Dec. 31, 2014	Changes
Share capital	31,717	31,717	-
Treasury shares	(8,823)	(6,875)	(1,948)
Other reserves	52,857	43,432	9,425
Net Profit	16,760	12,437	4,323
Minority interests	-	-	-
Total Shareholders' Equity	**92,511**	**80,711**	**11,800**

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.

In May 2015, as approved by the Shareholders' Meeting of BasicNet S.p.A. of April 27, 2015, in relation to the allocation of the 2014 net profit, a dividend of Euro 0.07 per share was distributed to each of the ordinary shares in circulation, for a total pay-out of approx. Euro 4 million.

During the year 560,000 treasury shares were acquired in accordance with Shareholders' Meetings motions, which together with the 3,940,000 shares held at the end of the previous year, totalled 4,500,000 at December 31, 2015 (7.378% of the Share Capital).

The account "other reserves" comprises:

- The "cash flow hedge reserve", negative for Euro 94 thousand, changed in the year due to the fair value measurement of cash flow hedges held at December 31, 2015;
- The "*re-measurement reserve for defined benefit plans (IAS 19)*", negative for Euro 200 thousand, refers to the changes in the actuarial gains/losses ("*re-measurement*"). The valuation is shown net of the tax effect;
- the "*currency conversion reserve*", positive for Euro 1.7 million, entirely concerns conversion differences into Euro of the financial statements of the US and Asian subsidiaries;
- "*retained earnings*" amount to Euro 51 million, increasing compared to the end of the previous year by Euro 8.4 million.

The reconciliation at December 31, 2015 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, 2015	Dec. 31, 2014	Changes
Effective part of the Gains/(losses) on cash flow instruments generated in the period (currency hedges)	74	1,509	(1,435)
Effective part of the Gains/(losses) on cash flow instruments generated in the period (interest rate hedges)	256	67	189
Effective part of the Gains/losses on cash flow hedge instruments	***330***	***1,576***	***(1,246)***
Re-measurement of defined benefit plans (IAS 19) (*)	84	(96)	180
Gains/(losses) from translation of accounts of foreign subsidiaries	667	696	(29)
Tax effect relating to the Other items of the comprehensive income statement	(114)	(407)	293
Total other gains/(losses), net of tax effect	**967**	**1,769**	**(802)**

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

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

	December 31, 2015			December 31, 2014		
	Gross value	Tax Charge/ Benefit	Net value	Gross value	Tax Charge/ Benefit	Net value
Effective part of Gains/losses on cash flow hedge instruments	330	(91)	239	1,576	(434)	1,142
Gains/(losses) for re-measurement of defined benefit plans (IAS 19) (*)	84	(23)	61	(96)	27	(69)
Gains/(losses) from translation of accounts of foreign subsidiaries	667	-	667	696	-	696
Total other gains/(losses), net of tax effect	**1,081**	**(114)**	**967**	**2,176**	**(407)**	**1,769**

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

33. PROVISIONS FOR RISKS AND CHARGES

	Dec. 31, 2015	Dec. 31, 2014	Changes
Provisions for risks and charges	45	43	2
Total provisions for risks and charges	**45**	**43**	**2**

The provision for risks and charges relates to the Agents Termination Indemnity Provision (FIRR) in BasicItalia S.p.A..

34. LOANS

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

	31/12/2014	Repayments	New loans	31/12/2015	Short-term portion	Medium/long-term portion
Intesa loan	-	(1,875)	15,000	13,125	(3,750)	9,375
Superga medium/long term loan	1,781	(1,781)	-	-	-	-
Basic Village property loan	9,300	(1,200)	-	8,100	(1,200)	6,900
BasicItalia property loan	3,560	(407)	-	3,153	(407)	2,746
UBI Banca loan	4,821	(2,143)	-	2,678	(2,678)	-
Balance	**19,462**	**(7,406)**	**15,000**	**27,056**	**(8,035)**	**19,021**

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

	Dec. 31, 2015	Dec. 31, 2014	Changes
Medium/long term loans:			
- due within 5 years	15,802	10,712	5,090
- due beyond 5 years	3,219	3,219	-
Total medium/long loans	***19,021***	***13,931***	***5,090***
Leasing payables	1,545	1,761	(216)
Total leasing payables (maturity within 5 years)	***1,545***	***1,761***	***(216)***
Total loans	**20,566**	**15,692**	**4,874**

The medium/long-term loans are comprised for Euro 6.9 million of the residual value of the loan provided by the Unicredit Group, for the purchase of the "Basic Village" building located at Largo Maurizio Vitale, 1, Turin ("Basic Village Property Loan"), for Euro 2.7 million the residual loan from Mediocredito Italiano S.p.A. (Intesa Sanpaolo S.p.A.) for the purchase of the building of BasicItalia S.p.A. located at Strada Cebrosa, 106 ("BasicItalia Property Loan") and for Euro 9.4 million the residual loan from Intesa SanPaolo in May 2015 ("Intesa 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 a surety from the parent company BasicNet S.p.A. with maturity in September 2022.

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

The "UBI Banca loan", with a residual payable of Euro 2.7 million at the reporting date, was settled in advance in January 2016, following the undertaking of a short-term hot-money line granted by the same bank at more advantageous financial conditions.

The loan for the acquisition of the Superga brand ("Superga Loan") of the Group was settled on July 16, 2015.

In April 2015, Intesa Sanpaolo S.p.A. issued a loan ("Intesa Loan") of Euro 15 million of four-year duration, repayable in quarterly instalments at a quarterly Euribor rate plus 185 basis points. In July 2015, the variable Euribor rate was converted (under an interest rate swap) into a fixed rate of 0.23% annually. The loan will support developmental investments, in addition to optimising the duration of loans undertaken; it is supported by a pledge on Superga Trademark S.A. shares.

The contractual conditions do not include financial covenants. The loan contract stipulates the maintenance of a number of ownership conditions concerning BasicNet S.p.A. and BasicWorld S.r.l., the majority shareholder of BasicNet S.p.A., and in particular:

– 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 36.479% 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., does not reduce under the above-cited stake;

– the maintenance, either directly or indirectly, by BasicNet S.p.A. of full ownership of Superga Trademark S.A..

At December 31, 2015 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 147.3 million, broken down as follows:

(in Euro millions)	**Dec. 31, 2015**	**Dec. 31, 2014**
Cash facility	94.7	74.1
Factoring	1.5	1.5
Letters of credit and swaps	20.4	12.7
Medium/long term loans	27.1	19.6
Property leases	3.6	3.6
Total	**147.3**	**111.5**

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

35. 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 1.6 million.

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

	Dec. 31, 2015			Dec. 31, 2014		
	Defined benefit plans	**Defined contrib. plans**	**Total**	**Defined benefit plans**	**Defined contrib. plans**	**Total**
Change in the balance sheet:						
Net liabilities recognised at the beginning of the year	2,573	-	2,573	2,486	-	2,486
Interest	46	-	46	58	-	58
Pension cost, net of withholdings	161	746	907	117	769	886
Benefits paid	(188)	-	(188)	(184)	-	(184)
Payments to the INPS treasury fund	-	(284)	(284)	-	(643)	(643)
Payments to other supplementary pension fund	-	(462)	(462)	-	(126)	(126)
Actuarial gain/(loss)	(84)	-	(84)	96	-	96
Net liabilities recognised in the accounts	**2,508**	**-**	**2,508**	**2,573**	**-**	**2,573**
Change in the income statement:						
Interest	46	-	46	58	-	58
Pension Cost	166	746	912	120	769	889
Total charges/(income) for post-employment benefits	**212**	**746**	**958**	**179**	**769**	**948**

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, 2015	Dec. 31, 2014
discount rate	2.25%	1.86%
inflation rate:		For 2015: 0.60%
	For 2016: 1.50%	For 2016: 1.20%
	For 2017; 1.80%	For 2017: 1.50%
	For 2018: 1.70%	For 2018: 1.50%
	For 2019: 1.60%	From 2019 onwards: 2.00%
	From 2020 onwards: 2.00%	
annual increase in post-employment benefit		For 2015: 1.950%
	For 2016: 2.625%	For 2016: 2.400%
	For 2017: 2, 850%	For 2017: 2.625%
	For 2018: 2.775%	For 2018: 2.625%
	For 2019: 2.700%	From 2019 onwards: 3.00%
	From 2020 onwards: 3.00%	
annual increase in salaries:	Up to 10 years service: 3.00%	Up to 10 years service: 3.00%
	Above 10 years service: 1.00%	Above 10 years service: 1.00%

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.

36. DEFERRED TAX LIABILITIES

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

	Dec. 31, 2015	Dec. 31, 2014	Changes
Deferred tax liabilities	717	-	717
Total deferred tax liabilities	**717**	**-**	**717**

The net amount of Euro 717 thousand represents the balance between the deferred tax assets and liabilities as illustrated in the table.

The 2016 Stability Law (Law 208/2015), published in the Official Gazette of December 30, 2015, introduced a reduction to the IRES rate from 27.5% to 24% from January 1, 2017. Consequently, the deferred tax assets and liabilities reported in the financial statements at December 31, 2015 were calculated considering the change to the IRES rate from 2017, in line with paragraph 47 of IAS 12, which provides for the utilisation of the tax rates which will be applied in the year in which the underlying asset will be realised or underlying liability settled. However, the effects from the change in the rate on the calculation of deferred taxes did not have any material impact on the balance sheet or income statement in 2015.

Deferred tax assets principally relate to non-deductible doubtful debt provisions (approx. Euro 1.2 million), non-deductible inventory obsolescence provision (approx. Euro 0.8 million), provisions generated from the temporary differences arising from the accounting of the IFRS adjustments (approx.

Euro 60 thousand), non-deductible interest (Euro 0.1 million) and other temporary non-deductible charges (Euro 0.8 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., BasicRetail 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 0.5 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 0.8 million), in addition to Euro 2.2 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 “income statement”. They amount to Euro 31 thousand.

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:

	Dec. 31, 2015			**Dec. 31, 2014**			
	Amount of temporary differences	**Rate % (*)**	**Tax effect**	**Amount of temporary differences**	**Rate %**	**Tax effect**	**Changes 2015/2014**
Deferred tax assets:							
- Excess doubtful debt provision not deductible	(5,074)	27.50%-24.00%	(1,235)	(5,056)	27.50	(1,391)	156
- Inventory obsolescence provision	(3,014)	27.50%-24.00%	(777)	(3,213)	31.40	(911)	134
- ROL surplus	(455)	27.50%-24,00%	(125)	(1,769)	27.50	(487)	362
- Charges temporarily non-deductible	(2,681)	31.40%-27.90%	(813)	(2,319)	31.40	(700)	(113)
- Effect IAS 19 – Employee Benefits	(121)	27.50%-24.00%	(29)	(155)	27.50	(43)	14
- Effect IAS 39 – financial instruments	(131)	27.50%-24.00%	(31)	(463)	27.50	(127)	96
Total	**(11,476)**		**(3,010)**	**(12,976)**		**(3,659)**	**649**
Deferred tax liabilities:							
- Prudent exchange differences, net	294	27.50%-24.00%	81	589	27.50	162	(81)
- Amortisation/Depreciation tax basis	8,518	31.40%-27.90%	2,377	5,598	31.40	1,758	619
- Effect IAS 38 – plant costs	7	31.40%-27,90%	2	5	31.40	4	(2)
- Effect of IAS 17 - finance leases and other tax differences on buildings	2,813	31.40%-27,90%	793	3,063	31.40	962	(169)
- Effect IFRS 3 – goodwill amortisation	1,624	31.40%-27,90%	474	2,378	31.40	747	(273)
Total	**13,256**		**3,727**	**11,634**		**3,633**	**94**
Net deferred tax liability (asset)	1,780		717	(1,342)		(26)	743
Deferred tax asset relating to fiscal losses	-		-	-	27.50		
Deferred tax liability(asset) as per financial statements			**717**			**(26)**	**743**

(*) The differing rates concern the adjustment of the IRES rate applicable from 2017, on the temporary differences to be realised or settled subsequently to 2016.

37. OTHER NON-CURRENT LIABILITIES

	Dec. 31, 2015	Dec. 31, 2014	Changes
Guarantee deposits	1,013	1,187	(174)
Total other non-current liabilities	**1,013**	**1,187**	**(174)**

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

38. BANK PAYABLES

	Dec. 31, 2015	Dec. 31, 2014	Changes
Bank payables due within one year:			
- short-term portion of medium/long-term loans	8,035	5,531	2,504
- bank overdrafts and bills	4,266	12,277	(8,011)
- import advances	19,466	16,086	3,380
Total bank payables	**31,767**	**33,894**	**(2,127)**

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

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

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

The financial debt by interest rate at December 31, 2015 is as follows:

	Interest Rate		
	Below 3.5%	**Between 3.5% and 6.5%**	**Total**
Cash advances	2,000	-	2,000
Bill advances	2,266	-	2,266
Import advances	19,466	-	19,466
M/L loans	16,278	10,778	27,056
Leasing	586	959	1,545
Total	**40,596**	**11,737**	**52,333**

39. TRADE PAYABLES

The "trade payables" are payable in the short-term and decreased by approx. Euro 5 million compared to December 31, 2014, following the commercial activity of the Group in the period. At the date of these financial statements 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, 2015	Dec. 31, 2014	Changes
Tax payables:			
Income taxes	6,043	5,818	225
Withholding taxes	48	60	(12)
Employee contributions	511	469	42
Non-recurring tax charges	2,850	8,877	(6,027)
Group VAT	7,969	6,941	1,028
Total tax payables	**17,421**	**22,165**	**(4,744)**

"Non-recurring tax charges" report a residual payable to the Tax Agency, arising at the end of 2012 following assessments agreed to by the Group in order to receive statutory benefits and payment over three years. The original payable was settled for Euro 15.5 million with a residual, at the reporting date, of Euro 2.8 million, for which a net payment of Euro 1.9 million will be made, taking account of VAT receivables of Euro 0.9 million, included in the "tax receivables" account (Note 28), whose recovery is correlated to the above-mentioned instalments. This liability will be settled at the beginning of 2017.

41. OTHER CURRENT LIABILITIES

	Dec. 31, 2015	Dec. 31, 2014	Changes
Accrued expenses	588	619	(31)
Other payables	7,150	6,856	294
Total other current liabilities	**7,738**	**7,475**	**263**

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

The "other payables" at December 31, 2015 principally include employee and director remuneration and expenses (Euro 3.3 million), payable in the subsequent month, related social security charges (Euro 1 million), other related liabilities (Euro 0.2 million), royalty payment on accounts from licensees (Euro 0.2 million) and other miscellaneous amounts Euro (2.6 million).

42. DEFERRED INCOME

	Dec. 31, 2015	Dec. 31, 2014	Changes
Royalties	829	630	199
Sponsored goods revenues	1,540	1,186	354
Other deferred income	268	32	236
Total deferred income	**2,637**	**1,848**	**789**

The "sponsored goods revenues" relates to the invoicing of sponsored merchandise, which contractually partially refers to the period after the reporting date, with corresponding prepayments recorded under assets for sponsoring costs.

43. DERIVATIVE INANCIAL INSTRUMENTS

	Dec. 31, 2015	Dec. 31, 2014	Changes
Derivative financial instruments	1,498	1,645	(147)
Total derivative financial instruments	**1,498**	**1,645**	**(147)**

The account includes the adjustments to market value of the interest rate hedging operations on the "Basic Village property loan" (Note 34), signed with a leading financial counterparty, which converted the variable interest rates into fixed interest rates.

The adjustments to the market value of the interest rate hedging operations on the "Intesa Loan" (Note 34) were also incorporated, which converted the variable Euribor quarterly 1.48% rate into a fixed annual rate of 0.23% (cash flow hedge), in addition to a spread.

A negative equity reserve was recorded of approx. Euro 94 thousand, net of the tax effect.

In the case of the Interest Rate Swap (IRS) agreed by the Group, the specific hedge of the variable cash flow realised at market conditions, through the signing of the fix/flo IRS perfectly hedges the item to which the original cash flows stem, as in this case, and continues to be considered effective.

44. GUARANTEES GIVEN

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

In February 2010, Intesa Sanpaolo S.p.A. and BasicItalia S.p.A. signed an agreement which would permit access to subsidised finance for the start-up of franchising stores of the Group, against which 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/or leasing repayments. At December 31, 2015 the deposit amounted to Euro 323 thousand and leasing guarantees amount to Euro 1.5 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 BasicRetail S.r.l. directly undertaking retail sales of the Group products.

Further commitments were undertaken by the subsidiary BasicItalia S.p.A. relating to the opening of import credit documentation (credit letters) for goods, through some Credit Institutions, totalling Euro 19.7 million (Euro 16.6 million at December 31, 2014), in addition to a surety issued by a leading bank in guarantee of the contractual commitments related to a sponsorship contract for Euro 6.5 million.

The future rental commitments to be honoured on contractual expiry indicatively amount to Euro 6.8 million, of which Euro 6.6 million concerning the rental of the outlets. The average duration of the rental contracts is 4 years.

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 31.12.2015
	P&L	Shareholders' Equity			
Assets:					
Equity invest. & other financial assets	-	-	-	307	**307**
Interests in joint ventures	-	-	-	340	**340**
Trade receivables	-	-	46,701	-	**46,701**
Other current assets	-	-	12,178	-	**12,178**
Derivative financial instruments	-	1,367	-	-	**1,367**
Liabilities:					
Medium/long-term loans	-	-	20,566	-	**20,566**
Bank payables	-	-	31,767	-	**31,767**
Trade payables	-	-	25,151	-	**25,151**
Other current liabilities	-	-	7,738	-	**7,738**
Derivative financial instruments	-	1,498	-	-	**1,498**

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 oil which influences transport costs.
The Group does not hedge these risks as not directly dealing with raw materials but only finished products and is exposed for the part of the increase which cannot be transferred to the final consumer if the market and competitive conditions do not permit such.

Currency risk

The BasicNet Group has subscribed the majority of its financial instruments in Euro which corresponds to its functional and presentation currency. Operating on the international market the group is also exposed to fluctuations in exchange rates, principally the US Dollar against the Euro.

At December 31, 2015, unrealised exchange gains were recorded of Euro 420 thousand, while unrealised exchange losses were recorded of Euro 126 thousand, for a net exchange gain of Euro 0.3 million.

At the reporting date, there were 25 hedge operations on US Dollar fluctuations, totalling USD 60.9 million; the relative effects are illustrated in the account "Financial hedge instruments", at Notes 31 and 43.

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, 2015 is shown below:

	Dec. 31, 2015	%	Dec. 31, 2014	%
Fixed rate	21,312	47.00%	11,186	24.50%
Variable rate	24,050	53.00%	34,386	75.50%
Gross debt	**45,362**	**100.00%**	**45,572**	**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, 2015 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 +162 thousand and Euro -162 thousand.

Credit Risk

The doubtful debt provision (Note 27) which includes provisions against specific credit positions and a general provision on an historical analysis of receivables, represents approx. 10.9% of trade receivables at December 31, 2015.

Liquidity risk

Liquidity risk is mitigated in the short-term period by the significant generation of cash realised by the “licenses and trademarks” segment, by the significant positive net working capital, and by the overall credit lines provided by the banking system (Note 34).

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
Intesa loan	13,125	518	13,643	3,996	9,647	-
Superga medium/long term loan	-	-	-	-	-	-
UBI Banca loan	2,678	58	2,736	2,736	-	-
BasicVillage property loan	8,100	1,738	9,838	1,670	5,939	2,229
BasicItalia property loan	3,153	326	3,479	485	1,832	1,162
Lease payables	1,545	95	1,640	843	797	-
Total financial liabilities	**28,601**	**2,735**	**31,336**	**9,730**	**18,215**	**3,391**

Default risk and debt covenants

The risk that the loans within the companies of the Group contain clauses (covenants) which allow the counterparties to request the creditor on the occurrence of certain events or circumstances the immediate repayment of the sums granted and not yet due, generating a liquidity risk.

The loans in place at the reporting date are not subject to financial covenants.

46. INTERCOMPANY TRANSACTIONS AND TRANSACTIONS WITH RELATED COMPANIES

The transactions between the Parent Company and its subsidiaries and between the subsidiaries were within the normal operating activities of the Group and were concluded at normal market conditions. The balance sheet and income statement effects of the transactions are eliminated in the consolidation process. Based on the information received from the companies of the Group there were no atypical or unusual operations.

BasicNet S.p.A., and, as consolidating companies, BasicItalia S.p.A., BasicRetail S.r.l., 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, 2015 are reported below:

	Investments	Trade receivables	Trade payables	Other income	Costs
Interests in joint ventures:					
- AnziBesson Trademark S.r.l.	55	14	-	-	-
- Fashion S.r.l.	284	-	4	2	-
Remuneration of Boards and Senior Executives and other related parties	-	-	-	-	4,465

The remuneration concerns emoluments and all other payments, pension-related or social security deriving from the role of Director or Statutory Auditor in BasicNet S.p.A. and the other companies within the consolidation scope.

In relation to the other related parties, we highlight the legal consulting activities undertaken by Studio Legale Pavesio e Associati and by Studio Legale Cappetti, of the Director Carlo Pavesio and 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 and the rental contract for a property unit between BasicVillage S.p.A. and Mr. Alessandro Boglione (Director of BasicWorld S.r.l., Executive of BasicNet S.p.A. and Director of the subsidiary BasicNet Asia Ltd.). 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. A.S. Roma appealed against this decision before the Rome Appeals Court with subpoena dated February 10, 2015. The hearing, fixed for June 8, 2015, was postponed to June 10, 2015. On June 8, 2015, both BasicItalia S.p.A. and BNL put forward the rejection of the appeal and the confirmation of the first level judgment. The hearing held on June 10, 2015 sent the case for the establishment of conclusions on July 4, 2018.

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 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 is also party and which is currently in the preliminary phase.

For The Board of Directors

The Chairman

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 2015
Audit	PricewaterhouseCoopers S.p.A.	Parent BasicNet S.p.A. Subsidiary companies	55,460 148,692
Certification services	PricewaterhouseCoopers S.p.A.	-	5,000
Other services	PricewaterhouseCoopers S.p.A.	-	15,000
Total			**224,152**

ATTACHMENT 2
Page 1 of 2

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

	Registered office	Corporate purpose	Share capital		Parent company holding (%)
PARENT COMPANY					
BasicNet S.p.A.					
Directly held subsidiaries:					
- Basic Properties B.V.	Amsterdam (NL)	Sub-license concession of patent rights to local licensees.	EURO	18,160	100
- 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.					
- BasicRetail S.r.l. - single shareholder company (formerly BasicOutlet S.r.l. with sole shareholder)	Turin (Italy)	Management of outlets owned by the Group.	EURO	10,000	100

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

Marco Daniele Boglione
Chairman

Franco Spalla
Chief Executive Officer

Paolo Cafasso
Executive Officer Responsible

FINANCIAL STATEMENTS

AND EXPLANATORY NOTES

OF BASICNET S.P.A. AT DECEMBER 31, 2015

BASICNET S.p.A. – INCOME STATEMENT

(in Euro)

	Note	FY 2015	FY 2014	Changes
Direct sales	*(7)*	2,286,295	2,029,978	256,317
Cost of sales	*(8)*	(2,196,923)	(1,849,083)	(347,840)
GROSS MARGIN		**89,372**	**180,895**	**(91,523)**
Royalties and sourcing commissions	*(9)*	27,327,466	23,879,359	3,448,107
Other income	*(10)*	6,676,569	6,793,665	(117,096)
Sponsorship and media costs	*(11)*	(736,803)	(413,562)	(323,241)
Personnel costs	*(12)*	(8,400,063)	(7,903,424)	(496,639)
Selling, general and administrative costs, royalties expenses	*(13)*	(12,338,483)	(12,233,654)	(104,829)
Depreciation and amortisation	*(14)*	(2,074,281)	(1,916,821)	(157,460)
EBIT		**10,543,777**	**8,386,458**	**2,157,319**
Net financial income (charges)	*(15)*	368,870	3,959	364,911
Dividends	*(16)*	5,400,000	4,950,000	450,000
PROFIT BEFORE TAXES		**16,312,647**	**13,340,417**	**2,972,230**
Income taxes	*(17)*	(4,242,378)	(3,230,786)	(1,011,592)
NET PROFIT		**12,070,269**	**10,109,631**	**1,960,638**

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 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	**December 31, 2015**	**December 31, 2014**	**Changes**
Profit for the year (A)		***12,070,269***	***10,109,631***	***1,960,638***
Effective portion of the Gains/(losses) on cash flow hedges		(44,677)	133,978	(178,655)
Re-measurement of post-employment benefits (IAS 19) (*)		43,559	(53,199)	96,758
Tax effect on other profits/(losses)		(9)	(22,215)	22,206
Total other gains/(losses), net of tax effect (B)	*(27)*	***(1,127)***	***58,564***	***(59,691)***
Total Comprehensive Profit (A)+(B)		**12,069,142**	**10,168,195**	**1,900,947**

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

BASICNET S.p.A. – BALANCE SHEET

(in Euro)

ASSETS	*Note*	December 31, 2015	December 31, 2014
Intangible assets	*(18)*	12,115,030	11,812,590
Plant, machinery and other assets	*(19)*	1,543,269	1,364,117
Equity invest. & other financial assets	*(20)*	36,344,846	36,345,076
Deferred tax assets	*(21)*	-	280,275
Total non-current assets		**50,003,145**	**49,802,058**
Net inventories	*(22)*	774,484	759,932
Trade receivables	*(23)*	9,437,124	7,745,635
Other current assets	*(24)*	67,733,114	53,647,140
Prepayments	*(25)*	3,952,268	3,522,296
Cash and cash equivalents	*(26)*	1,159,243	1,042,443
Derivative financial instruments		-	-
Total current assets		**83,056,233**	**66,717,446**
TOTAL ASSETS		**133,059,378**	**116,519,504**

LIABILITIES	*Note*	December 31, 2015	December 31, 2014
Share capital		31,716,673	31,716,673
Treasury shares		(8,822,881)	(6,875,036)
Other reserves		53,085,199	46,955,747
Net Profit		12,070,269	10,109,631
TOTAL SHAREHOLDERS' EQUITY	*(27)*	**88,049,260**	**81,907,015**
Provisions for risks and charges		-	-
Loans	*(28)*	9,442,672	2,706,642
Employee and Director benefits	*(29)*	2,922,988	2,388,248
Deferred tax liabilities	*(30)*	60,135	-
Other non-current liabilities	*(31)*	876,210	734,418
Total non-current liabilities		**13,302,005**	**5,829,308**
Bank payables	*(32)*	8,512,581	5,705,645
Trade payables	*(33)*	4,362,692	4,371,384
Tax payables	*(34)*	14,180,091	12,971,532
Other current liabilities	*(35)*	4,120,067	5,565,067
Accrued expenses	*(36)*	450,611	131,008
Derivative financial instruments	*(37)*	82,071	38,545
Total current liabilities		**31,708,113**	**28,783,181**
TOTAL LIABILITIES		**45,010,118**	**34,612,489**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**133,059,378**	**116,519,504**

BASICNET S.p.A. – CASH FLOW STATEMENT

(in Euro)

		December 31, 2015	December 31, 2014
A)	**OPENING SHORT-TERM BANK DEBT**	**(739,092)**	**926,663**
B)	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net profit for the year	12,070,269	10,109,631
	Amortisation & depreciation	2,074,281	1,916,821
	Changes in working capital:		
	- (increase) decrease in trade receivables	(1,691,489)	688,476
	- (increase) decrease in inventories	(14,552)	393
	- (increase) decrease in other receivables	(13,635,671)	(4,736,744)
	- increase (decrease) in trade payables	(8,692)	(1,091,679)
	- increase (decrease) in other payables	285,381	(651,474)
	Net change in post-employment benefits	(53,873)	(80,489)
	Others, net	31,011	(24,561)
		(943,335)	**6,130,374**
C)	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Investments in fixed assets:		
	- tangible assets	(500,390)	(347,578)
	- intangible assets	(2,055,715)	(1,747,286)
	- financial assets	-	(58,503)
	Realisable value for fixed asset disposals:		
	- tangible assets	232	-
	- intangible assets	-	-
	- financial assets	-	-
		(2,555,873)	**(2,153,367)**
D)	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Lease contracts (repayments)	39,595	(14,730)
	Repayments of medium/long term loans	(5,799,110)	(4,517,860)
	Undertaking of medium/long term loans	15,000,000	-
	Acquisition of treasury shares	(1,947,845)	(1,110,172)
	Distribution of dividends	(3,979,102)	-
		3,313,538	**(5,642,762)**
E)	**OPERATIONS NOT GENERATING CASH FLOWS**		
	Conversion of financial receivables into investments		
	- receivables from subsidiaries	-	-
	- equity investments	-	-
		-	-
E)	**CASH FLOW IN THE YEAR**	**(185,670)**	**(1,665,755)**
F)	**CLOSING SHORT-TERM BANK DEBT**	**(924,763)**	**(739,092)**

Interest paid for the year amounts to respectively Euro 0.6 million in 2015 and Euro 0.9 million in 2014, while income taxes paid amount to Euro 5.4 million in 2015 and Euro 0.4 million in 2014.

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 in portfolio reserve**	**Remeas. reserve IAS19**	**Cash Flow Hedge reserve**	**Retained earnings**	**Net profit**	**Total**
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 28, 2014										
- 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 Result			-		-	-	-	-	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			-	-	-	*(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**
Allocation of result as per Shareholders' AGM resolution of April 27, 2015										
- Legal reserve			-	505,482	-	-	-	-	(505,482)	-
- Retained earnings			-	-	-	-	-	5,625,097	(5,625,097)	-
- Distribution of dividends			-	-	-	-	-		(3,979,052)	(3,979,052)
Acquisition of treasury shares			(1,947,845)	-	1,947,845	-	-	(1,947,845)	-	(1,947,845)
2015 Result			-	-	-	-	-	-	12,070,269	12,070,269
Other comprehensive income statement items:										
- Gains recorded directly to cash flow hedge reserve			-	-	-	-	(32,708)	-	-	(32,708)
- Gains/(losses) recorded directly to equity for IAS 19 re-measurement			-	-	-	31,581	-	-	-	31,581
Total comprehensive income			-	-	-	*31,581*	*(32,708)*	-	*12,070,269*	*12,069,142*
Balance at December 31, 2015	**60,993,602**	**31,716,673**	**(8,822,881)**	**4,463,225**	**8,822,881**	**(61,963)**	**(60,654)**	**39,921,710**	**12,070,269**	**88,049,260**

BASICNET S.p.A. – NET FINANCIAL POSITION

(in Euro)

	December 31, 2015	December 31, 2014
Cash and cash equivalents	1,159,243	1,042,443
Bank overdrafts and bills	(2,084,006)	(1,781,535)
Sub-total net liquidity available	*(924,763)*	*(739,092)*
Short-term portion of medium/long-term loans	(6,428,575)	(3,924,110)
Short-term net financial position – third parties	**(7,353,338)**	**(4,663,202)**
Intesa loan	(9,375,000)	-
UBI Banca loan	-	(2,678,565)
Medium/long lease payables	(67,672)	(28,077)
Sub-total loans and leasing – third parties	*(9,442,672)*	*(2,706,642)*
Net financial position - third parties	**(16,796,010)**	**(7,369,844)**
Group financial receivables / (payables)	61,852,006	48,161,492
Net Financial Position - Group	**61,852,006**	**48,161,492**
Total net financial position	**45,055,996**	**40,791,648**

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

		December 31, 2015	December 31, 2014
A.	Cash	12,808	13,265
B.	Other cash equivalents	1,146,436	1,029,178
C.	Securities held for trading	-	-
D.	**Cash & cash equivalents (A)+(B)+(C)**	**1,159,244**	**1,042,443**
E.	**Current financial receivables**	-	**-**
F.	Current bank payables	(2,084,006)	(1,781,535)
G.	Current portion of non-current debt	(6,428,575)	(3,924,110)
H.	Other Group financial receivables/ (payables)	61,852,006	48,161,492
I.	**Current financial debt (F)+(G)+(H)**	**53,339,425**	**42,455,847**
J.	**Net current financial debt (I)-(E)-(D)**	**54,498,669**	**43,498,290**
K.	Non-current bank payables	(9,442,672)	(2,706,642)
L.	Bonds issued	-	-
M.	Fair value of hedges (cash flow hedges)	(82,071)	(38,545)
N.	**Non-current financial debt (K)+(L)+(M)**	**(9,524,743)**	**(2,745,187)**
O.	**Net financial debt (J)+(N)**	**44,973,926**	**40,753,103**

The net debt differs from the Parent Company net financial position for the fair value of the interest and currency hedging operations - cash flow hedges (Note 37).

BASICNET S.p.A. – 2015 INCOME STATEMENT PREPARED AS PER CONSOB RESOLUTION NO. 15519 OF JULY 27, 2006

(in Euro)

	FY 2015		FY 2014	
		Of which related parties *ote 40*		*Of which related parties* *ote 40*
Direct sales	2,286,295	*1,534,262*	2,029,978	*1,414,150*
Cost of sales	(2,196,923)	*(6,823)*	(1,849,083)	*(35,664)*
GROSS MARGIN	**89,372**		**180,895**	
Royalties and sourcing commissions	27,327,466	*6,005,656*	23,879,359	*5,205,021*
Other income	6,676,569	*6,058,284*	6,793,665	*6,510,200*
Sponsorship and media costs	(736,803)	*(255,044)*	(413,562)	*(6,471)*
Personnel costs	(8,400,063)		(7,903,424)	*(1,501)*
Selling, general and administrative costs, royalties expenses	(12,338,483)	*(3,053,203)*	(12,233,654)	*(3,386,271)*
Amortisation & Depreciation	(2,074,281)		(1,916,821)	
EBIT	**10,543,777**		**8,386,458**	
Net financial income (charges)	368,870	*597,816*	3,959	*494,003*
Dividends	5,400,000	*5,400,000*	4,950,000	*4,950,000*
PROFIT BEFORE TAXES	**16,312,647**		**13,340,417**	
Income taxes	(4,242,378)		(3,230,786)	
NET PROFIT	**12,070,269**		**10,109,631**	

BASICNET S.p.A. – BALANCE SHEET AS AT DECEMBER 31, 2015 PREPARED AS PER CONSOB RESOLUTION NO. 15519 OF JULY 27, 2006

(in Euro)

ASSETS	December 31, 2015	*Of which Related Parties Notes (20) & (24)*	December 31, 2014	*Of which Related Parties Notes (20) & (24)*
Intangible assets	12,115,030		11,812,590	
Plant, machinery and other assets	1,543,269		1,364,117	
Equity invest. & other financial assets	36,344,846	*36,244,489*	36,345,076	*36,334,489*
Deferred tax assets	-		280,275	
Total non-current assets	**50,003,145**		**49,802,058**	
Net inventories	774,484		759,932	
Trade receivables	9,437,124		7,745,635	
Other current assets	67,733,114	*64,944,986*	53,647,140	*50,806,126*
Prepayments	3,952,268		3,522,296	
Cash and cash equivalents	1,159,243		1,042,443	
Derivative financial instruments	-		-	
Total current assets	**83,056,233**		**66,717,446**	
TOTAL ASSETS	**133,059,378**		**116,519,504**	

LIABILITIES	December 31, 2015	*Of which Related Parties Note 35*	December 31, 2014	*Of which Related Parties Note 35*
Share capital	31,716,673		31,716,673	
Treasury shares	(8,822,881)		(6,875,036)	
Other reserves	53,085,199		46,955,747	
Net Profit	12,070,269		10,109,631	
TOTAL SHAREHOLDERS' EQUITY	**88,049,260**		**81,907,015**	
Provisions for risks and charges	-		-	
Loans	9,442,672		2,706,642	
Employee and Director benefits	2,922,988		2,388,248	
Deferred tax liabilities	60,135		-	
Other non-current liabilities	876,210		734,418	
Total non-current liabilities	**13,302,005**		**5,829,308**	
Bank payables	8,512,581		5,705,645	
Trade payables	4,362,692		4,371,384	
Tax payables	14,180,091		12,971,532	
Other current liabilities	4,120,067	*1,077,590*	5,565,067	*2,419,444*
Accrued expenses	450,611		131,008	
Derivative financial instruments	82,071		38,545	
Total current liabilities	**31,708,113**		**28,783,181**	
TOTAL LIABILITIES	**45,010,118**		**34,612,489**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**133,059,378**		**116,519,504**	

BASICNET S.p.A. – CASH FLOW STATEMENT AS AT DECEMBER 31, 2015 PREPARED AS PER CONSOB RESOLUTION NO. 15519 OF JULY 27, 2006

(in Euro)

	December 31, 2015		December 31, 2014	
		Of which related Parties		*Of which related parties*
A) OPENING SHORT-TERM BANK DEBT	**(739,092)**		**926,663**	
B) CASH FLOW FROM OPERATING ACTIVITIES				
Net profit for the year	12,070,269		10,109,631	
Amortisation & Depreciation	2,074,281		1,916,821	
Changes in working capital:				
- (increase) decrease in trade receivables	(1,691,489)		688,476	
- (increase) decrease in inventories	(14,552)		393	
- (increase) decrease in other receivables	(13,635,671)	*(14,138,860)*	(4,736,744)	*(4,591,883)*
- increase (decrease) in trade payables	(8,692)		(1,091,679)	
- increase (decrease) in other payables	285,381	*(1,341,854)*	(651,474)	*(2,365,901)*
Net change in post-employment benefits	(58,873)		(80,489)	
Others, net	31,011		(24,561)	
	(943,335)		**6,130,374**	
C) CASH FLOW FROM INVESTING ACTIVITIES				
Investments in fixed assets:				
- tangible assets	(500,390)		(347,578)	
- intangible assets	(2,055,715)		(1,747,286)	
- financial assets	-		(58,503)	
Realisable value for fixed asset disposals:				
- tangible assets	232		-	
- intangible assets	-		-	
- financial assets	-		-	
	(2,555,873)		**(2,153,367)**	
D) CASH FLOW FROM FINANCING ACTIVITIES				
Lease contracts (repayments)	39,595		(14,730)	
Repayments of medium/long term loans	(5,799,110)		(4,517,860)	
New medium/long term loans	15,000,000		-	
Acquisition of treasury shares	(1,947,845)		(1,110,172)	
Distribution of dividends	(3,979,102)		-	
	3,313,538		**(5,642,762)**	
E) OPERATIONS NOT GENERATING CASH FLOWS				
Conversion of financial receivables into investments				
- receivables from subsidiaries	-		-	
- equity investments	-		-	
	-		-	
E) CASH FLOW IN THE YEAR	**(185,670)**		**(1,665,755)**	
F) CLOSING SHORT-TERM BANK DEBT	**(924,763)**		**(739,092)**	

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

For the Board of Directors

The Chairman

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, 2015 was approved by the Board of Directors on March 18, 2016. 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 2015 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, 2015

As per IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the IFRS in effect from January 1, 2015 are indicated and briefly illustrated below.

Improvements to IFRS (2011-2013 cycle): 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:

- Amendment 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;
- Amendment 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;
- Amendment 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.

Improvements to IFRS (2010-2012 cycle): 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:

- Amendment to IFRS 2 – *Share-based payments"*; the amendment clarifies the definition of "maturity conditions", separately setting out the "service conditions" and the "result conditions";
- Amendment to IFRS 3 - *Business combinations;* the amendment clarifies the classification 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 operating 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.

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 amendments 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.

These amendments did not impact the Group separate financial statements at December 31, 2015.

New Standards and Interpretations adopted by the EU, but not yet effective

Amendments to IFRS 11 *(Joint Arrangements): Accounting for the acquisition of investments in Joint arrangements*
On November 24, 2015, EU Regulation No. 2015/2173 was issued, enacting at European level some limited modifications to IFRS 11. The amendments add new guidelines on the calculation of the acquisition of an investment in a joint operation, whose activities constitute a business (as defined by IFRS 3 - *Business Combinations*);

Amendments to *IAS 16 (Property, plant and equipment)* and *IAS 38 - (Intangible Assets)*
On December 2, 2015, EU Regulation No. 2015/2231 was issued, enacting at European level some limited modifications to IAS 16 and IAS 38. The amendment clarifies that the application of an amortisation or depreciation method based on revenues is not correct. With regards only to intangible assets, such is permitted only on the occurrence of one of the following circumstances: (i) the usage right of an intangible asset is related to the reaching of a set revenue threshold; or (ii) where revenues and the usage of the economic benefits of the asset are shown to be highly correlated.

Improvements to IFRS (2012-2014 cycle): on December 15, 2015 EU Regulation 2015/2343 was issued and enacted at EU level a number of improvements to IFRS for the period 2012-2014; with regard to these amendments we highlight:

- IFRS 5 - *Non-current assets held for sale and discontinued operations:* these amendments concern changes to the disposal methods (from sales plans to shareholder distribution plans and vice versa);

- IFRS 7 - *Financial instruments: additional disclosure;* these amendments concern disclosure on servicing contracts, in terms of continuing involvement and the application of disclosure as per IFRS 7 in relation to offsetting between financial assets and liabilities in interim financial statements;
- IAS 19 - *Employee benefits;* the discount rate was amended (in relation to the market area);
- IAS 34 - *Interim financial statements*; the amendment clarifies how information in the interim financial statements may be supplemented by other information available in other sections of the Interim Report (e.g. Directors' Report) through referencing.

Amendments to IAS 1 *(Presentation of financial statements)* - Disclosure initiatives
On December 18, 2015, EU Regulation No. 2015/2406 was issued, enacting at European level some limited modifications to IAS 1. In particular, the amendments, which are part of a wider improvement initiative for the presentation and disclosure of financial statements, include updates in the following areas:

- *materiality*: it is established that the concept of materiality applies to financial statements in their totality and that the inclusion of immaterial information may affect the utility of financial disclosure;
- *de-aggregation and subtotals*: it is clarified that specific separate income statement, comprehensive income statement and balance sheet accounts may be de-aggregated. New requirements were in addition introduced for the use of subtotals;
- *structure of the notes*: it is established that companies have a certain degree of flexibility in setting the order of presentation of the notes to the financial statements. In establishing this order, the Company may take account of the comprehensibility and comparability requirements of the financial statements;
- *investments valued at equity*: the share of "Other Comprehensive Income" (OCI) concerning investments in associates and joint ventures valued at equity should be divided between the sections which may be reclassified, and which may not be reclassified, to the separate income statement.

Amendments to *IAS 27 Separate Financial Statements:* on December 18, 2015, EU Regulation No. 2015/2441 was issued, enacting at European level some limited modifications to IAS 27, including the possibility to use for the preparation of the separate financial statements the equity method for the measurement of investments in subsidiaries, associates and joint ventures.

It is expected that these amendments, to be applied from January 1, 2016, will not have any significant effects on the separate financial statements.

New Accounting standards and amendments to IASB accounting standards

At the date of the present financial statements, the following new Standards/Interpretations were issued by IASB, although still not approved by the EU:

- *IFRS 14 – Regulatory deferral accounts:* application from January 1, 2016;
- IFRS 9 - *Financial instruments:* application from January 1, 2018;
- IFRS 11- *Joint arrangements* for the accounting of the acquisition of investments in joint ventures: application from January 1, 2016;
- IFRS 15 - *Revenue from contracts with customers:* application from January 1, 2018;
- 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: application from January 1, 2019;

- Amendments to IAS 28 - *Investments in associates and joint ventures*, sales and conferment of assets between an investor and an associate/joint venture: application from January 1, 2016;
- Amendments to IFRS 12, IFRS 10 and IAS 28, Investment entities – Consolidation exceptions: application from January 1, 2016;
- Amendments to IAS 12 – *Income taxes -Recognition of deferred tax assets for unrealised losses:* application from January 1, 2017.

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, 2015 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.

The 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. 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. They are amortised according to market conditions and generally within the period in which control of the asset is exercised.

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.

Cash flow hedges and accounting of relative operations

BasicNet S.p.A. utilises 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 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 separate 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 2015	FY 2014
Net sales to third parties	752,033	615,828
Net sales to subsidiaries	1,534,262	1,414,150
Total direct sales	**2,286,295**	**2,029,978**

Sales to subsidiaries are detailed in Note 40.

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

	FY 2015	FY 2014
Italy	1,590,414	1,392,245
Europe	368,470	403,009
The Americas	165,876	114,823
Asia and Oceania	156,143	104,667
Middle East and Africa	5,392	15,234
Total	**2,286,295**	**2,029,978**

The direct sale of samples reported a Euro 256 thousand increase, following increased orders from licensees.

8. COST OF SALES

The breakdown of the cost of sales is as follows:

	FY 2015	FY 2014
Samples purchased	1,400,173	1,192,596
Freight charges and accessory purchasing cost	372,637	338,395
Change in inventory of raw materials, ancillary, consumables and goods	(14,552)	(518)
Prototypes purchases and development	366,536	249,910
Other	72,129	68,700
Total cost of sales	**2,196,923**	**1,849,083**

The breakdown of the sample purchases and accessory purchases by geographic area is reported below:

	FY 2015	FY 2014
Asia and Oceania	1,095,859	824,051
Italy	212,368	260,338
Europe	30,642	57,748
The Americas	41,912	40,179
Middle East and Africa	19,392	10,280
Total	**1,400,173**	**1,192,596**

Sample purchases were made by BasicNet S.p.A. for resale to the licensees. The increase is principally related to higher sales and increased costs related to the development of new prototypes.

9. ROYALTIES AND SOURCING COMMISSIONS

The breakdown of royalties and sourcing commissions by geographic area is reported below.

	FY 2015	FY 2014
Europe	13,407,574	12,347,483
The Americas	1,820,469	1,494,233
Asia and Oceania	11,056,477	9,139,788
Middle East and Africa	1,042,946	897,854
Total	**27,327,466**	**23,879,359**

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 2015	FY 2014
Assistant services to Group companies	6,058,284	6,510,200
Other income	618,285	283,465
Total other income	**6,676,569**	**6,793,665**

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., Jesus Jeans S.r.l and Fashion S.r.l.

“Other income” in 2015 included a contribution of Euro 250 thousand for the co-branding operation with FCA Italy S.p.A. for the Panda K-Way, Euro 48 thousand for recharge expenses, Euro 27 thousand for contributions to the Premium Berlin trade fair invoiced to the German licensee, Euro 273 thousand for prior year income, in addition to minor amounts.

11. SPONSORSHIP AND MEDIA COSTS

	FY 2015	FY 2014
Communication contributions	291,737	182,696
Promotional expenses	33,265	11,797
Advertising	411,801	219,069
Total sponsorship and media costs	**736,803**	**413,562**

The increase of Euro 193 thousand in the “Advertising” account relates to the Panda K-Way advertising operation. The remaining increase for Euro 130 thousand concerns increased activities of an institutional nature relating to attendance at events and trade fairs, including non-recurring.

12. PERSONNEL COSTS

	FY 2015	FY 2014
Salaries and wages	5,995,888	5,537,188
Social security	2,022,745	1,986,497
Post-employment benefits	421,430	379,739
Total	**8,400,063**	**7,903,424**

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, 2015				Human Resources at December 31, 2014			
Category	Number		Average age		Number		Average age	
	Male/Female	Total	Male/Female	Average	Male/Female	Total	Male/Female	Average
Executives	13 / 8	21	47 / 48	47	13 / 7	20	46 / 50	48
Managers	1 / -	1	53 / -	53	1 / -	1	52	52
White-collar	52 / 100	152	37 / 39	38	45 / 98	143	39 / 39	39
Blue-collar	1 / 2	3	35 / 43	40	1 / 2	3	34 /42	39
Total	67 / 110	177	39 / 39	39	60 / 107	167	41 / 39	40

The increase of 4.76%, for a value of Euro 377 thousand, was due to reviews, contractual increases and new hires, related principally to the strengthening of some operating structures. The average number of Employees in 2015 was 171, comprising 21 executives, 1 senior manager, 146 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 million, is shown in the table below:

	FY 2015	FY 2014
Rental, accessory and utility expenses	3,299,212	3,260,050
Directors and Statutory Auditors emoluments	2,857,821	2,787,847
Commercial expenses	2,521,131	1,805,857
Sales services	288,487	314,677
Doubtful debt provision	180,000	240,000
Other general expenses	3,191,832	3,825,223
Total	**12,338,483**	**12,233,654**

"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 (reported net of tax charges) 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 and increased Euro 716 thousand, related to additional consultancy for the development of new products.

"Sales services" include expenses for exporting samples in addition to "royalties' charges" principally relating to co-branding operations.

The "doubtful debt provision" of Euro 180 thousand, reducing Euro 60 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 in the previous year is due to the lower recourse to legal and professional consultancy, of a non-recurring nature.

14. AMORTISATION & DEPRECIATION

Depreciation of fixed assets includes depreciation on finance lease assets.

	FY 2015	FY 2014
Amortisation	1,753,275	1,634,100
Depreciation	321,006	282,721
Total amortisation & depreciation	**2,074,281**	**1,916,821**

The increase in the year reflects the investments made in previous years.

15. NET FINANCIAL INCOME (CHARGES)

	FY 2015	FY 2014
Interest on bank deposits	187	624
Intercompany interest income	597,816	498,785
Current account interest	(56,798)	(160,250)
Intercompany interest expense	-	(4,782)
Interest on medium/long term loans	(372,747)	(422,779)
Medium/long-term loan financial charges	(42,690)	(32,005)
Others	(81,113)	(143,837)
Total financial income and charges	***44,655***	***(264,244)***
Exchange gains	967,092	561,556
Exchange losses	(642,877)	(293,353)
Net exchange gains/(losses)	***324,215***	***268,203***
Total financial income/(charges)	**368,870**	**3,959**

"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, with settlement completed in the year, the amortising loan obtained from UBI Banca in the second half of 2013 and the Intesa SanPaolo loan obtained in the year.

"Exchange gains realised" in 2015 amounted to Euro 853 thousand and "exchange losses realised" amounted to Euro 524 thousand. The translation of credit and debit balances at year-end resulted in the recognition of "non-realised exchange losses" of Euro 119 thousand and "non-realised exchange gains" of Euro 114 thousand.

16. DIVIDENDS

The subsidiary Basic Properties B.V. distributed to BasicNet dividends of Euro 5.4 million, based on the dividends in turn received from the entirely held subsidiaries Basic Trademark S.A., Superga Trademark S.A. and Basic Properties America Inc..

17. INCOME TAXES

Current income tax

Current income taxes refer to IRAP Regional Tax of Euro 539 thousand and IRES Corporation Tax of Euro 3.3 million.

The reconciliation between the theoretical and actual rate is shown below:

	December 31, 2015		December 31, 2014	
Ordinary rate applicable		**27.50%**		**27.50%**
Pre-tax result (current and deferred)	16,312,647		13,340,417	
Theoretical tax on statutory result		4,485,978		3,668,615
Effect of increases (decreases) to the ordinary rate:				
- permanent differences:				
. non-deducible sales rep. expenses	384,806		233,717	
. non-deductible (exempt) depreciation/amortisation	16,034		41,318	
. vehicle management expenses	258,307		233,948	
. prior year expenses/income non-deductible (exempt)	(87,135)		230	
. exempt dividends	(5,130,000)		(4,702,500)	
. other permanent differences	679,405		158,094	
Assessable income	12,434,064		9,305,223	
Effective tax		3,419,368		2,558,936
Effective rate		**20.96%**		**19.18%**
Difference between theoretical and actual rate		**(6.54%)**		**(8.32%)**

Reconciliation current IRES	**December 31, 2015**		**December 31, 2014**	
Pre-tax result and permanent differences	12,434,064		9,305,223	
Losses carried forward not utilised	-		-	
Effective tax charge	12,434,064	3,419,368	9,305,223	2,558,936
Temporary differences in the year affecting deferred taxes	(423,912)	(116,576)	237,756	65,383
Current taxes on temporary differences and reversals		(116,576)		65,383
Total current income taxes		**3,302,792**		**2,624,319**

Reconciliation current IRAP	**December 31, 2015**		**December 31, 2014**	
Ordinary rate applicable		3.90%		3.90%
Assessable IRAP	22,006,167		19,623,351	
Theoretical tax charge		858,241		765,311
Effect of increases (decreases) to the ordinary rate:				
- vehicle management expenses	10,329		11,318	
- prior year expenses/income non-deductible (exempt)	149,944		37,687	
- depreciation/amortisation for tax purposes	(606,345)		(606,026)	
- tax amnesty	(7,744,343)		(3,561,071)	
- other permanent differences	31,866		-	
- temporary differences on which deferred taxes not accrued:	(25,000)		(25,000)	
Assessable IRAP restated	13,822,618		15,480,259	
Effective tax		**539,082**		**603,730**
Effective rate		**2.45%**		**3.08%**
Difference between theoretical and actual rate		**(1.45%)**		**(0.82%)**

The current taxes estimate does not take into account any benefits from the application of the "Patent Box" tax break, introduced into Italian legislation at the end of 2014, although becoming operative from the end of 2015, for which the Group presented, in accordance with the applicable regulation, a specific option to the Tax Agency last December in order to include also financial year 2015 in the five-year validity of the option.

The exact value of any benefit of the tax break on certain income components, deriving from the use of Group intellectual property, will in fact only be reflected in the financial statements when the criteria for the determination of the benefit are defined, therefore subsequent to the ruling by the Tax Agency, expected by the end of 2016.

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 a charge to the income statement of Euro 339 thousand.

The 2016 Stability Law (Law 208/2015), published in the Official Gazette of December 30, 2015, introduced a reduction to the IRES rate from 27.5% to 24% from January 1, 2017. Consequently, the deferred tax assets and liabilities reported in the financial statements at December 31, 2015 were calculated considering the change to the IRES rate from 2017, in line with paragraph 47 of IAS 12, which provides for the utilisation of the tax rates which will be applied in the year in which the underlying asset will be realised or underlying liability settled. However, the effects from the change in the rate on the calculation of deferred taxes did not have any material impact on the balance sheet or income statement in 2015.

ASSETS

18. INTANGIBLE ASSETS

The breakdown of intangible assets at December 31, 2015 compared to the previous year-end and the movements during the year are reported in the table below:

	Dec. 31, 2015	Dec. 31, 2014	Changes
Concessions, trademarks and similar rights	8,365,117	8,391,385	(26,268)
Other intangible assets	3,361,995	3,141,467	220,528
Intangible assets in progress	354,525	268,377	86,148
Industrial patents & intellectual property rights	33,393	11,361	22,032
Total intangible assets	**12,115,030**	**11,812,590**	**302,440**

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
Historic cost at 1.1.2014	**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)*	-	-
Historic cost at 31.12.2014	**12,401,068**	**26,476,600**	**268,377**	**53,347**	**39,199,392**
Additions	*117,049*	*1,556,486*	*354,525*	*27,655*	*2,055,715*
Reclass.	-	*268,377*	*(268,377)*	-	-
Historic cost at 31.12.2015	**12,518,117**	**28,301,463**	**354,525**	**81,002**	**41,255,107**

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

	Concessions, trademarks and similar rights	Other intangible assets	Intangible assets in progress	Industrial patents	Total
Acc. Amort. at 1.1.2014	**(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)**
Amortisation	*(143,317)*	*(1,604,335)*	-	*(5,623)*	*(1,753,275)*
Acc. Amort. at 31.12.2015	**(4,153,000)**	**(24,939,468)**	-	**(47,609)**	**(29,140,077)**

The changes in intangible assets during 2015 are shown in the table below:

	Concessions, trademarks and similar rights	**Other intangible assets**	**Intangible assets in progress**	**Industrial patents**	**Total**
Opening net book value at 1.1.2014	**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**
Additions	*117,049*	*1,556,486*	*354,525*	*27,655*	*2,055,715*
Reclass.	-	*268,377*	*(268,377)*	-	-
Amortisation	*(143,317)*	*(1,604,335)*	-	*(5,623)*	*(1,753,275)*
Closing net book value at 31.12.2015	**8,365,117**	**3,361,995**	**354,525**	**33,393**	**12,115,030**

At December 31, 2015 the intangible assets report investments of Euro 2.05 million, amortisation of approx. Euro 1.8 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 8.1 million at December 31, 2015. 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 brand in the period 2016-2020. 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%, in line with average rates for clothing (2.2%) and footwear (1.5%), taken from specialised financial websites (EU, January 2016). These net cash flows were discounted at the weighted average cost of capital (WACC) equal to 6.5% (7% in 2014), 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 1.18 (1.25 in 2014).
- Market Risk Premium (MRP): amounts to 6.25% (5.75% in 2014), 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 1.75% (2.4% in 2014), in line with the return on ten-year State bonds.
- Debt cost: amounts to 2.72%, (4.2% in 2014).
- 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:

	Dec. 31, 2015	Dec. 31, 2014	Changes
Software development	3,334,861	3,135,167	199,694
Other intangible assets	27,134	6,300	20,834
Total other intangible assets	**3,361,995**	**3,141,467**	**220,528**

The account increased Euro 1.8 million principally due to the implementation of new software programmes realised internally and decreased due to the amortisation for the year of approx. Euro 1.6 million.

19. PLANT, MACHINERY AND OTHER ASSETS

The breakdown of plant, machinery and other assets at December 31, 2015 compared to the previous year is shown in the table below:

	Dec. 31, 2015	Dec. 31, 2014	Changes
Plant and machinery	56,895	30,418	26,477
Industrial and commercial equipment	63,166	47,317	15,849
Other assets	1,423,208	1,286,382	136,826
Total plant, machinery and other assets	**1,543,269**	**1,364,117**	**179,152**

The changes in the historical cost of plant, machinery and other assets were as follows:

	Plant & machinery	Industrial & commercial equipment	Other assets	Total
Historic cost at 1.1.2014	**152,435**	**251,209**	**5,961,411**	**6,365,055**
Additions	*21,677*	*9,786*	*316,191*	*347,654*
Divestments	-	-	*(3,843)*	*(3,843)*
Historic cost at 31.12.2014	**174,112**	**260,995**	**6,273,759**	**6,708,866**
Additions	*34,091*	*33,332*	*432,967*	*500,390*
Divestments	-	-	*(3,642)*	*(3,642)*
Historic cost at 31.12.2015	**208,203**	**294,327**	**6,703,084**	**7,205,614**

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

	Plant & machinery	Industrial & commercial equipment	Other assets	Total
Acc. Deprec. at 1.1.2014	**(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)**
Depreciation	*(7,614)*	*(17,483)*	*(295,908)*	*(321,005)*
Divestments	-	-	*3,409*	*3,409*
Acc. Deprec. at 31.12.2015	**(151,307)**	**(231,161)**	**(5,279,876)**	**(5,662,345)**

The changes in the plant and machinery are shown in the table below:

	Plant & machinery	Industrial & commercial equipment	Other assets	Total
Net opening book value at 1.1.2014	**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**
Additions	*34,091*	*33,332*	*432,967*	*500,390*
Divestments	-	-	*(233)*	*(233)*
Depreciation	*(7,614)*	*(17,483)*	*(295,908)*	*(321,005)*
Net closing book value at 31.12.2015	**56,895**	**63,166**	**1,423,208**	**1,543,269**

This account “other assets” consist of:

	Dec. 31, 2015	Dec. 31, 2014	Changes
EDP	448,697	348,738	99,959
Furnishings and fittings	297,296	286,837	10,459
Transport vehicles	11,060	33,179	(22,119)
Other assets	666,155	617,628	48,527
Total other assets	**1,423,208**	**1,286,382**	**136,826**

The investments in the year relate to the acquisition of furnishings and fittings for Euro 67 thousand, EDP for Euro 234 thousand, moulds for new products for Euro 122 thousand, plant for Euro 34 thousand and equipment and telephones of Euro 43 thousand and minor assets. 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.

The net book value at December 31, 2015 of property, plant and equipment acquired according to the finance lease formula relates only to EDP for approx. Euro 79 thousand.

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, 2015	**Dec. 31, 2014**	**Changes**
Investments in:			
- Subsidiaries	35,754,488	35,754,488	-
- Joint ventures	490,000	490,000	-
- Other companies	128	128	-
Total investments	***36,244,616***	***36,244,616***	-
Receivables:			
- Joint Ventures	90,000	90,000	-
- Other receivables	10,230	10,460	(230)
Total financial receivables	***100,230***	***100,460***	***(230)***
Total investments and other financial assets	**36,344,846**	**36,345,076**	**(230)**

Reference should be made to Attachment 1 for information on the book value of the investments in subsidiaries.

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 subsidiary, in the five year period 2016-2020, 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 2015 significantly improved its key indicators, reporting a net profit in the year, together with its subsidiary BasicRetail S.r.l, of Euro 1.8 million.

The book value of the subsidiary Basic Properties B.V., amounting to Euro 3.6 million at December 31, 2015, 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 and 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 20 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

In 2015 deferred tax liabilities were recorded, as reported in the table at Note 30.

	Dec. 31, 2015	Dec. 31, 2014	Changes
Net deferred tax asset (liability)	-	280,275	(280,275)
Total deferred tax asset (liability) as per financial statements	**-**	**280,275**	**(280,275)**

Reference should be made to the comment at Note 30 of the present Notes.

22. NET INVENTORIES

The composition of the item is as follows:

	Dec. 31, 2015	Dec. 31, 2014	Changes
Finished products and goods for resale	1,667,759	1,772,707	(104,948)
Gross value	***1,667,759***	***1,772,707***	***(104,948)***
Slow-moving provision	(893,275)	(1,012,775)	119,500
Total net inventories	**774,484**	**759,932**	**14,552**

“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:

	2015	2014
Inventory obsolescence provision at 1.1	**1,012,775**	**912,775**
Provisions in the year	100,000	190,000
Utilisations	(219,500)	(90,000)
Inventory obsolescence provision at 31.12	**893,275**	**1,012,775**

The utilisation of the provision relates to the disposal of the excess samples from previous years.

23. TRADE RECEIVABLES

	Dec. 31, 2015	Dec. 31, 2014	Changes
Trade receivables - Italy	249,422	400,270	(150,848)
Trade receivables - Abroad	10,257,078	8,281,164	1,975,914
Doubtful debt provision	(1,069,376)	(935,799)	(133,577)
Total trade receivables	**9,437,124**	**7,745,635**	**1,691,489**

In particular, the breakdown of foreign receivables is as follows:

	Dec. 31, 2015	Dec. 31, 2014	Changes
Europe	2,270,958	1,391,164	879,794
The Americas	858,504	1,108,723	(250,219)
Asia and Oceania	7,024,256	5,643,829	1,380,427
Middle East and Africa	103,360	137,448	(34,088)
Total	**10,257,078**	**8,281,164**	**1,975,914**

"Trade receivables" amounts to approx. Euro 10.5 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 31.12.2014	**935,799**
Utilisation for administration procedures and other losses	(46,423)
Provisions in the year	180,000
Balance at 31.12.2015	**1,069,376**

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)	Dec. 31, 2015	Dec. 31, 2014
Receivables not overdue and not written down	7,606	6,036
Receivables written down, net of provision	162	49
Overdue and not written down	1,669	1,661
Total	**9,437**	**7,746**

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

	Dec. 31, 2015	Dec. 31, 2014	Changes
Receivables from Group companies	64,944,986	50,806,126	14,138,860
Tax receivables	924,048	1,550,136	(626,088)
Other receivables	1,864,080	1,290,878	573,202
Total other current assets	**67,733,114**	**53,647,140**	**14,085,974**

The breakdown of “receivables from Group companies” is as follows:

	Dec. 31, 2015	Dec. 31, 2014	Changes
Trade receivables			
BasicItalia S.p.A.	543,235	2,576,700	(2,033,465)
Superga Trademark S.A.	20,833	-	20,833
Basic Trademark S.A.	458,334	-	458,334
Basic Properties B.V.	2,047,957	-	2,047,957
Anzi Besson Trademark S.r.l.	14,427	16,050	(1,623)
BasicNet Asia Ltd.	-	51,636	(51,636)
Jesus Jeans S.r.l.	8,194	248	7,946
Total trade receivables	***3,092,980***	***2,644,634***	***448,346***
Financial receivables			
BasicItalia S.p.A.	38,782,155	16,514,847	22,267,308
Basic Village S.p.A.	2,207,223	1,025,932	1,181,291
Superga Trademark S.A.	17,240,476	19,000,000	(1,759,524)
Superga Trademark S.A.	1,238,547	5,658,274	(4,419,727)
Basic Trademark S.A.	1,075,739	2,823,228	(1,747,489)
RdK0 S.r.l.	-	1,479,011	(1,479,011)
BasicRetail S.r.l.	1,307,866	1,660,200	(352,334)
Total financial receivables	***61,852,006***	***48,161,492***	***13,690,514***
Total	**64,944,986**	**50,806,126**	**14,138,860**

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 13.7 million, principally concerning transactions with BasicItalia S.p.A. and Basic Village S.p.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 647 thousand and Tax reimbursements due of Euro 277 thousand.

The account “other receivables” includes the premium paid to the insurance company against the Directors Termination Indemnities for Euro 1.8 million, as approved by the Shareholders’ Meeting for the 2013-2015 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, 2015	Dec. 31, 2014	Changes
Prepaid expenses on 2016 collections	3,578,634	3,201,876	376,758
Royalty expenses	17,649	-	17,649
Telecommunications costs, new utilities	8,418	-	8,418
Insurance	59,177	-	59,177
Assistance and maintenance contract	53,972	31,545	22,427
Rentals, leases, hire and other	234,418	288,875	(54,457)
Total prepayments	**3,952,268**	**3,522,296**	**429,972**

Prepaid costs include creative personnel costs, sample costs for collections for which the corresponding sales revenues have not been realised and costs for trade fairs and exhibitions for future collections and the relative sales meetings. The account increased due to the greater activity undertaken for the development of the brands and samples for licensees.

26. CASH AND CASH EQUIVALENTS

	Dec. 31, 2015	Dec. 31, 2014	Changes
Bank and postal deposits	1,146,435	1,029,178	117,257
Cash and cash equivalents on hand	12,808	13,265	(457)
Total cash and cash equivalents	**1,159,243**	**1,042,443**	**116,800**

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

SHAREHOLDERS' EQUITY & LIABILITIES

27. SHAREHOLDERS' EQUITY

	Dec. 31, 2015	Dec. 31, 2014	Changes
Share capital	31,716,673	31,716,673	-
Treasury shares	(8,822,881)	(6,875,036)	(1,947,845)
Legal reserve	4,463,225	3,957,743	505,482
Treasury shares in portfolio reserve	8,822,881	6,875,036	1,947,845
Other reserves:			
- Cash Flow Hedge Reserve	(60,653)	(27,946)	(32,707)
- Remeasurement reserve for defined benefit plans (IAS 19)	(61,964)	(93,544)	31,580
- Retained earnings	39,921,710	36,244,458	3,677,253
Net profit for the year	12,070,269	10,109,631	1,960,638
Total Shareholders' Equity	**88,049,260**	**81,907,015**	**6,142,245**

The account includes:

- The "legal reserve", amounting to approx. Euro 4.5 million, which increased by approx. Euro 505 thousand following the allocation of the result for the previous year, as approved by the Shareholders' Meeting of April 27, 2015;
- The "reserve for treasury shares in portfolio", amounting to Euro 8.8 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, 2015, relating to the conversion of the variable rate of the Intesa loan into a fixed rate. The market valuation of the cash flow hedge derivatives, described in Note 37, 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 3.7 million following the allocation of the result for the previous year, as approved by the Shareholders' Meeting of April 27, 2015, 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.

In May 2015, as approved by the Shareholders' Meeting of BasicNet S.p.A. of April 27, 2015, in relation to the allocation of the 2014 net profit, a dividend of Euro 0.07 per share was distributed to each of the ordinary shares in circulation, for a total pay-out of approx. Euro 4 million.

Based on the share buy-back programme, at the reporting date the Company held 4,500,000 shares, equal to 7.38% of the share capital, for a total investment of approx. Euro 8.8 million. The weighted average number of shares outstanding in the year was 56,751,534.

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, 2015**	**Dec. 31, 2014**	**Changes**
Effective part of the Gains/losses on cash flow hedge instruments	*(45)*	*134*	*(179)*
Re-measurement of post-employment benefits (IAS 19) (*)	*44*	*(53)*	*97*
Tax effect relating to the Other items of the comprehensive income statement	-	*(22)*	*22*
Total other gains/(losses), net of tax effect	**(1)**	**59**	**(60)**

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

The tax effect relating to "Other gain/losses" is as follows:

(In Euro thousands)	**December 31, 2015**			**December 31, 2014**		
	Gross value	**Tax Charge/ Benefit**	**Net value**	**Gross value**	**Tax Charge/ Benefit**	**Net value**
Effective part of Gains/losses on cash flow hedge instruments	(45)	12	(33)	134	(37)	97
Re-measurement of post-employment benefits (IAS 19) (*)	44	(12)	32	(53)	15	(38)
Total other gains/(losses), net of tax effect	**(1)**	-	**(1)**	**81**	**(22)**	**59**

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

The statement on the availability of the reserves at December 31, 2015 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**	
				cover losses	**other reasons**
SHARE CAPITAL	**31,716,673**				
PROFIT RESERVES					
Legal Reserve	**4,463,225**	**B**	**--**		
OTHER RESERVES					
Retained earnings	**39,921,710**	**A,B,C**	**39,921,710**		
TOTAL	**76,101,608**		**39,921,710**		
Non-distributable quota			**(122,618) (*)**		
Quota distributable			**39,799,092**		

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)	31/12/2014	New loans	Repayments	31/12/2015	Short-term portion	Medium-long-term portion
"Intesa Loan"	-	15,000	1,875	13,125	3,750	9,375
"Superga Loan"	1,781	-	1,781	-	-	-
"UBI Banca Loan"	4,821	-	2,143	2,678	2,678	-
Balance	**6,602**	**15,000**	**5,799**	**15,803**	**6,423**	**9,375**

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

	Dec. 31, 2015	Dec. 31, 2014	Changes
Loans:			
- "Intesa Loan"	9,375,000	-	9,375,000
- "UBI Banca loan"	-	2,678,565	(2,678,565)
- Other lenders	67,672	28,077	39,595
Total loans	**9,442,672**	**2,706,642**	**6,736,030**

The "UBI Banca loan", with a residual payable of Euro 2.7 million at the reporting date, was settled in advance in January 2016, following the undertaking of a short-term hot-money line granted by the same bank at more advantageous financial conditions.

The loan for the acquisition of the Superga brand of the Group was settled on July 16, 2015.

The "Intesa" loan was issued in April 2015 by Intesa Sanpaolo S.p.A. for Euro 15 million of four-year duration, repayable in quarterly instalments at a quarterly Euribor rate plus 185 basis points. In July 2015, the variable Euribor rate was converted (under an interest rate swap) into a fixed rate of 0.23% annually. At December 31, 2015, the Superga loan was repaid for Euro 1.9 million, with a residual balance of Euro 13.1 million, of which Euro 3.8 million short-term. The loan is supported by a pledge on Superga Trademark SA shares.

The contractual conditions do not include financial covenants. 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 36.479% 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., does not reduce under the above-cited stake;

– the maintenance, either directly or indirectly, by BasicNet S.p.A. of full ownership of Superga Trademark S.A..

"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, 2015	Dec. 31, 2014	Changes
Medium/long term loans:			
- due within 5 years	9,375,000	2,678,565	6,696,435
- due beyond 5 years	-	-	-
Total medium/long term loans	***9,375,000***	***2,678,565***	***6,696,435***
Leasing payables	67,672	28,077	39,595
Total leasing payables (maturity within 5 years)	***67,672***	***28,077***	***39,595***
Total loans	**9,442,672**	**2,706,642**	**6,736,030**

29. EMPLOYEE AND DIRECTOR BENEFITS

The account includes the post-employment benefits for employees of Euro 1.3 million and the termination indemnities of Directors of Euro 1.6 million.

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

	Dec. 31, 2015			Dec. 31, 2014		
	Defined benefit plans	**Defined contrib. plans**	**Total**	**Defined benefit plans**	**Defined contrib. plans**	**Total**
Change in the balance sheet:						
Net liabilities recognised at the beginning of the year	1,388,259	-	1,388,259	1,417,884	-	1,417,884
Interest	25,384	-	25,384	33,197	-	33,197
Pension cost, net of withholdings	21,386	390,613	411,999	(1,918)	380,904	378,986
Benefits paid	(53,873)	-	(53,873)	(80,489)	-	(80,489)
Payments to the INPS treasury fund	-	(104,013)	(104,013)	-	(320,015)	(320,015)
Payments to other supplementary pension fund	-	(286,600)	(286,600)	-	(60,889)	(60,889)
- Actuarial gains/(losses)	(43,559)	-	(43,559)	53,199	-	53,199
Internal transfers to the Group	(14,609)	-	(14,609)	(33,625)	-	(33,625)
Net liabilities recognised in the accounts	**1,322,988**	**-**	**1,322,988**	**1,388,248**	**-**	**1,388,248**
Change in the income statement:						
Interest	25,383	-	25,383	33,197	-	33,197
Pension Cost	24,617	390,613	415,230	258	380,904	381,162
Actuarial gains/(losses)	-	-	-	-	-	-
Total charges/(income) for post-employment benefits	**50,000**	**390,613**	**440,613**	**33,455**	**380,904**	**414,359**

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:

	Dec. 31, 2015	**Dec. 31, 2014**
discount rate	2.25%	1.86%
inflation rate:		0.60% for 2015
	1.50% for 2016	1.20% for 2016
	1.80 for 2017	1.50% for 2017
	1.70% for 2018	1.50% for 2018
	1.60% for 2019	2.00% from 2019 onwards
	2.00% from 2020 onwards	
annual increase in post-employment benefit		1.95% for 2015
	2.625% for 2016	2.400% for 2016
	2.850% for 2017	2.625% for 2017
	2.775% for 2018	2.625% for 2018
	2.700% for 2019	3.00% from 2019 onwards
	3.00% from 2020 onwards	
annual increase in salaries:	Up to 10 years service: 3.00%	Up to 10 years service: 3.00%
	Above 10 years service: 1.00%	Above 10 years service: 1.00%

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. DEFERRED TAX LIABILITIES

Deferred tax liabilities were recorded for Euro 60 thousand.

The breakdown is shown below:

	Dec. 31, 2015	**Dec. 31, 2014**	**Changes**
Net deferred tax asset (liability)	60,135	-	60,135
Total deferred tax liabilities	**60,135**	**-**	**60,135**

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

(in thousands of Euro)	Dec. 31, 2015			Dec. 31, 2014			
	Amount of temporary differences	**Rate % (*)**	**Tax effect**	**Amount of temporary differences**	**Rate %**	**Tax effect**	**Changes 2015/2014**
Deferred tax assets:							
- Excess doubtful debt provision not deductible	(665)	27.50%-24,00%	(160)	(485)	27.50	(133)	(27)
- Inventory obsolescence provision	(893)	27.50%-24,00%	(247)	(1,013)	31.40	(306)	59
- ROL surplus	(455)	27.50%-24,00%	(125)	(1,255)	27.50	(345)	220
- Charges temporarily non-deductible	(704)	27.50%-24,00%	(194)	(733)	27.50	(202)	8
- Effect IAS 39 – financial instruments	(82)	27.50%-24,00%	(20)	(39)	27.50	(11)	(9)
Total	**(2,799)**		**(746)**	**(3,525)**		**(997)**	**251**
Deferred tax liabilities:							
- prudent exchange differences, net	(4)	27.50%-24,00%	(1)	9	27.50	2	(3)
- Amortisation/Depreciation tax basis	2,881	31.40%-27,90%	804	2,275	31.40	715	89
- Effect IAS 19 – Employee Benefits	12	27.50%-24,00%	3	-	27.50	-	3
Total	**2,889**		**806**	**2,284**		**717**	**89**
Net deferred tax liability (asset)			60			(280)	340
Deferred tax asset relating to fiscal losses	-		-	-	27.50	-	-
Deferred tax charge/(income) as per financial statements	-		**60**	-		**(280)**	**340**

(*) The differing rates concern the adjustment of the IRES rate applicable from 2017, on the temporary differences to be realised or settled subsequently to 2016 (Note 17).

31. OTHER NON-CURRENT LIABILITIES

	Dec. 31, 2015	**Dec. 31, 2014**	**Changes**
Guarantee deposits	876,210	734,418	141,792
Total other non-current liabilities	**876,210**	**734,418**	**141,792**

The “guarantee deposits” include the guarantees received from licensees (in place of bank or corporate guarantees), to cover the minimum royalties guaranteed contractually. The movement concerns the agreement of new contract licenses and a decrease of Euro 179 thousand for the utilisation to cover overdue receivables.

32. BANK PAYABLES

	Dec. 31, 2015	Dec. 31, 2014	Changes
Bank payables due within one year:			
- short-term portion of medium/long-term loans	6,428,575	3,924,110	2,505,465
- bank overdrafts and bills	2,000,000	1,709,592	290,408
- interest expense on loans	84,006	71,943	12,063
Total bank payables	**8,512,581**	**5,705,645**	**2,806,936**

The average interest rates for BasicNet S.p.A. were:

	Dec. 31, 2015	Dec. 31, 2014
cash advances	1.05%	4.39%
medium-term loan	3.47%	4.92%

"Bank payables" include the short-term portion of loans, outlined at Note 28 and the relative interest matured and to be settled the following January.

Reference should be made to the Directors' Report for the changes in the net financial positions.

33. TRADE PAYABLES

	Dec. 31, 2015	Dec. 31, 2014	Changes
Trade payables - Italy	3,701,963	3,827,030	(125,067)
Trade payables - Foreign	660,729	544,354	116,375
Total trade payables	**4,362,692**	**4,371,384**	**(8,692)**

"Trade payables" are all due in the short-term period.

In particular, the breakdown of foreign suppliers is as follows:

	Dec. 31, 2015	Dec. 31, 2014	Changes
Europe	151,894	228,116	(76,222)
The Americas	46,795	17,250	29,545
Asia and Oceania	458,040	287,159	170,881
Middle East and Africa	4,000	11,829	(7,829)
Total	**660,729**	**544,354**	**116,375**

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.

34. TAX PAYABLES

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

	Dec. 31, 2015	Dec. 31, 2014	Changes
Tax payables:			
Income taxes	5,580,084	5,267,006	313,078
IRES	13,784	-	13,784
IRAP	301,519	49,415	252,104
Withholding taxes	7,770	20,023	(12,253)
VAT	7,968,879	6,940,829	1,028,050
Employee contributions	308,055	271,426	36,629
Non-recurring tax charge	-	422,833	(422,833)
Total tax payables	**14,180,091**	**12,971,532**	**1,208,559**

The “IRES” and “IRAP” accounts relate to payables in the year.

The VAT payable is consequent of the transfers of balances by the companies within the Group VAT consolidation.

The “Non-recurring tax charge” was fully settled during the year.

35. OTHER CURRENT LIABILITIES

	Dec. 31, 2015	Dec. 31, 2014	Changes
Payables to Group companies	1,077,590	2,419,444	(1,341,854)
Other payables	2,792,354	2,901,401	(109,047)
Accrued expenses	250,123	244,222	5,901
Total other current liabilities	**4,120,067**	**5,565,067**	**(1,445,000**

“Other payables” at December 31, 2015 principally include payables to social security institutions of Euro 479 thousand for the year 2015 and paid in 2016, employee, consultant and director payables of approx. Euro 1.4 million, which include vacation days matured at December 31, 2015 and other items of Euro 936 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", entirely of a commercial nature, are shown below:

	Dec. 31, 2015	Dec. 31, 2014	Changes
Basic Village S.p.A.. with sole shareholder	63,256	62,280	976
BasicNet Asia Ltd.	198,987	178,819	20,168
Fashion S.r.l	4,481	3,000	1,481
Basic Properties America Inc.	810,866	2,175,345	(1,364,479)
Total	**1,077,590**	**2,419,444**	**(1,341,854)**

36. DEFERRED INCOME

	Dec. 31, 2015	Dec. 31, 2014	Changes
Royalties	200,611	131,008	69,603
Other income deferred to following year	250,000	-	250,000
Total deferred income	**450,611**	**131,008**	**319,603**

"Deferred income" for royalties refer to invoicing for revenues which will mature in the following year.

"Other income" concerns the contribution received from FCA Italy S.p.A. within the advertising operation for the Panda K-Way concerning the subsequent year.

37. DERIVATIVE FINANCIAL INSTRUMENTS

	Dec. 31, 2015	Dec. 31, 2014	Changes
Derivative financial instruments	82,071	38,545	43,526
Derivative financial instruments	**82,071**	**38,545**	**43,526**

The account at December 31, 2015 includes the adjustments to the market value of the interest rate hedging operations on the "Intesa Loan", which converted the variable Euribor quarterly 1.48% rate into a fixed annual rate of 0.23% (cash flow hedge), in addition to a spread of 185 basis points.

An equity reserve was recorded of Euro 61 thousand, net of the tax effect. The hedge at December 31, 2014 concerning the "Superga Loan" was settled in the year.

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.

38. GUARANTEES GIVEN AND OTHER CONTINGENT ASSETS

The details of the guarantees given are as follows:

	Dec. 31, 2015	Dec. 31, 2014	Changes
Unsecured guarantees:			
- Surety given on behalf of subsidiaries companies	48,478,814	48,038,893	439,921
- Other guarantees	86,756	86,756	-
Total	**48,565,570**	**48,125,649**	**439,921**

- *Sureties given on behalf of subsidiaries*

The sureties given on behalf of the subsidiaries refer for Euro 8.1 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 4.7 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, Euro 6.5 million of a surety issued by a leading bank in guarantee of contractual commitments for a sponsorship contract and for the remainder, Euro 35.7 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.

39. 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 Company and 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 31.12.2015**
	Income Statement	**Shareholders' Equity**		
Assets:				
Trade receivables	-	-	9,437	**9,437**
Other current assets	-	-	67,733	**67,733**
Derivative financial instruments	-	-	-	
Liabilities:				
Medium/long-term loans	-	-	9,443	**9,443**
Trade payables	-	-	4,363	**4,363**
Other current liabilities	-	-	4,120	**4,120**
Derivative financial instruments	-	82	-	**82**

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 2015, exchange gains were recorded of Euro 329 thousand, while unrealised exchange losses were recorded of Euro 5 thousand, for a net exchange gain of Euro 324 thousand (Note 15).

The Company 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, 2015 is shown below:

	Dec. 31, 2015	%	Dec. 31, 2014	%
Fixed rate	13,183,392	73.42%	1,804,537	21.50%
Variable rate	4,771,862	26.58%	6,607,751	78.50%
Gross debt	**17,955,254**	**100.00%**	**8,412,288**	**100.00%**

The interest rate fluctuation risks of the medium-term "Intesa Loan" was hedged with conversion of the variable rate into fixed rates; as described in Note 37 on the remaining part of the debt the Company is exposed to currency risk.

The interest on the short-term credit lines are on an average 1.05% in accordance with the type of lending, as illustrated in Note 32.
Where at December 31, 2015 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 +77 thousand and Euro -77 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. 12.65% of trade receivables at December 31, 2015, against average losses in the last three years amounting to 0.1% of receivables and therefore an annual average value of 0.55%.

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”	-	-	-	-	-	-
“Intesa Loan”	13,125	518	13,643	3,997	9,619	-
“UBI Banca Loan”	2,679	58	2,737	2,737	-	-
Lease payables	68	3	71	35	36	-
Total financial liabilities	**15,872**	**529**	**16,451**	**6,769**	**9,655**	

Default risk and debt covenants

The risk that the loans within the company contain clauses (covenants) which allow the counterparties to request the creditor on the occurrence of certain events or circumstances the immediate repayment of the sums granted and not yet due, generating a liquidity risk.

There are no covenants on the loans in place.

40. 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 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	1,512,595	251,784	6,005,656	192,717	-	**7,962,752**
Basic Trademark S.A.	-	5,500,000	-	-	-	**5,500,000**
Basic Properties B.V.	-	-	-	-	5,400,000	**5,400,000**
Superga Trademark S.A.	-	250,000	-	405,099	-	**655,099**
Basic Village S.p.A.. with sole shareholder	-	50,000	-	-	-	**50,000**
BasicNet Asia Ltd.	21,667	-	-	-	-	**21,667**
Jesus Jeans S.r.l. with sole shareholder	-	5,000	-	-	-	**5,000**
Fashion S.r.l.	-	1,500	-	-	-	**1,500**
Total	**1,534,262**	**6,058,284**	**6,005,656**	**597,816**	**5,400,000**	**19,596,018**

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	-	-	-	2,002,660	-	**2,002,660**
BasicNet Asia Ltd.	-	-	-	798,578	-	**798,578**
BasicItalia S.p.A.. with sole shareholder	6,823	255,044	-	180,681	-	**442,548**
BasicRetail S.r.l. with Sole Shareholder	-	-	-	68,602	-	**68,602**
Fashion S.r.l.	-	-	-	2,682	-	**2,682**
Total	**6,823**	**255,044**	-	**3,053,203**	-	**3,315,070**

A breakdown of the transactions with related parties with reference to the note to which they refer for the year 2015 is shown below:

	Investments (Note 20)	**Receivables** (Note 24)	**Payables** (Note 35)	**Revenue** (Note 40)	**Costs** (Note 40)
Subsidiary companies	35,754,488	64,930,559	1,073,109	19,594,518	3,312,388
Interests in joint ventures:	490,000	14,427	4,481	1,500	2,682
Remuneration of Boards and Senior Executives and other related parties	-	-	-	-	3,746
Total	**36,244,488**	**64,944,986**	**1,077,590**	**19,596,018**	**7,061,150**

The remuneration concerns emoluments and all other payments, pension-related or social security deriving from the role of Director or Statutory Auditor in BasicNet S.p.A. and the other companies within the consolidation scope.

In relation to the other related parties, we highlight the legal consulting activities undertaken by Studio Legale Pavesio e Associati, 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.

41. 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.

42. 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

Marco Daniele Boglione

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INVESTMENTS AT DECEMBER 31, 2015

(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	12,535,198	1,491,453	100.00	-	12,535,198	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.	1,185	299,681	51,224	100.00	-	299,681	927
BASICRETAIL S.r.l. WITH SOLE SHAREHOLDER *Strada della Cebrosa, 106 10156 TURIN* Share capital Euro 10,000	10,000	750,593	277,191	-	100.00	-	-
BASIC PROPERTIES B.V. *Herikerbergweg 200 – LunArena – Amsterdam Zuidoost THE NETHERLANDS* Share capital Euro 18,160	18,160	6,167,017	5,560,052	100.00	-	6,167,017	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	7,778,921	6,408,204	530,849	-	100.00	-	-
BASIC TRADEMARK S.A. *42-44 Avenue de la Gare L-1610 LUXEMBOURG* Share Capital Euro 1,250,000.	1,250,000	5,697,832	4,327,221	-	100.00	-	-
BASIC VILLAGE S.p.A. WITH SOLE SHAREHOLDER Largo M. Vitale, 1 10152 TURIN Share capital Euro 412,800	412,800	4,493,873	275,669	100.00	-	4,493,873	414,715
JESUS JEANS S.r.l WITH SOLE SHAREHOLDER Largo M. Vitale, 1 10152 TURIN Share capital Euro 10,000	10,000	48,202	20,392	100.00	-	48,202	81,375
SUPERGA TRADEMARK S.A. *42-44 Avenue de la Gare L-1610 LUXEMBOURG* Share capital Euro 500,000	500,000	830,038	2,125,177	-	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
JOINT VENTURES							
ANZIBESSON TRADEMARK S.r.l. *Largo M. Vitale, 1* *10152 TORINO* Share capital 50,000	50,000	111,242	(44,266)	50.00	-	55,621	25,000
FASHION S.r.l. *C.so Stati Uniti, 41* *10129 TURIN* Share capital Euro 100,000	100,000	328,647	(75,375)	50.00	-	164,323	465,000

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INVESTMENTS AT DECEMBER 31, 2015

Name/Registered office/Share capital	31/12/2014 Book value	Acquisitions/ Incor.	Capital payments to cover losses	Impairment investments	Sales	31/12/2015 Book value	% held Parent
HOLDINGS IN SUBSIDIARY COMPANIES							
BasicItalia S.p.A.. with sole shareholder	31,599,724	-	-	-	-	31,599,725	100%
BasicNet Asia Ltd.	927	-	-	-	-	927	100%
Basic Properties B.V.	3,657,747	-	-	-	-	3,657,747	100%
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	***35,754,488***	**-**	**-**	**-**		***35,754,488***	
HOLDINGS IN JOINT VENTURES							
AnziBesson Trademark S.r.l.	25,000	-	-	-	-	25,000	50%
Fashion S.r.l.	465,000	-	-	-	-	465,000	50%
TOTAL JOINT VENTURES	***490,000***	**-**	**-**	**-**	**-**	***490,000***	
HOLDINGS IN OTHER COMPANIES							
Consortiums & other minor	128	-	-	-	-	128	
TOTAL OTHER COMPANIES	***128***	**-**	**-**	**-**	**-**	***128***	
TOTAL INVESTMENTS	**36,244,616**	-	-	-	-	**36,244,616**	
FINANCIAL RECEIVABLES							
Other receivables (guarantees)	10,460	-	(230)	-	-	10,230	
Loans to subsidiaries	90,000	-	-	-	-	90,000	
TOTAL RECEIVABLES	**100,460**	-	**(230)**	-	-	**100,230**	
TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS	**36,345,076**	-	**(230)**	-	-	**36,344,846**	

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 the 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 2015 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.

Marco Daniele Boglione
Chairman

Franco Spalla
Chief Executive Officer

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 2015
Audit	PricewaterhouseCoopers S.p.A.	Parent BasicNet S.p.A.	55,460
		Subsidiary companies	50,017
Certification services	PricewaterhouseCoopers S.p.A.	-	5,000
Other services	PricewaterhouseCoopers S.p.A.	-	-
Total			**110,477**