

THE GROUP AT A GLANCE

The BasicNet Group is a major participant in the sector of branded casual and leisurewear, sportswear, footwear and accessories sector with a collection of market-leading registered trademarks, including Kappa®, Robe di Kappa®, K-Way®, Superga®, Lanzera® and Jesus Jeans®.

The Group is headed by BasicNet S.p.A. – the Group parent company headquartered in Turin and publicly quoted in Italy. The activity pursued by the Group unfolds into growing the value of its registered trademarks and proliferating branded product market positions through a global network of independent licensees.

“Network” means a business-to-business platform using the most efficient and value creating route to market. Hence, the name BasicNet. The Licensee Network stretches ubiquitously across all key markets.

STRENGTHS

Group strengths are consistent with its strategic priorities, as established and pursued since incorporation. These are focused around:

1. Trademark Positioning
2. Business System
3. Web Integration

1. Trademark Positioning

BasicNet Group trademarks occupy a key position in the sector of branded casual and leisurewear, a fast-growth market right from the end of the Sixties that continues to power ahead thriving on the progressive "liberalization" of informal and casual fashion trends.

The Group defines informal clothing as: Menswear, Unisex, Womenswear and Kidswear. Attributed to Menswear is the “leisurewear with sportive flair” product; Unisex is the “functional sportive” product; Womenswear is the “fashion” and “trendy” product. The “Robe di Kappa®” products serves the leisure-time segment; “Kappa®” and “Lanzera®” products serve the functional and sports segment; the “K-Way®” product serves the functional “fashion” segment; the “Superga®” product stretches out to serve all three of the sector segments: sports, functional and fashion.

2. Business System

The BasicNet Group has modeled its development around a business-to-business "network" platform, identifying the licensee as the ideal partner for proliferating, distributing and sourcing its products around the globe and approaching the licensee not just in the role of a product provider but in the role of a fully-fledged integrated services provider with a multi-pronged offering or, should we say, with opportunities for business.

Innovative, flexible and modular, the BasicNet Business System has enabled the Group to grow rapidly, while retaining a lean and agile structure: a great business cascading into a myriad of businesses interconnected by a single data-rich digital platform entirely integrated to the Network via Internet and studied for real-time sharing and maximum data exploitation.

Also, the BasicNet Business System has been conceived and structured in such a way as to allow development headroom for internal lines (new licensees and new markets) and for external lines (new trademarks developed or acquired, and new lines of business).

The manner in which the Business System functions is extremely simple. Headed by the BasicNet Group are the following strategic activities:

- product research and development;
- global marketing;

- development and coordination of the manufacturing and commercial Licensee Network;
- Information Technology, i.e. the creation of new software enabling on-line management of all the processes along the offering chain;
- strategic finance.

Entrusted to the licensees, according to territorial base or specific merchandize category, is product distribution to retailers, local marketing, territorial logistics and working capital funding in accordance with Group guidelines.

Identical model has been replicated in respect of manufacturing licensees (Sourcing Centers) tasked with managing the production flows of BasicNet branded finished products, which are distributed to the commercial licensees in their relative areas of competence.

In building up its Business System, the Group also created a system of direct sales to the general public, for the time being developed and carried forward by the Italian Licensee (BasicItalia S.p.A.), held directly.

Looking at the BasicItalia Retail Project, differing banners have been developed and assigned to the three primary retail levels (store formats) through which the Group enters into the market of direct sale to the general public across the homeland. More pointedly:

- (FIRST LEVEL OR STORE FORMAT): single-brand shops located in historical centers, high-streets or shopping centers with specific franchising arrangements;
- (SECOND LEVEL OR STORE FORMAT): Brand Outlets located in Outlet Villages;
- (THIRD LEVEL OR STORE FORMAT): “alloSpaccio” discount stores located in trade-converted commercial or industrial parks.

All three of the store formats have been developed in a strategic design to replicate in number and diverse market conditions.

3. Web Integration

The IT platform represents one of the Group’s key strategic investments to which a keen eye is steered, whether in terms of human resources or Business System development flagship.

The IT platform has been conceived and developed with clear focus posed on seamless Web integration, as interpreted by the Group to be the ideal tool enabling communication between the elements making up the Network.

In consequence, the Information Technology division is engaged in designing and implementing electronic data processing and transmission systems enabling link-up between BasicNet Network licensees and within or outside the organization.

Against this background, the business format has been designed and underscored by e-processes, i.e. “.com” divisions, each one of which plugs into the production process and exchanges or negotiates with other divisions, all of which on-line.

GROUP STRUCTURE

The Group is structured around International and Italian operational companies grouped into three operating segments:

- license operational management (Business System);
- proprietary licensees; and
- property operational management.

The **Business System operating segment** includes BasicNet S.p.A., the holding Company, the companies with proprietary title to the trademarks of the Group, Basic Trademark S.A. and Superga Trademark S.A., both of which in headquartered in Luxembourg, the sub-licensee companies Basic Properties B.V. in the Netherlands, Basic Properties America, Inc. in the United States and Basic Spain S.L. in Spain. Also seeing incorporation part way February 2009 was BasicNet Asia Ltd., headquartered in Hong Kong, the declared strategic intent of which is focused around monitoring license and sourcing center operations in that region, thereby pruning territorial boundaries and pushing through economies of scale.

Other than the activity developed, as discussed earlier, directly by BasicNet S.p.A., the activity pursued by the other companies culminates into granting under concession BasicNet Group intellectual property rights to the diverse licensees, administering and managing the related contracts and royalty streams resulting therefrom.

The **proprietary licensees** are represented by BasicItalia S.p.A. and by its subsidiary RdK0 S.r.l.

BasicItalia S.p.A. operates as licensee for the utilization and development of BasicNet Group intellectual property rights and products, as branded under the Kappa® and Robe di Kappa® trademarks for the Italian territory and under the K-Way® and Superga® trademarks for the European territory. Looking at the Jesus Jeans® trademark, activities are conducted, as yet on a downbeat basis, with counterparts operating across a variety of global territories. This is the licensee and ‘incubator’ for testing Group development projects.

The company is titleholder to important technical sponsorship and merchandizing contracts, also at international visibility level, which also work toward the benefit of the Group and the Network.

RdK0 S.r.l. operates and manages directly a number of retail sales outlets (eight sales outlets as at December 31, 2008), which are used to assess implementation of the Retail Project developed by BasicNet S.p.A.

Property operational management is headed by Basic Village S.p.A. The latter is proprietor to the production facilities formerly owned by Maglificio Calzificio Torinese. Renovated in 1998 by way of preservation, this is where the BasicNet Group is headquartered.

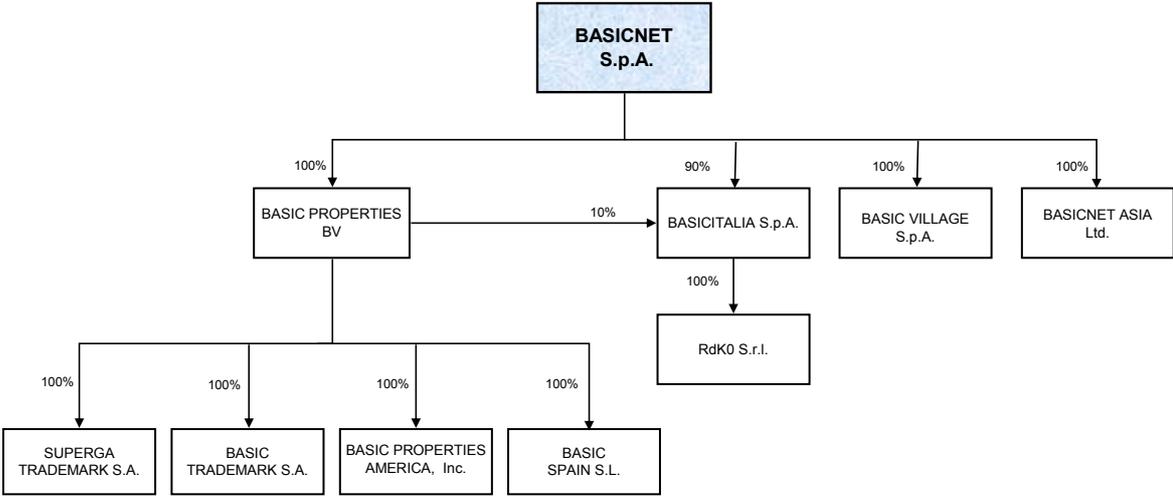
PRIORITIES AND GROWTH HEADROOM

The Group’s primary objective is to strengthen its leadership position at the global level identifying opportunities to grow the value of trademarks.

The Group pursues all of this by:

- compounding and broadening proprietary trademark footprint across the assigned territorial landscape, through steps taken to support licensee business growth on a Business System consistent basis;
- broadening trademark territorial reach through steps taken to seek out qualified new licensees, especially in respect of the more recently acquired brands;
- the Retail Project enabling licensees to enhance their market presence and, moreover, to reach end-customer more effectively. In terms of direct sales, the BasicNet Group has researched certain store formats that can be replicated within any market backdrop. The retail model mirrors the “*plug & sell*” business philosophy, i.e. a sales management system integrated with the Web and with a business platform enabling very simply all day-to-day store activities to be managed in real time, from orders to inventory management, accounting and staff training (pre-opening and ongoing), all of which delivered on-line; and
- examining new opportunities for new market development and investment.

The following chart sets out the organizational framework of the BasicNet Group at December 31, 2008:



Enterprises not operational:

Jesus Jeans S.r.l. (99% held by BasicNet S.p.A.)

Seeing incorporation on February 9, 2009 was BasicNet Asia Ltd. – Hong Kong.