Board of Directors approves the results for the first nine months of 2010

BENETTON GROUP, FIRST NINE MONTHS IN LINE WITH PREVIOUS YEAR

- **Revenues: €1,498 million (+0.5%, net of foreign exchange impact -1.5%).**
- **Continued growth in emerging markets, especially in Asia.**
- **Income from operations: €141 million (9.4% of revenues).**
- **Net income: €85 million (5.7% of revenues).**
- **Net financial position further improved at €645 million.**
- **Commercial investments up, with important renewal of European *flagship* stores.**
- **Price increase of raw materials expected, with negative impact on 2010 full year results.**

Ponzano, November 12, 2010 – The Benetton Group Board of Directors examined and approved the consolidated results for the first nine months of 2010.

UNITED COLORS OF BENETTON.

Consolidated income statement

Group **net revenues** for the first nine months of 2010, characterised by continuing economic uncertainty in the most important markets for our brands, reached €1,498 million (+0.5% over the comparative period, equivalent to €7 million), due to the impact of commercial policies implemented to support the sales network, and as a result of the revaluation against the euro of the currencies of some emerging countries, totalling €29 million (Korean won, Indian rupee, Turkish lira and the yen). Apparel segment revenues were €1,418 million, up by €5 million (0.3%) compared with the first nine months of 2009. Textile segment revenues were €80 million compared with €78 million in the comparative period (+2.6%).

Geographically, in established markets, the slow-down in Greece and, to a lesser extent, in Spain and Italy, was offset by sustained sales levels in the rest of Europe. In emerging markets, whose proportion of total sales increased to 14% (12% in the first nine months of 2009), all the main markets performed well, with particularly strong growth in Mexico (+36% currency neutral), India and Russia.

Gross operating income of €696 million (46.5% of net revenues) was up (+€16 million) compared with €680 million (45.6%) in the comparative nine months, due to the decisive contribution of efficiencies achieved in manufacturing and procurement.

The **contribution margin** reached €583 million (38.9% of revenues), compared with €571 million (38.3%) in the corresponding period of 2009, increasing by €12 million.

Due to the cost reduction actions initiated during the last year, general expenses in the first nine months of 2010 were substantially maintained in line with the level of the comparative nine months, even though advertising and promotional investments increased. Non-recurring expenses also further increased, in part associated with previously reported reorganization programmes for the sales network in some foreign markets and for the textile manufacturing segment.
As a result, **operating profit (EBIT)** was €141 million, up compared with €134 million in the corresponding period of 2009, with a percentage on revenues of 9.4%, compared with the previous 9.0%.

Improvements in **financial charges** were associated, in particular, with the reduction in average indebtedness and with the continuing favourable interest rates, which kept financial expenses down; these moved from €17 million in the first nine months of 2009 to €15 million in 2010. The usual exchange rate hedging operations also contributed positively to the result.

The effective tax rate was 41% in the first nine months of 2010, higher than in the same period of 2009 (32%).

Finally, **net income** was €85 million (5.7% of revenues), compared with €82 million (5.5%) for the first nine months of 2009.

Consolidated financial situation

Compared with September 30, 2009, working capital was down by €59 million, due to the combined effects of a reduction in inventories of €20 million and an increase in trade payables of €40 million.

Net financial indebtedness at September 30, 2010, traditionally the time of peak exposure to banks, was €645 million, lower than the €819 million at September 30, 2009. Compared with the financial position at December 31, 2009 (€556 million), there was a significant reduction in cash utilization from the start of the year (€89 million), against the reference period of the previous year (€130 million).

Summary of consolidated cash flows

Cash flow generated by operating activities totalled €244 million, compared with €234 million in the comparative period.

In the first nine months of 2010, the Group made **net investments** of €101 million. These included €91 million of commercial and real estate investments and €10 million for manufacturing activities.

Outlook for the year

Orders for the Fall/Winter collection are benefiting from positive signals coming from emerging markets, while uncertainty continues in the Group's most important markets. Overall, this collection presents a similar trend to the previous Spring/Summer collection.

The Group, in line with previous reports, is continuing its policy of significant commercial investments, with the renewal of important *flagship* stores in collaboration with well-known architects and new openings, also through the acquisition of assets/real estate in emerging markets. The great dynamism characteristic of Asian markets is supporting the growth of our activities in that area.
Efforts to contain manufacturing and general costs are continuing without interruption.

The latter part of the year is, however, being influenced by factors which will impact negatively on the final results: strong price increases of some raw materials, strengthening of the currencies of many emerging countries against the euro and higher borrowing costs resulting from the loan arranged in June to replace the expiring loan.
Due to the above, coupled with the presence of sizeable non-recurring expenses with a total value similar to the 2009 financial year, the result expected for the full year 2010 should produce operating margins on sales below 2009 levels.
The continued ability of the Group to generate cash will enable it to support large investment programmes, with benefits for future growth, also reducing the expected year-end net financial position compared with 2009.

Procedures for Operations with Related Parties

The Board of Directors, in accordance with the Internal Audit Committee (composed exclusively of independent directors), approved the "Procedures for Operations with Related Parties", pursuant to CONSOB regulation n. 17221 of March 12, 2010.
The Procedures will be published on the website www.benettongroup.com/investors.

Benetton Group consolidated results

(unaudited)

Consolidated statement of income

(millions of Euro)	Nine months 2010	%	Nine months 2009	%	Change	%	Full year 2009	%
Revenues	**1,498**	**100.0**	**1,491**	**100.0**	**7**	**0.5**	**2,049**	**100.0**
Materials and subcontracted work	706	47.1	707	47.4	(1)	(0.2)	969	47.3
Payroll and related costs	60	4.0	64	4.3	(4)	(5.9)	84	4.1
Industrial depreciation and amortization	11	0.7	12	0.8	(1)	(9.0)	15	0.8
Other manufacturing costs	25	1.7	28	1.9	(3)	(10.3)	38	1.8
Cost of sales	**802**	**53.5**	**811**	**54.4**	**(9)**	**(1.1)**	**1,106**	**54.0**
Gross operating profit	**696**	**46.5**	**680**	**45.6**	**16**	**2.3**	**943**	**46.0**
Distribution and transport	50	3.4	46	3.1	4	9.7	63	3.1
Sales commissions	63	4.2	63	4.2	-	0.2	87	4.2
Contribution margin	**583**	**38.9**	**571**	**38.3**	**12**	**2.0**	**793**	**38.7**
Payroll and related costs	129	8.6	127	8.5	2	1.6	169	8.2
Advertising and promotion	44	2.9	39	2.7	5	9.6	53	2.6
Depreciation and amortization	65	4.4	66	4.4	(1)	(0.8)	88	4.3
Other expenses and income	204	13.6	205	13.7	(1)	(0.4)	277	13.6
- of which non-recurring expenses/(income)	18	1.2	*15*	*1.0*	*3*	*19.8*	*23*	*1.1*
General and operating expenses	**442**	**29.5**	**437**	**29.3**	**5**	**1.0**	**587**	**28.7**
- of which non-recurring expenses/(income)	*18*	*1.2*	*15*	*1.0*	*3*	*19.8*	*23*	*1.1*
Operating profit (*)	**141**	**9.4**	**134**	**9.0**	**7**	**5.1**	**206**	**10.0**
Share of income/(losses) of associated companies	-	-	2	0.1	(2)	(92.9)	2	0.1
Financial (expenses)/income	(15)	(1.0)	(17)	(1.1)	2	(16.4)	(20)	(0.9)
Net foreign currency hedging (losses)/gains and exchange differences	13	0.9	2	0.1	11	n.s.	(2)	(0.1)
Income before taxes	**139**	**9.3**	**121**	**8.1**	**18**	**15.3**	**186**	**9.1**
Income taxes	57	3.8	39	2.6	18	46.8	68	3.3
Net income for the period	82	5.5	82	5.5	-	0.3	118	5.8
attributable to:								
- shareholders of the Parent Company	**85**	**5.7**	**82**	**5.5**	**3**	**4.1**	**122**	**5.9**
- minority interests	(3)	(0.2)	-	0.0	(3)	n.s.	(4)	(0.1)

(*) Trading profit was 159 million, representing 10.6% of revenues (149 million in first nine months 2009, representing 10% of revenues, and 229 million in 2009 representing 11.1% of revenues).

(millions of Euro)	3rd quarter 2010	%	3rd quarter 2009	%	Change	%
Revenues	**606**	**100.0**	**609**	**100.0**	**(3)**	**(0.4)**
Materials and subcontracted work	306	50.4	299	49.2	7	2.2
Payroll and related costs	18	3.0	19	3.1	(1)	(1.0)
Industrial depreciation and amortization	3	0.6	4	0.6	(1)	(10.9)
Other manufacturing costs	8	1.4	8	1.3	-	(0.3)
Cost of sales	**335**	**55.4**	**330**	**54.2**	**5**	**1.8**
Gross operating profit	**271**	**44.6**	**279**	**45.8**	**(8)**	**(3.0)**
Distribution and transport	18	2.9	16	2.7	2	6.9
Sales commissions	26	4.3	28	4.5	(2)	(4.1)
Contribution margin	**227**	**37.4**	**235**	**38.6**	**(8)**	**(3.5)**
Payroll and related costs	42	6.9	39	6.4	3	7.0
Advertising and promotion	14	2.3	12	2.0	2	15.6
Depreciation and amortization	22	3.7	23	3.7	(1)	(1.0)
Other expenses and income	71	11.6	70	11.5	1	0.8
- of which non-recurring expenses/(income)	*6*	*1.0*	*5*	*0.8*	*1*	*27.9.*
General and operating expenses	**149**	**24.5**	**144**	**23.6**	**5**	**3.4**
- of which non-recurring expenses/(income)	*6*	*1.0*	*5*	*0.8*	*1*	*27.9*
Operating profit (*)	**78**	**12.9**	**91**	**15.0**	**(13)**	**(14.5)**
Financial (expenses)/income	(7)	(1.2)	(5)	(0.8)	(2)	35.1
Net foreign currency hedging (losses)/gains and exchange differences	4	0.6	(2)	(0.4)	6	n.s.
Income before taxes	**75**	**12.3**	**84**	**13.8**	**(9)**	**(10.7)**
Income taxes	28	4.5	28	4.7	-	(1.3)
Net income for the period	47	7.8	56	9.1	(9)	(15.5)
attributable to:						
- shareholders of the Parent Company	**46**	**7.6**	**54**	**8.8**	**(8)**	**(14.5)**
- minority interests	1	0.2	2	0.3	(1)	(40.8)

(*) Trading profit was 84 million, representing 13.9% of revenues (96 million in third quarter 2009, representing 15.8% of revenues).

Balance sheet and financial position highlights

(millions of Euro)	09.30.2010	12.31.2009	Change	09.30.2009	Change
Working capital	786	658	128	845	(59)
- trade receivables	879	791	88	878	1
- inventories	291	301	(10)	311	(20)
- trade payables	(371)	(404)	33	(331)	(40)
- other receivables/(payables) (A)	(13)	(30)	17	(13)	-
Assets held for sale	13	5	8	6	7
Property, plant and equipment and intangible assets (B)	1,317	1,288	29	1,316	1
Non-current financial assets (C)	24	25	(1)	25	(1)
Other assets/(liabilities) (D)	-	36	(36)	35	(35)
Net capital employed	**2,140**	**2,012**	**128**	**2,227**	**(87)**
Net debt (E)	645	556	89	819	(174)
Total shareholders' equity	**1,495**	**1,456**	**39**	**1,408**	**87**

(A) Other receivables/(payables) include VAT receivables and payables, sundry receivables and payables, non-trade receivables and payables from/to Group companies, accruals and deferrals, payables to social security institutions and employees, receivables and payables for fixed asset purchases etc.
(B) Property, plant and equipment and intangible assets include all categories of assets net of the related accumulated depreciation, amortization, and impairment losses.
(C) Non-current financial assets include unconsolidated investments and guarantee deposits paid and received.
(D) Other assets/(liabilities) include retirement benefit obligations, provisions for legal and tax risks, the provision for sales agent indemnities, other provisions, current tax receivables and liabilities, receivables and payables due from/to holding companies in relation to the group tax election, deferred tax assets also in relation to the company reorganization carried out in 2003, deferred tax liabilities and payables for put options.
(E) Net debt includes cash and cash equivalents and all short and medium/long-term financial assets and liabilities.

Financial position

(millions of Euro)	09.30.2010	12.31.2009	Change	09.30.2009
Cash and banks	103	135	(32)	77
A **Liquid assets**	**103**	**135**	**(32)**	**77**
B **Current financial receivables**	**40**	**18**	**22**	**18**
Financial payables, bank loans and lease financing	(141)	(312)	171	(517)
C **Current financial payables**	**(141)**	**(312)**	**171**	**(517)**
D = A+B+C **Current financial indebtedness**	**2**	**(159)**	**161**	**(422)**
E **Non-current financial receivables**	**4**	**5**	**(1)**	**5**
Medium/long-term loans	(650)	(401)	(249)	(402)
Lease financing	(1)	(1)	-	-
F **Non-current financial payables**	**(651)**	**(402)**	**(249)**	**(402)**
G = E+F **Non-current financial indebtedness**	**(647)**	**(397)**	**(250)**	**(397)**
H = D+G **Net debt**	**(645)**	**(556)**	**(89)**	**(819)**

Cash flow statement

(millions of Euro)	Nine months 2010	Nine months 2009
Cash flow from operating activities before changes in working capital	244	234
Cash flow used by changes in working capital	(146)	(131)
Interest (paid)/received and exchange differences	(2)	(16)
Payment of taxes	(18)	(56)
Cash flow provided by operating activities	**78**	**31**
Net operating investments/Capex	(94)	(94)
Non-current financial assets	(7)	(13)
Cash flow used by investing activities	**(101)**	**(107)**
Free cash flow	**(23)**	**(76)**
Cash flow provided/(used) by financing activities of which:		
- payment of dividends	(41)	(50)
- purchase of treasury shares	-	(3)
- net change in other sources of finance	31	90
Cash flow provided/(used) by financing activities	**(10)**	**37**
Net decrease in cash and cash equivalents	**(33)**	**(39)**

Alternative performance indicators

In addition to the standard financial indicators required by IFRS, this press release also contains a number of alternative performance indicators for the purposes of allowing a better appreciation of the Group's financial and economic results. These indicators must not, however, be treated as replacing the standard ones required by IFRS.

The following table shows how EBITDA and ordinary EBITDA are made up.

Key operating data (millions of Euro)	Nine months 2010	Nine months 2009	Change	Full year 2009
A Operating profit	141	134	7	206
B - of which non-recurring expenses	*18*	*15*	*3*	*23*
C Depreciation and amortization	76	78	(2)	103
D Other non-monetary costs (net impairment)	7	3	4	21
E - of which non-recurring	*7*	*3*	*4*	*21*
F = A+C+D EBITDA	224	215	9	330
G = F+B-E Ordinary EBITDA	235	227	8	332

Declaration by the manager responsible for preparing the company's financial reports

The manager responsible for preparing the company's financial reports, Alberto Nathansohn, declares, pursuant to paragraph 2 of Article 154-*bis* of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the document results, books and accounting records.

Disclaimer

This document contains forward-looking statements relating to future events and operating, economic and financial results of the Benetton Group. By their nature such forecasts contain an element of risk and uncertainty because they depend on the occurrence of future events and developments. The actual results may differ, even significantly, from those announced for a number of reasons.

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