The Board of Directors approves the 2011 first quarter results

BENETTON GROUP, STABLE REVENUES AND INCOME IN FIRST QUARTER

- **Revenues at €453M, slightly down on first quarter of 2010 (-0.9%)**
- **Continued development in high growth countries (+12%)**
- **Gross operating profit down (44.7% vs. 47.1% in 2010) due to the increase in raw material costs**
- **EBIT in line with first quarter 2010 (7.5% in 2011 vs. 7.7%)**
- **Net income of €19.4M, (4.3% of revenues), almost unchanged compared with 4.4% in the reference period**
- **Financial position further improved (€ 534M vs. €589M at 31/3/2010)**

UNITED COLORS OF BENETTON.

Ponzano, May 12, 2011, at 03.30 p.m. CET – The Benetton Group Board of Directors examined and approved the consolidated results for the first quarter of 2011.

Revenue performance by geographic area, brand and collection

Group **net revenues** for the first quarter of the year were €453 million, slightly down (-0.9% at current exchange rates and -1.7% currency neutral) compared with the same period of 2010.

In the traditional western markets, there was a 5% fall in revenues at current exchange rates, 6% currency neutral, with greater reductions in southern European countries still substantially in recession, and a lower contraction in the important Italian domestic market. On the other hand, positive growth was recorded in Central Europe, due to a very favourable result in Germany. Outside Europe, Japanese sales fell by 13% currency neutral, due also to reduced activity levels in the country following the events of early March.

Developing and high growth markets confirmed the positive trend of recent quarters with an increase of 11% currency neutral and 12% at current exchange rates; particularly worthy of note were Russia (+37% currency neutral), Mexico (+26%) and Korea (+17%). In India (+8%), growth also held up very well, in view of the transfer of 140 previously directly operated stores to partners.

Overall, the Spring/Summer orders collection is drawing to a close in line with expectations, slightly down on Spring/Summer 2010, though with a smaller reduction than registered by previous collections.
Within the collections, the best result was obtained by the children's lines, due also to the growth achieved in international markets.

Profit and Loss performance

Gross operating profit for the quarter was down at €203 million (€216 million in the corresponding period of 2010), equivalent to 44.7% of revenues (47.1% in the comparative period). The reduction was mainly attributable to strong increases in raw material costs, in particular for cotton and wool, which resulted in a corresponding increase in the cost of goods sold.

The **contribution margin** was €167 million, against €180 million in the reference period, and was 36.9% of sales.

Operating profit was €34 million (€35 million in 2010), and 7.5% of revenues compared with 7.7%, due to the effect of significant reductions in general costs and non-recurring expenses. Furthermore, the impact of exchange rate variations in the quarter was limited.

The increase in **financial expenses**, even with average indebtedness lower than in the corresponding quarter of 2010, was due to the higher cost of borrowing associated with a new credit line, as from June 2010, with less favourable terms than those previously in force. There was also a fall in income from exchange rate hedging operations.

Tax charges for the quarter were lower than expected, much improved against the comparative period of 2010 in which a concentration of negative factors resulted in a very high average tax rate.

Consequently, **net income** was €19 million, equivalent to 4.3% of revenues (€20 million in the first quarter of 2010, equivalent to 4.4%).

Balance Sheet

Compared with March 31, 2010, **working capital** reduced by €33 million: a small increase in inventories (+€20 million) and of receivables from third parties (+€12 million), was in fact offset by a large increase in trade payables of €51 million and in other payables of €14 million.

In the first quarter, the Group made **net investments** of €27 million, compared with €25 million in the corresponding period of 2010. As usual, the majority of investments related to renewal of the stores network.

Net financial indebtedness, confirming the downward trend under way for some time, was €534 million, compared with €589 million at the end of March 2010, and with an increase of €48 million compared with December 31, 2010, in line with the traditional seasonality of the business.

Outlook for the year

2011 is being characterized, as expected, by: on the one hand, collection of Spring/Summer orders that show a slight improvement compared with recent negative collection performances, and there are signs of growth from the Fall/Winter 2011 collection. Again, for the rest of the year, the contribution of the more recently developed countries will be fundamental to maintain Group revenues, in the face of a continued uncertainty of demand in western economies. On the other hand, the strong growth in costs, especially of cotton and wool, is leading to a significant erosion of margins, the effects of which will be particularly evident from the second quarter.

The Group is following its 2011 action priorities in a work programme focussed both on development projects and further process efficiency and cost optimization.

This will enable benefits to be increasingly generated over time.

Actions carried out to date, others being planned and the financial strength of the Group allow the continuation of a sustained investment policy. A further reduction of the financial position is expected, compared to December 2010.

Benetton Group consolidated results
(unaudited)

Consolidated statement of income

(millions of Euro)	1st quarter 2011	%	1st quarter 2010	%	Change	%	Full year 2010	%
Revenues	**453**	**100.0**	**457**	**100.0**	**(4)**	**(0.9)**	**2,053**	**100.0**
Materials and subcontracted work	218	48.2	209	45.7	9	4.6	977	47.6
Payroll and related costs	20	4.4	20	4.5	-	(1.2)	80	3.9
Industrial depreciation and amortization	4	0.8	4	0.8	-	(7.0)	14	0.7
Other manufacturing costs	8	1.9	8	1.9	-	(3.2)	34	1.6
Cost of sales	**250**	**55.3**	**241**	**52.9**	**9**	**3.7**	**1,105**	**53.8**
Gross operating profit	**203**	**44.7**	**216**	**47.1**	**(13)**	**(6.0)**	**948**	**46.2**
Distribution and transport	17	3.6	17	3.6	-	(0.7)	73	3.6
Sales commissions	19	4.2	19	4.1	-	0.3	86	4.2
Contribution margin	**167**	**36.9**	**180**	**39.4**	**(13)**	**(7.1)**	**789**	**38.4**
Payroll and related costs	44	9.8	42	9.2	2	5.6	175	8.5
Advertising and promotion	15	3.3	15	3.2	-	1.4	55	2.7
Depreciation and amortization	22	5.0	21	4.6	1	6.0	89	4.3
Other expenses and income	52	11.3	67	14.7	(15)	(23.0)	294	14.3
- of which non-recurring expenses/(income)	-	-	*6*	*1.3*	*(6)*	*n.s.*	*32*	*1.6*
General and operating expenses	**133**	**29.4**	**145**	**31.7**	**(12)**	**(8.0)**	**613**	**29.8**
- of which non-recurring expenses/(income)	-	-	6	*1.3*	*(6)*	*n.s.*	*32*	*1.6*
Operating profit [(*)]	**34**	**7.5**	**35**	**7.7**	**(1)**	**(3.6)**	**176**	**8.6**
Share of income/(losses) of associated companies	-	-	-	-	-	-	(1)	(0.1)
Financial (expenses)/income	(6)	(1.2)	(3)	(0.7)	(3)	64.0	(19)	(0.9)
Net foreign currency hedging (losses)/gains and exchange differences	-	-	2	0.3	(2)	n.s.	12	0.6
Income before taxes	**28**	**6.3**	**34**	**7.3**	**(6)**	**(14.8)**	**168**	**8.2**
Income taxes	10	2.1	17	3.6	(7)	(41.5)	65	3.2
- of which non-recurring income taxes	-	-	-	-	-	-	*4*	*0.2*
Net income for the period attributable to:	18	4.2	17	3.7	1	11.3	103	5.0
- shareholders of the Parent Company	**19**	**4.3**	**20**	**4.4**	**(1)**	**(3.9)**	**102**	**5.0**
- minority shareholders	(1)	(0.1)	(3)	(0.7)	2	n.s.	1	n.s.

[(*)] Trading profit was 34 million, representing 7.5% of revenues (41 million in first quarter 2010 representing 9% of revenues, 208 million in 2010 representing 10.1% of revenues).

Balance sheet and financial position highlights

(millions of Euro)	03.31.2011	12.31.2010	Change	03.31.2010	Change
Working capital	700	622	78	733	(33)
- trade receivables	808	804	4	796	12
- inventories	311	293	18	291	20
- trade payables	(397)	(442)	45	(346)	(51)
- other receivables/(payables) [A]	(22)	(33)	11	(8)	(14)
Assets held for sale	3	10	(7)	5	(2)
Property, plant and equipment and intangible assets [B]	1,303	1,314	(11)	1,297	6
Non-current financial assets [C]	23	25	(2)	26	(3)
Other assets/(liabilities) [D]	8	13	(5)	21	(13)
Net capital employed	**2,037**	**1,984**	**53**	**2,082**	**(45)**
Net debt [E]	534	486	48	589	(55)
Total shareholders' equity	**1,503**	**1,498**	**5**	**1,493**	**10**

[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)	03.31.2011	12.31.2010	Change	03.31.2010
Cash and banks	150	195	(45)	85
***A* Liquid assets**	**150**	**195**	**(45)**	**85**
***B* Current financial receivables**	**43**	**29**	**14**	**33**
Financial payables, bank loans and lease financing	(81)	(64)	(17)	(309)
***C* Current financial payables**	**(81)**	**(64)**	**(17)**	**(309)**
***D = A+B+C* Current financial indebtedness**	**112**	**160**	**(48)**	**(191)**
***E* Non-current financial receivables**	**4**	**4**	**-**	**5**
Medium/long-term loans	(650)	(650)	-	(402)
Lease financing	-	-	-	(1)
***F* Non-current financial payables**	**(650)**	**(650)**	**-**	**(403)**
***G = E+F* Non-current financial indebtedness**	**(646)**	**(646)**	**-**	**(398)**
***H = D+G* Net debt**	**(534)**	**(486)**	**(48)**	**(589)**

Cash flow statement

(millions of Euro)	1st quarter 2011	1st quarter 2010
Cash flow from operating activities before changes in working capital	58	68
Cash flow used by changes in working capital	(70)	(68)
Interest (paid)/received and exchange differences	(8)	(3)
Payment of taxes	(3)	(3)
Cash flow used by operating activities	**(23)**	**(6)**
Net operating investments/Capex	(28)	(25)
Non-current financial assets	1	-
Cash flow used by investing activities	**(27)**	**(25)**
Free cash flow	**(50)**	**(31)**
Cash flow provided/(used) by financing activities of which:		
- payment of dividends	-	(1)
- net change in other sources of finance	7	(23)
Cash flow provided/(used) by financing activities	**7**	**(24)**
Net decrease in cash and cash equivalents	**(43)**	**(55)**

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)	1st quarter 2011	1st quarter 2010	Change	Full year 2010
A Operating profit	34	35	(1)	176
B - of which non-recurring expenses/(income)	-	*6*	*(6)*	*32*
C Depreciation and amortization	26	25	1	103
D Other non-monetary costs (net impairment/(reversals))	-	2	(2)	24
E - of which non-recurring	-	*2*	*(2)*	*24*
F = A+C+D EBITDA	60	62	(2)	303
G = F+B-E Ordinary EBITDA	60	66	(6)	311

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 includes forward-looking statements, specifically in the section entitled "Outlook for the year", 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 significantly from those announced for a number of reasons.

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