BENETTON GROUP BOARD OF DIRECTORS REVIEWS PRELIMINARY 2011 RESULTS

- **Consolidated Revenues in line with previous year: € 2,031 million (-0.4% currency neutral)**
- **Further increase in the importance of emerging and high growth markets (+10% currency neutral), which reached 26% of the total**
- **Net Income about € 70 million, due to large cost reductions and in the context of a significant increase in raw material prices**
- **Net Financial Position at Dec. 31, 2011: € 550 million (€ 486 million at Dec. 31, 2010)**

UNITED COLORS OF BENETTON.

Ponzano, January 31, 2012, at 02.45 p.m. CET – The Benetton Group Board of Directors, meeting today, reviewed key preliminary data for 2011[1]. Complete and final results for 2011 will be examined and approved at the Board meeting scheduled for March 15.

All comparisons of revenue with 2010 are currency neutral, unless otherwise indicated.

Revenue performance

Preliminary consolidated revenues for 2011 reached € 2,031 million, substantially unchanged compared with € 2,053 million in 2010 (-0.4% currency neutral, -1.1% at current exchange rates).

The result achieved by the Group in 2011 was positive overall, and demonstrated the capacity of the brands to react and cope with a macro-economic situation which, during the year, was in continuously negative evolution, especially in Southern Europe. Furthermore, these results, were also achieved due to the contribution of the network of partners and their continued support, and to the dynamic development of many countries, in particular outside Europe, indicating the potential which already exists within the Group's sphere of operations and which it will be possible to achieve even more fully in a less challenging macro-economic situation.

More specifically, the Apparel segment achieved € 1,912 million, against € 1,948 million in 2010 (-1.1%, currency neutral), while the Textile segment saw an increase in sales compared with the previous year of € 14 million, reaching € 119 million (+14%, at current exchange rates).

In the fourth quarter of 2011, total sales were € 550 million, down by € 5 million against the corresponding quarter of 2010, entirely due to the exchange impact. During the fourth quarter of 2011, direct sales on a like-for-like basis showed an improving trend compared with the preceding nine months, thus enabling a recovery after the difficult start to the Fall/Winter season experienced in September, due also to climatic conditions.

Examining revenue performance by geographical area, in **Europe**, positive contributions to the results for the financial year were made by the double-digit growth achieved in Russia and ex-USSR countries, growth in continental Europe (especially in Germany) and performance in the UK

[1] Preliminary values, not yet audited

market. This contrasted with the decrease in Greece, although partially improving at the end of the year, and the marginal reductions in the Spanish and Italian markets. Overall, Europe reduced by 2% in the year.

All other geographical areas showed growth, with differentiated performance in the principal countries in which the Group operates. In the **Americas** (+6%), strong growth in Mexico was confirmed, where the UCB brand further strengthened its position and there was strong growth overall in South American countries (+30%). In the USA and Canada, there was a contraction (-12%) associated with the restructuring of the sales network in those markets, even though the results of comparable stores in the USA showed an encouraging positive trend in the final quarter of the year. In **Asia** (+5%), almost all countries saw double-digit growth, including: India and Korea +11% and ex-USSR Asiatic countries even exceeding 20%. In Greater China and all its constituents, there was a gratifying direct sales result on a like-for-like basis (+ 5%). Japan, on the other hand, was down due to the restructuring of the sales network and the natural disaster of last March.

<u>Income Statement</u>

As already fully reported in previous quarters, 2011 was characterised by strong pressure on margins as a result of increases in prices of the principal raw materials. The Group responded to this by launching major action programmes, to contain costs and rationalize expenses, which have contributed to a mitigation of the overall effect on the result.

Based on the preliminary estimate for the final quarter, the Group expects that **Income from Operations** for 2011 will be around 7.5% of consolidated revenues (8.6% in 2010).
The Group expects 2011 full year **Net Income** to slightly exceed € 70 million, due also to the improvement in the average tax rate and in spite of the expected increases in financial expenses and foreign exchange hedging costs.

<u>Balance sheet</u>

Regarding the **Net Financial Position**, towards the end of 2011, cash generation in the last quarter of over € 190 million made it possible to attain indebtedness of € 550 million at Dec. 31, 2011. However, compared with Dec. 31, 2010, the net financial position was up by € 64 million.

<u>Outlook</u>

The economic environment in the principal countries of interest to the Group continues to be characterised by three different scenarios: in Southern Europe, expectations of recession prevail and consumer demand remains weak. In the remainder of the traditional markets, reduced growth is expected, due, above all, to the uncertainties which the financial market continues to generate in the euro zone. Finally, in the emerging and high growth countries, expectations remain positive, with increases in consumption expected also in 2012.

Orders are now being taken for the United Colors of Benetton 2012 Spring/Summer collection and a slight decline in the trend is expected compared with the corresponding collection for the same period of last year. Given the high volatility of medium-term prospects, it is difficult, at present, to make a precise forecast for the subsequent Fall/Winter collection.

In this highly uncertain situation, the Group is defining an action programme for the year just started, aimed at maintaining the profitability and sustainability of the business, by leveraging the high capillarity of its geographical presence and the strength of the relationship with commercial partners. The key points of this programme are: support for the brands by means of communication projects consistent with the objectives of each brand; continuous research to improve products and to offer the consumer a choice that responds to expectations in terms of quality and price; renewal of the sales network with emphasis on some key countries and cities; and definition of geographical priorities to take maximum advantage of the greater dynamism of some areas.

In the early months of the year, in particular, there is still a negative impact on margins caused by raw material price inflation. The Group will continue to act with determination to achieve maximum process efficiency and cost optimization. Overall, 2012 will also see continuation of the investment programme, in particular in the commercial area, aimed at improving and expanding the sales network. Generally, Income from Operations will not see an improvement and, due to the increased debt costs, Net Income will also be under pressure. Some credit lines, totalling € 400 million, reach their expiry date next September and the Group expects to reach agreements for their renewal or replacement in advance of the expiry date in the third quarter.

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 with the document results, books and accounting records.

Disclaimer

This document includes forward-looking statements, specifically in the section entitled "Outlook", 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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