THE BENETTON GROUP BOARD OF DIRECTORS APPROVES THE 2010 FINANCIAL STATEMENTS AND PROPOSES A DIVIDEND OF 0.25 EURO PER SHARE

- **2010 consolidated revenues €2,053 million (€2,049 million in 2009)**
- **EBITDA from ordinary operations 15.2% (16.2% in 2009)**
- **Net income €102 million**
- **Net investments €122 million, focussed on development of the sales network**
- **Cash generation positive in the year with consequent reduction in indebtedness to €486 million (€556 million at December 2009)**
- **Dividend of €0.25 per share proposed, up compared with €0.23 in the previous year**

UNITED COLORS OF BENETTON.

Ponzano, March 15, 2011, at 01.35 p.m. CET - The Benetton Group S.p.A. Board of Directors approved the draft 2010 Financial Statements(1).

2010 confirmed the vitality of the Group, which was able to react with dynamism to difficult economic conditions in some of the principal European countries of major interest, limiting the relative fall in activity levels, whilst growing in almost all countries outside Europe, in particular in those with fast developing economies. In light of these difficulties, the efforts of the Group have been rewarded with the income achieved for the year, boosted by further strengthening of the balance sheet. During the past year, there was also a continuation of the investment programme to develop and strengthen services provided to the network of commercial partners.

Income performance

Group **net sales** in 2010 were €2,053 million compared with €2,049 million in 2009, with an increase of 0.2% (-1.9% currency neutral).
Apparel segment sales to third parties were €1,948 million, substantially the same as in 2009 (€1,947 million).
The result achieved in emerging and high growth countries was particularly satisfying, up by 13.8% overall at current rates (+ 6.8% currency neutral), validating actions taken by Group companies located in those territories.

EBITDA from ordinary operations was €311 million, equivalent to 15.2% of revenues (€332 million in 2009, 16.2% of revenues). Positively impacting this result were the product cost improvement programmes and, net of exchange rate variations, savings in general and administrative costs. These actions reflected initiatives launched in 2009 and continued with determination in 2010. Negative influences on the result were: foreign exchange movements against the Euro, in particular those of higher growth countries, the network support policy adopted in the last two seasons and, towards the end of 2010, also the first effects of increases in the cost of raw materials. **EBIT from ordinary operations**, was €208 million, equivalent to 10.1% of revenues (€229 million in 2009, 11.1% of revenues).

Non recurring expenses were €32 million, compared with €23 million in 2009, partly associated with actions relating to general expenses and cost of sales already mentioned, and partly due to write-downs in the value of fixed assets.

The excellent performance in the reduction of indebtedness, even with higher costs associated with the new loan arranged in June 2010, and the profits generated by foreign currency hedging operations, resulted in improved **financial management**, which showed expenses of €7 million in 2010, compared with €22 million in 2009.

The Group tax rate increased as a result of the expected reduction in benefits generated by the Group corporate reorganization in 2003.

Net income for the year was thus €102 million, compared with €122 million in 2009, equivalent to 5.0% of revenues (5.9% in 2009).

Balance sheet

Working capital, compared with December 31, 2009, decreased by €36 million, chiefly due to the impact of higher trade payables and a reduction in inventories. Trade receivables of €804 million increased slightly (+€13 million compared with December 2009), with a marginally worsening collection ratio due to the continuing restrictive conditions for access to credit for some customers, as well as the economic crisis which has strongly affected a number of countries in the Mediterranean area.

Total net investments were €122 million (€113 million in 2009) and were chiefly directed towards development of the sales network, through the renewal of some of the main flagship stores in major cities (Paris, Milan, London in particular), new openings in emerging markets (Mongolia, Siberia and Russia) and purchase of new locations (New York, Washington).

Capital employed was €1,984 million, down by €28 million compared with December 2009, due to the changes in working capital described above and a reduction in other assets, offsetting an increase in tangible and intangible fixed assets.

Net Group financial indebtedness reduced to €486 million compared with €556 million at December 31, 2009, due to a high level of cash generation. This result was attributable to the management and control of net working capital, while still maintaining the extensive investment programme already discussed.

Dividend payment and other resolutions

The Board then approved the draft annual financial statements(1) of the Parent Company and submitted a proposal to the next Shareholders' Meeting, convened at Ponzano for April 28, 2011, in consideration of the positive cash generation, for payment of a **dividend totalling** around €43 million, equivalent to €0.25 per share (€0.23 per share in 2010).

Payment of the dividend is planned as from May 26, 2011, with coupon clipping date of May 23, 2011.

On April 28th the Shareholder's meeting will also be called to deliberate the appointment of the Board of Statutory Auditors, expiring with the approval of the 2010 financial statements.

The Board approved a report for submission to the Shareholders' Meeting relating to authorization for the purchase and sale of Company shares on the terms and conditions illustrated below, subject to revocation of the authorization by the shareholders' meeting resolution of April 22, 2010.
Authorization is requested for the purchase of a maximum number of shares which, together with the shares currently held, does not exceed the limit of 10% of the share capital and for a period of 18 months. The minimum purchase price is envisaged as not being less than 30% under, and the maximum price not more than 20% over the reference price recorded by the share in the stock exchange session preceding each individual transaction; the selling price is envisaged as being not less than 90% of the reference price recorded by the share in the stock exchange session prior to each individual transaction.
The authorization is requested to enable the Company to acquire a portfolio of treasury shares, which may also be used to serve any share incentive schemes. This authorization would also give the Company the power to act on its own shares, for the purposes and in the ways permitted by current legislative provisions, also taking advantage of any strategic investment opportunities.
The purchases will be made in markets regulated, organized and managed by Borsa Italiana S.p.A. and in accordance with its procedures.
The Company currently holds 10,345,910 treasury shares, corresponding to 5.663% of share capital.

Finally, the Board approved the Report on corporate governance and ownership structure, prepared in accordance with art. 123 bis of the Consolidated Law on Finance, relating to the 2010 financial year.

Outlook for the year

2011 opened with positives and negatives: on the one hand, collection of Spring/Summer orders is drawing to a close with the expectation of a slight improvement compared with recent collection performances (-4%) and there are signs of growth from the Fall/Winter 2011 collection. Again this year, the contribution of the more recently developed countries will be fundamental to maintain Group revenues, with continued uncertainty of demand in western economies.
On the other hand, the strong growth in costs, especially of raw materials, will lead to a significant and progressive erosion of margins during the year. The Group has identified further actions, also of an extraordinary nature, to contain the effect on operating profit, the percentage of which on revenues is under strong pressure in these circumstances.

The Group has established its 2011 action priorities in a work programme focussing both on development projects, and further process efficiency and cost optimization.

Franco Furnò, Director responsible for Commercial, Product and Human Resource areas declared: "I am satisfied, in these difficult circumstances, with the good results achieved in 2010, especially in emerging and high growth countries. The objectives for 2011 are to increase store profitability, by revitalizing the commercial offer of all product lines, strengthening brand attractiveness and reducing time to market, as well as continued improvement of the network where most of the large investment programme for the year is directed. These actions will have a return in the medium-term."

Biagio Chiarolanza, Director responsible for Operations, foreign Business Units and Finance declared: "Programmes launched in 2009 and continued with determination in 2010 made it possible to achieve a good result on the cost and process front and therefore on profit. The Group intends to act vigorously in order to counter the increase in raw material costs and the expected erosion of margins. Actions have been put in place to improve efficiency in all areas and functions with particular emphasis on the production chain and direct sales activities in some countries within and outside Europe. The recent agreement for construction of a new production facility in Serbia also falls within this context. These measures as a whole will already generate benefits in the short-term, further increasing in the future."

Actions carried out to date, others being planned and the financial strength of the Group allow the continuation of a sustained investment policy, an increase in dividend *pay-out*, while also permitting further reduction of the financial position.

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.

(1) The consolidated financial statements and the draft annual financial statements are currently being audited and, as of today's date, the audit is not yet complete.

Benetton Group consolidated results

The consolidated financial statements and the draft annual financial statements are currently being audited and, as of today's date, the audit is not yet completed.

Consolidated statement of income

(millions of Euro)	2010	%	2009	%	Change	%
Revenues	**2,053**	**100.0**	**2,049**	**100.0**	**4**	**0.2**
Materials and subcontracted work	977	47.6	969	47.3	8	0.8
Payroll and related costs	80	3.9	84	4.1	(4)	(5.5)
Industrial depreciation and amortization	14	0.7	15	0.8	(1)	(8.2)
Other manufacturing costs	34	1.6	38	1.8	(4)	(10.8)
Cost of sales	**1,105**	**53.8**	**1,106**	**54.0**	**(1)**	**(0.2)**
Gross operating profit	**948**	**46.2**	**943**	**46.0**	**5**	**0.6**
Distribution and transport	73	3.6	63	3.1	10	15.3
Sales commissions	86	4.2	87	4.2	(1)	(0.2)
Contribution margin	**789**	**38.4**	**793**	**38.7**	**(4)**	**(0.5)**
Payroll and related costs	175	8.5	169	8.2	6	3.6
Advertising and promotion [(A)]	55	2.7	53	2.6	2	4.6
Depreciation and amortization	89	4.3	88	4.3	1	0.6
Other expenses and income	294	14.3	277	13.6	17	6.0
- of which non-recurring expenses/(income)	*32*	*1.6*	*23*	*1.1*	*9*	*41.7*
General and operating expenses	**613**	**29.8**	**587**	**28.7**	**26**	**4.4**
- of which non-recurring expenses/(income)	*32*	*1.6*	*23*	*1.1*	*9*	*41.7*
Operating profit [(*)]	**176**	**8.6**	**206**	**10.0**	**(30)**	**(14.3)**
Share of income/(losses) of associated companies	(1)	(0.1)	2	0.1	(3)	n.s.
Financial (expenses)/income	(19)	(0.9)	(20)	(0.9)	1	(2.9)
Net foreign currency hedging (losses)/gains and exchange differences	12	0.6	(2)	(0.1)	14	n.s.
Income before taxes	**168**	**8.2**	**186**	**9.1**	**(18)**	**(9.7)**
Income taxes	65	3.2	68	3.3	(3)	(4.4)
- of which non-recurring income taxes	*4*	*0.2*	*-*	*-*	*4*	n.s.
Net income for the year	103	5.0	118	5.8	(15)	(12.8)
attributable to:						
- Shareholders of the Parent Company	**102**	**5.0**	**122**	**5.9**	**(20)**	**(16.1)**
- minority interests	1	n.s.	(4)	(0.1)	5	n.s.

[(A)] Of which 11 million invoiced by holding and related companies in 2010 (11 million in 2009).

[(*)] Trading profit was 208 million, representing 10.1% of revenues (229 million in 2009 representing 11.1% of revenues).

Balance sheet and financial position highlights

(millions of Euro)	12.31.2010	12.31.2009	Change
Working capital	622	658	(36)
- trade receivables	804	791	13
- inventories	293	301	(8)
- trade payables	(442)	(404)	(38)
- other receivables/(payables) (A)	(33)	(30)	(3)
Assets held for sale	10	5	5
Property, plant and equipment and intangible assets (B)	1,314	1,288	26
Non-current financial assets (C)	25	25	-
Other assets/(liabilities) (D)	13	36	(23)
Net capital employed	**1,984**	**2,012**	**(28)**
Net debt (E)	486	556	(70)
Total shareholders' equity	**1,498**	**1,456**	**42**

(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)	12.31.2010	12.31.2009	Change
Cash and banks	195	135	60
A **Liquid assets**	**195**	**135**	**60**
B **Current financial receivables**	**29**	**18**	**11**
Financial payables, bank loans and lease financing	(64)	(312)	248
C **Current financial payables**	**(64)**	**(312)**	**248**
D = A+B+C **Current financial indebtedness**	**160**	**(159)**	**319**
E **Non-current financial receivables**	**4**	**5**	**(1)**
Medium/long-term loans	(650)	(401)	(249)
Lease financing	-	(1)	1
F **Non-current financial payables**	**(650)**	**(402)**	**(248)**
G = E+F **Non-current financial indebtedness**	**(646)**	**(397)**	**(249)**
H = D+G **Net debt**	**(486)**	**(556)**	**70**

Cash flow statement

(millions of Euro)	2010	2009
Cash flow from operating activities before changes in working capital	331	349
Cash flow provided/(used) by changes in working capital	(3)	54
Interest (paid)/received and exchange differences	(9)	(23)
Payment of taxes	(64)	(84)
Cash flow provided by operating activities	**255**	**296**
Net operating investments/Capex	(115)	(101)
Non-current financial assets	(7)	(12)
Cash flow used by investing activities	**(122)**	**(113)**
Free cash flow	**133**	**183**
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	(36)	(108)
Cash flow used by financing activities	**(77)**	**(161)**
Net increase in cash and cash equivalents	**56**	**22**

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)	2010	2009	Change
A Operating profit	176	206	(30)
B - of which non-recurring expenses/(income)	*32*	*23*	*9*
C Depreciation and amortization	103	103	-
D Other non-monetary costs (net impairment/(reversals))	24	21	3
E - of which non-recurring	*24*	*21*	*3*
F = A+C+D EBITDA	303	330	(27)
G = F+B-E Ordinary EBITDA	311	332	(21)

Benetton Group S.p.A. results

The consolidated financial statements and the draft annual financial statements are currently being audited and, as of today's date, the audit is not yet completed.

Statement of income

(millions of Euro)	2010	2009	Change
Dividends and impairment on investments	67	58	9
Net financial income/(expenses) and exchange differences	(14)	1	(15)
Other revenues and operating income	49	48	1
Payroll and related costs	(22)	(22)	-
Depreciation and amortization	(2)	(2)	-
Other operating expenses	(31)	(41)	10
Income before taxes	**47**	**42**	**5**
Income taxes	4	1	3
Net income for the year	**51**	**43**	**8**

Balance sheet and financial position highlights

(millions of Euro)	12.31.2010	12.31.2009	Change
Non-current financial assets	1,294	1,277	17
Net property, plant and equipment and intangible assets	16	16	-
Working capital:	13	(12)	25
- *trade receivables*	*20*	*19*	*1*
- *trade payables*	*(9)*	*(7)*	*(2)*
- *other receivables/(payables) and accruals and deferrals*	*2*	*(24)*	*26*
Provisions for impairment on investments and legal and tax risks	(7)	(14)	7
Retirement benefit obligations	(6)	(6)	-
Income taxes receivables	10	18	(8)
Total capital employed	**1,320**	**1,279**	**41**
Net debt	**400**	**371**	**29**
Shareholders' equity	**920**	**908**	**12**

Cash flow statement

(millions of Euro)	2010	2009
Cash flow provided by operating activities	44	99
Cash flow used by investing activities	(36)	(21)
Free cash flow	**8**	**78**
Cash flow provided/(used) by financing activities of which:		
- purchase of treasury shares	-	(3)
- payment of dividends	(40)	(48)
- net change in sources of finance	89	(27)
Cash flow provided/(used) by financing activities	**49**	**(78)**
Net increase/(decrease) in cash and cash equivalents	**57**	**-**

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