THE BENETTON GROUP BOARD OF DIRECTORS APPROVES THE 2011 FINANCIAL STATEMENTS

- **2011 consolidated revenues €2,032 million (€2,053 million in 2010)**
- **EBIT from ordinary operations 7.6% (10.1% in 2010)**
- **Net income €73 million**
- **Net investments €102 million, focussed on development of the sales network**
- **Net financial indebtedness €548 million (€486 million in December 2010)**
- **Proposal to allocate entire income to reserves, without payment of a dividend**

UNITED COLORS OF BENETTON.

Ponzano, March 15, 2012, at 03.15 p.m. CET - The Benetton Group S.p.A. Board of Directors approved the draft 2011 Group Financial Statements(1).

2011 was characterised by strong pressure on profitability, resulting from high raw material cost inflation, and a particularly negative economic situation in Mediterranean area countries of major interest to the Group. In the presence of these adverse economic conditions, actions developed to counter their impact made it possible to limit the fall in revenues and accelerate growth in nearly all countries outside Europe, in particular in those with fast developing economies (+10% currency neutral) whose proportion of net revenues further increased to 26% of the total.

<u>Income performance</u>

Group **net revenues** for 2011 were €2,032 million compared with €2,053 million in 2010, with a reduction of 1.0% (-0.3% currency neutral).
Apparel segment sales to third parties were €1,913 million, down (-1.1% currency neutral) compared with 2010 (€1,948 million).
Examination of the geographic analysis of revenues shows how, with the increase in emerging and high growth countries (+10% currency neutral), the reduction in traditional western economies of -3.7%, also currency neutral, has been contained. More details of the changes in revenues were released on January 31, 2012, and additional information can be found in the press release of that date.

EBITDA from ordinary operations was €256 million, equivalent to 12.6% of revenues (€311 million in 2010, 15.2% of revenues). This was the result, on the one hand, of the continuing action programme to curb and control general and administrative costs, which reduced by almost €11 million (€581 million in 2010 against €570 million in 2011) and, on the other hand, of the sharp increase in raw material costs. This latter, in particular, led to considerable erosion of the **gross operating profit,** which moved from 46.2% of revenues in 2010 to 43.4% in 2011. **EBIT from ordinary operations** was, consequently, €154 million, equivalent to 7.6% of revenues (€208 million in 2010, 10.1% of revenues).
Non-recurring expenses were €5 million, largely due to write-downs in the value of fixed assets. These costs were €32 million in 2010, including write-downs and reorganization costs.

During 2011, there was a slight increase in financial expenses, while foreign currency hedging operations produced a negative result, in contrast to the profits generated in the previous year. Consequently, **financial management** showed an expense of €30 million in 2011, compared with €7 million in 2010.

Net income for the year, which was burdened by a tax rate of 35.4%, slightly less than that for 2010, was therefore €73 million, compared with €102 million in 2010, equivalent to 3.6% of revenues (5% in 2010).

Balance sheet

Working capital, compared with December 31, 2010, increased by €81 million, chiefly due to the impact of a €93 million increase in trade receivables, and a €69 million increase in inventories. Trade receivables were higher as a result of a slow-down in payments received, in particular in the fourth quarter, and were concentrated in Mediterranean area countries, due to the protracted economic crisis. The increase in inventories reflected, on the one hand, the strong change in raw material costs, which increased value, even though quantities were lower, and, on the other hand, included a greater quantity of semi-finished and finished products ready for first quarter despatches in the current year. In partial compensation, there was also a large increase in trade payables (€64 million) and in the net balance of other receivables/payables (€17 million).

Capital employed was €2,055 million, up by €71 million against December 2010, chiefly due to the changes in working capital.

Total net investments were €102 million (€122 million in 2010) and, as in the past, were focussed on development of the sales network, through the renewal of some *flagship* stores in major cities (Paris, Milan and London in particular), in addition to numerous renovations in various countries worldwide, as well as new openings in emerging markets (including Mexico and Russia). Moreover, the geographic distribution of the company's commercial real estate assets is now highly diversified.

Net Group financial indebtedness was €548 million at December 31, 2011, compared with €486 million at December 31, 2010.

Income allocation 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 24, 2012, to allocate the entire income to reserves, without payment of a dividend.

Outlook for the year

2012 opened with moderately positive results in terms of direct sales in almost all countries in which the Group operates, also due to good results in the end of season sales. However, there continue to be significant economic difficulties, in particular in the Group's principal markets. In Southern Europe nearly all countries are in recession and consumption remains weak, while, in the remaining traditional markets, growth expectations are very limited. The Group expects good sales performance only in emerging and high growth countries, with increases in consumption throughout 2012.

Taking of orders for the Spring/Summer 2012 collections of the various brands is under way and it is expected that it could finish with a slight downward trend compared with the comparative collections in the previous year. Given the high volatility of medium-term prospects, it is difficult, at present, to make a precise forecast for the subsequent Fall/Winter collections.

In this highly uncertain situation, the Group has prepared an action programme which, taking advantage of the widespread geographic presence of the Group and the strength of the relationship with commercial partners, has the objective of maintaining business profitability. The key points of this programme are: strong 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 sufficient choice in terms of quality and price level expectations; focus on some key countries and cities for the renewal of the sales network and definition of geographical priorities to take maximum advantage of the greater dynamism of some areas.

In the early part of the year in particular, the negative effects on margins of raw material price inflation were confirmed, but the latest data shows a slow down, especially for cotton, with potential positive effects as from the second half of the year.
The Group will continue to act with determination to achieve maximum efficiency of production processes and sourcing, and the optimization of costs relating to both the central structure and direct sales activities. Overall, however, due firstly to the pressure on revenues, it will not be possible to improve Operating Profit and, due to the increased cost of indebtedness, Net Income may also fall slightly. 2012 will also see the continuation and expansion of the investment programme, in particular in the commercial area, directed towards improvement and growth of the sales network through the acquisition of new locations and renewal of some prestigious stores, in confirmation of the strictly functional role of the properties with respect to Company strategy, as has been the case for many years.

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.

(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)	2011	%	2010	%	Change	%
Revenues	**2,032**	**100.0**	**2,053**	**100.0**	**(21)**	**(1.0)**
Materials and subcontracted work	1,024	50.4	977	47.6	47	4.7
Payroll and related costs	78	3.8	80	3.9	(2)	(1.9)
Industrial depreciation and amortization	14	0.7	14	0.7	-	(1.4)
Other manufacturing costs	34	1.7	34	1.6	-	1.3
Cost of sales	**1,150**	**56.6**	**1,105**	**53.8**	**45**	**4.1**
Gross operating profit	**882**	**43.4**	**948**	**46.2**	**(66)**	**(6.9)**
Distribution and transport	72	3.5	73	3.6	(1)	(1.4)
Sales commissions	86	4.3	86	4.2	-	0.3
Contribution margin	**724**	**35.6**	**789**	**38.4**	**(65)**	**(8.2)**
Payroll and related costs	181	8.9	175	8.5	6	3.3
Advertising and promotion (A)	58	2.8	55	2.7	3	4.4
Depreciation and amortization	88	4.3	89	4.3	(1)	(0.2)
Other expenses and income	248	12.3	294	14.3	(46)	(15.6)
- of which non-recurring expenses/(income)	*5*	*0.2*	*32*	*1.6*	*(27)*	*(85.7)*
General and operating expenses	**575**	**28.3**	**613**	**29.8**	**(38)**	**(6.2)**
- of which non-recurring expenses/(income)	*5*	*0.2*	*32*	*1.6*	*(27)*	*(85.7)*
Operating profit (*)	**149**	**7.3**	**176**	**8.6**	**(27)**	**(15.4)**
Share of income/(losses) of associated companies	-	-	(1)	(0.1)	1	*n.s.*
Financial (expenses)/income	(20)	(1.0)	(19)	(0.9)	(1)	5.3
Net foreign currency hedging (losses)/gains and exchange differences	(10)	(0.4)	12	0.6	(22)	*n.s.*
Income before taxes	**119**	**5.9**	**168**	**8.2**	**(49)**	**(28.8)**
Income taxes	42	2.1	65	3.2	(23)	(34.7)
- of which non-recurring income taxes	-	-	*4*	*0.2*	*(4)*	*n.s.*
Net income for the year	77	3.8	103	5.0	(26)	(25.1)
attributable to:						
- shareholders of the Parent Company	**73**	**3.6**	**102**	**5.0**	**(29)**	**(28.3)**
- minority shareholders	4	0.2	1	n.s.	3	*n.s.*

(A) Of which 14 million invoiced by holding and related companies in 2011 (11 million in 2010).

(*) Trading profit was 154 million, representing 7.6% of revenues (208 million in 2010 representing 10.1% of revenues).

Balance sheet and financial position highlights

(millions of Euro)	12.31.2011	12.31.2010	Change
Working capital	703	622	81
- trade receivables	897	804	93
- inventories	362	293	69
- trade payables	(506)	(442)	(64)
- other receivables/(payables) [(A)]	(50)	(33)	(17)
Assets held for sale	5	10	(5)
Property, plant and equipment and intangible assets [(B)]	1,317	1,314	3
Non-current financial assets [(C)]	20	25	(5)
Other assets/(liabilities) [(D)]	10	13	(3)
Net capital employed	**2,055**	**1,984**	**71**
Net debt [(E)]	548	486	62
Total shareholders' equity	**1,507**	**1,498**	**9**

[(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)	12.31.2011	12.31.2010	Change
Cash and banks	179	195	(16)
A **Liquid assets**	**179**	**195**	**(16)**
B **Current financial receivables**	**62**	**29**	**33**
Current portion of medium/long-term loans	(401)	-	(401)
Financial payables, bank loans and lease financing	(88)	(64)	(24)
C **Current financial payables**	**(489)**	**(64)**	**(425)**
D = A+B+C **Current financial indebtedness**	**(248)**	**160**	**(408)**
E **Non-current financial receivables**	**3**	**4**	**(1)**
Medium/long-term loans	(303)	(650)	347
F **Non-current financial payables**	**(303)**	**(650)**	**347**
G = E+F **Non-current financial indebtedness**	**(300)**	**(646)**	**346**
H = D+G **Net debt**	**(548)**	**(486)**	**(62)**

Cash flow statement

(millions of Euro)	2011	2010
Cash flow from operating activities before changes in working capital	270	331
Cash flow used by changes in working capital	(117)	(3)
Payment of taxes	(34)	(64)
Interest paid and exchange differences	(30)	(9)
Cash flow provided by operating activities	**89**	**255**
Net operating investments/Capex	(103)	(115)
Non-current financial assets	1	(7)
Cash flow used by investing activities	**(102)**	**(122)**
Free cash flow	**(13)**	**133**
Cash flow provided/(used) by financing activities of which:		
- payment of dividends	(45)	(41)
- purchase of treasury shares	(18)	-
- net change in other sources of finance	63	(36)
Cash flow provided/(used) by financing activities	**-**	**(77)**
Net increase/(decrease) in cash and cash equivalents	**(13)**	**56**

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)	2011	2010	Change
A Operating profit	149	176	(27)
B - of which non-recurring expenses/(income)	*5*	*32*	*(27)*
C Depreciation and amortization	102	103	(1)
D Other non-monetary costs (net impairment/(reversals))	7	24	(17)
E - of which non-recurring	*7*	*24*	*(17)*
F = A+C+D EBITDA	258	303	(45)
G = F+B-E Ordinary EBITDA	256	311	(55)

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)	2011	2010	Change
Dividends and impairment on investments	73	67	6
Net financial income/(expenses) and exchange differences	(14)	(14)	-
Other revenues and operating income	50	49	1
Payroll and related costs	(22)	(22)	-
Depreciation and amortization	(2)	(2)	-
Other operating expenses	(31)	(31)	-
Income before taxes	**54**	**47**	**7**
Income taxes	2	4	(2)
Net income for the year	**56**	**51**	**5**

Balance sheet and financial position highlights

(millions of Euro)	12.31.2011	12.31.2010	Change
Non-current financial assets	1,324	1,294	30
Net property, plant and equipment and intangible assets	15	16	(1)
Working capital:	0	13	(13)
- trade receivables	*21*	*20*	*1*
- trade payables	*(10)*	*(9)*	*(1)*
- other receivables/(payables) and accruals and deferrals	*(11)*	*2*	*(13)*
Provisions for impairment on investments and legal and tax risks	(7)	(7)	-
Retirement benefit obligations	(6)	(6)	-
Income taxes receivables	11	10	1
Total capital employed	**1,337**	**1,320**	**17**
Net debt	**422**	**400**	**22**
Shareholders' equity	**915**	**920**	**(5)**

Cash flow statement

(millions of Euro)	2011	2010
Cash flow provided by operating activities	79	44
Cash flow used by investing activities	(42)	(36)
Free cash flow	**37**	**8**
Cash flow provided/(used) by financing activities of which:		
- purchase of treasury shares	(18)	-
- payment of dividends	(43)	(40)
- net change in sources of finance	1	89
Cash flow provided/(used) by financing activities	**(60)**	**49**
Net increase/(decrease) in cash and cash equivalents	**(23)**	**57**

For further information:

Media
+39 0422 519036
+39 335 7870903
benettongroup.com/media-press

Investor Relations
+39 0422 517773
benettongroup.com/investor-relations