The Board of Directors approves the 2010 first quarter results

BENETTON GROUP, GROWTH IN CONSOLIDATED REVENUES AND NET INCOME. REVENUES AT 457 MILLION EURO, NET INCOME 20 MILLION

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

In the first quarter of 2010, the market was still influenced by the general uncertainty in the global economy which is becoming progressively more settled. Signs of instability remain, however, in the markets of greatest relevance to the Group, particularly in Europe. In this context, Group **net revenues** in the period reached €457 million, up 1.8% (+1% currency neutral) due to the combined effect of:

UNITED COLORS OF BENETTON.

- the mix of the collections, characterized in the period by product categories with higher unit values; this effect was partially offset by commercial policies implemented in favour of the sales network;
- satisfactory sales growth in directly operated stores;
- favourable exchange rates.

Revenue performance by geographic area, brand and collection

Established markets showed a currency neutral reduction in sales of 1.5%, with the Italian market substantially maintaining its position, and despite the slow-down in the Spanish and Greek markets; this contrasted with a better performance in continental Europe.

Emerging markets had a currency neutral growth of 19%, particularly in India where, having achieved a good presence in all the major cities in the country, the Group now aims to open new stores also in second and third tier cities.
Russia achieved positive results due to targeted actions to support the network. The refocusing of the existing network of stores in China was completed, and good growth was achieved on a like-for-like basis, following the coordinated action on product mix and the depth of the offer.
In Mexico, sales continued to grow in the quarter, with specific focus on store attractiveness.

Overall, the Spring/Summer orders collection is drawing to a close in line with expectations, with a slight fall compared with Spring/Summer 2009. Within the collections, the best result was achieved by the children's line, also due to the new offerings for young teenagers.

Profit and Loss Performance

Gross operating profit for the quarter grew, reaching €216 million (€205 million in the corresponding period of 2009), equivalent to 47.1% of revenues (45.5% in the comparative period). Efficiencies generated, since 2009, in production and the supply chain made a decisive contribution to this result.

The **contribution margin** was €180 million, against €171 million in the reference period, and 39.4% of sales.

Operating profit amounted to €35 million (€25 million in 2009), corresponding to 7.7% of revenues against 5.5%, due also to savings achieved through the reorganization plan.

EBITDA was €62 million (13.6% of revenues) against €50 million (11.1%) in the first quarter of 2009.

The improvement in **financial expenses** was attributable to both the reduction in interest rates as well as to lower average indebtedness in the period.

The expected increase in the effective tax rate is attributable to the lower benefits arising from the 2003 corporate reorganization, in addition to temporary phenomena in the quarter.

As a result, **net income** was €20 million (€18 million in the first quarter of 2009).

Balance sheet and financial position

Compared with March 31, 2009, **working capital** was reduced by €61 million: in fact, the significant decrease in inventories amounted to €55 million and resulted from reorganization plan actions, in particular in the area of production planning.

In the first quarter, the Group made **net investments** of €25 million, compared with €50 million in the corresponding period of 2009. It is forecast, however, that investments in commercial locations of strategic interest will show a significant acceleration during the year.

Net financial indebtedness was €589 million compared with €763 million at the end of March 2009, with an increase of €33 million compared with December 31, 2009, due to the cyclical nature of the business; this variation was significantly lower than in the first quarter of the two preceding comparative periods.

Benetton Group consolidated results

(unaudited)

Consolidated statement of income

(millions of Euro)	1st quarter 2010	%	1st quarter 2009	%	Change	%	Full year 2009	%
Revenues	**457**	**100.0**	**449**	**100.0**	**8**	**1.8**	**2,049**	**100.0**
Materials and subcontracted work	209	45.7	207	46.1	2	0.8	969	47.3
Payroll and related costs	20	4.5	23	5.1	(3)	(10.3)	84	4.1
Industrial depreciation and amortization	4	0.8	4	0.9	-	(6.8)	15	0.8
Other manufacturing costs	8	1.9	10	2.4	(2)	(19.8)	38	1.8
Cost of sales	**241**	**52.9**	**244**	**54.5**	**(3)**	**(1.2)**	**1,106**	**54.0**
Gross operating profit	**216**	**47.1**	**205**	**45.5**	**11**	**5.4**	**943**	**46.0**
Distribution and transport	17	3.6	15	3.3	2	11.1	63	3.1
Sales commissions	19	4.1	19	4.1	-	1.5	87	4.2
Contribution margin	**180**	**39.4**	**171**	**38.1**	**9**	**5.3**	**793**	**38.7**
Payroll and related costs	42	9.2	43	9.6	(1)	(2.6)	169	8.2
Advertising and promotion	15	3.2	15	3.4	-	(3.1)	53	2.6
Depreciation and amortization	21	4.6	21	4.6	-	2.3	88	4.3
Other expenses and income	67	14.7	67	15.0	-	(0.6)	277	13.6
- of which non-recurring expenses/(income)	*6*	*1.3*	*4*	*1.0*	*2*	*33.8*	*23*	*1.1*
General and operating expenses	**145**	**31.7**	**146**	**32.6**	**(1)**	**(1.0)**	**587**	**28.7**
- of which non-recurring expenses/(income)	*6*	*1.3*	*4*	*1.0*	*2*	*33.8*	*23*	*1.1*
Operating profit (*)	**35**	**7.7**	**25**	**5.5**	**10**	**43.1**	**206**	**10.0**
Share of income/(losses) of associated companies	-	-	-	-	-	-	2	0.1
Financial (expenses)/income	(3)	(0.7)	(6)	(1.4)	3	(44.8)	(20)	(0.9)
Net foreign currency hedging (losses)/gains and exchange differences	2	0.3	2	0.5	-	(20.7)	(2)	(0.1)
Income before taxes	**34**	**7.3**	**21**	**4.6**	**13**	**62.6**	**186**	**9.1**
Income taxes	17	3.6	6	1.2	11	n.s.	68	3.3
Net income for the period	**17**	**3.7**	**15**	**3.4**	**2**	**10.2**	**118**	**5.8**
attributable to:								
- Shareholders of the Parent Company	**20**	**4.4**	**18**	**4.1**	**2**	**9.9**	**122**	**5.9**
- Minority interests	(3)	(0.7)	(3)	(0.7)	-	8.7	(4)	(0.1)

(*)Operating profit, before non-recurring items, amounts to 41 million, corresponding to 9% of revenues (29 million in first quarter 2009, representing 6.4% of revenues, and 229 million in 2009 with a margin of 11.1%).

Balance sheet and financial position highlights

The most significant elements of the balance sheet and financial position, compared with those at December 31 and March 31, 2009, are presented in the following table:

(millions of Euro)	03.31.2010	12.31.2009	Change	03.31.2009	Change
Working capital	733	658	75	794	(61)
- trade receivables	796	791	5	790	6
- inventories	291	301	(10)	346	(55)
- trade payables	(346)	(404)	58	(341)	(5)
- other receivables/(payables) [A]	(8)	(30)	22	(1)	(7)
					-
Assets held for sale	5	5	-	1	4
Property, plant and equipment and intangible assets [B]	1,297	1,288	9	1,322	(25)
Non-current financial assets [C]	26	25	1	29	(3)
Other assets/(liabilities) [D]	21	36	(15)	16	5
Net capital employed	**2,082**	**2,012**	**70**	**2,162**	**(80)**
					-
Net financial indebtedness [E]	589	556	33	763	(174)
Total shareholders' equity	**1,493**	**1,456**	**37**	**1,399**	**94**

[A]Other receivables/(payables) include VAT receivables and payables, sundry receivables and payables, 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)	03.31.2010	12.31.2009	Change	03.31.2009
Cash and banks	85	135	(50)	70
A Liquid assets	85	135	(50)	70
B Current financial receivables	33	18	15	33
Financial payables, bank loans and lease financing	(309)	(312)	3	(470)
C Current financial payables	(309)	(312)	3	(470)
D = A+B+C Current financial indebtedness	(191)	(159)	(32)	(367)
E Non-current financial receivables	5	5	-	4
Medium/long-term loans	(402)	(401)	(1)	(400)
Lease financing	(1)	(1)	-	-
F Non-current financial payables	(403)	(402)	(1)	(400)
G = E+F Non-current financial indebtedness	(398)	(397)	(1)	(396)
H = D+G Net financial indebtedness	(589)	(556)	(33)	(763)

Cash flow statement

(millions of Euro)	1st quarter 2010	1st quarter 2009
Cash flow from operating activities before changes in working capital	68	55
Cash flow used by changes in working capital	(68)	(77)
Interest (paid)/received and exchange differences	(3)	(5)
Payment of taxes	(3)	(4)
Cash flow used by operating activities	(6)	(31)
Net operating investments/Capex	(25)	(41)
Non-current financial assets	-	(9)
Cash flow used by investing activities	(25)	(50)
Free cash flow	(31)	(81)
Cash flow provided/(used) by financing activities of which:		
- payment of dividends	(1)	(1)
- purchase of treasury shares	-	(3)
- net change in other sources of finance	(23)	23
Cash flow provided/(used) by financing activities	(24)	19
Net decrease in cash and cash equivalents	(55)	(62)

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 2010	1st quarter 2009	Change	Full year 2009
A Operating profit	35	25	10	206
B - of which non-recurring expenses/(income)	*6*	*4*	*2*	*23*
C Depreciation and amortization	25	25	-	103
D Other non-monetary costs (net impairment/(reversals))	2	-	2	21
E - of which non-recurring	*2*	*-*	*2*	*21*
F = A+C+D EBITDA	62	50	12	330
G = F+B-E Ordinary EBITDA	66	54	12	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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