Benetton Group

Interim management statement first quarter 2012

UNITED COLORS OF BENETTON.

Benetton Group S.p.A.
Villa Minelli
Ponzano Veneto (Treviso) - Italy
Share capital: Euro 237,482,715.60 fully paid-in
Tax ID/Treviso Company register: 00193320264

Contents

The Benetton Group

Directors and other officers

Board of Directors

Alessandro Benetton	Chairman
Carlo Benetton	Deputy Chairman
Biagio Chiarolanza	Executive Director
Franco Furnò	Executive Director
Gilberto Benetton	Directors
Giuliana Benetton	
Luciano Benetton	
Luigi Arturo Bianchi	
Giorgio Brunetti	
Alfredo Malguzzi	
Gianni Mion	
Stefano Orlando	
Andrea Pezzangora	Secretary to the Board

Board of Statutory Auditors

Angelo Casò	Chairman
Antonio Cortellazzo	Auditors
Filippo Duodo	
Piermauro Carabellese	Alternate Auditors
Marco Leotta	

Independent Auditors

PricewaterhouseCoopers S.p.A.

Disclaimer

This document contains forward-looking statements, specifically in the paragraph entitled "Outlook for the full 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, even significantly, from those announced for a number of reasons.

Key performance indicators

The consolidated financial statements for first quarter 2012 and comparative periods of Benetton Group S.p.A., the Parent Company, and its subsidiaries (subsequently also referred to as the "Group") have been drawn up in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union which are in force at the date of preparing the present report. Details of the accounting policies and consolidation methods used to prepare it can be found in the section containing the explanatory notes.

Key operating data (millions of Euro)	1st quarter 2012	%	1st quarter 2011	%	Change	%	Full year 2011	%
Revenues	428	100.0	453	100.0	(25)	(5.5)	2,032	100.0
Gross operating profit	188	44.0	203	44.7	(15)	(7.1)	882	43.4
Contribution margin	155	36.1	167	36.9	(12)	(7.5)	724	35.6
EBITDA (*)	38	8.9	60	13.2	(22)	(36.1)	258	12.7
Ordinary EBITDA (*)	39	9.3	60	13.2	(21)	(33.6)	256	12.6
Operating profit	12	2.8	34	7.5	(22)	(64.3)	149	7.3
Net income for the period attributable to the Group	10	2.4	19	4.3	(9)	(48.0)	73	3.6

Key financial data (millions of Euro)	03.31.2012	12.31.2011	03.31.2011
Working capital	842	703	700
Net capital employed	2,195	2,055	2,037
Assets held for sale	1	5	3
Net debt	687	548	534
Total shareholders' equity	1,508	1,507	1,503
Free cash flow	(130)	(13)	(50)
Net investments	34	102	27

Share and market data	03.31.2012	12.31.2011	03.31.2011
Basic earnings per share (Euro)	0.06	0.43	0.11
Shareholders' equity per share (Euro)	8.86	8.14	8.63
Price at period end (Euro)	4.53	2.95	5.29
Screen traded price: period high (Euro)	4.75	5.73	5.30
Screen traded price: period low (Euro)	2.84	2.81	4.69
Market capitalization (thousands of Euro)	763,203	505,211	911,642
Average no. of shares outstanding	168,477,430	171,026,003	172,333,102
No. of shares outstanding	182,679,012	182,679,012	182,679,012

Number of personnel	03.31.2012	12.31.2011	03.31.2011
Total employees	9,599	9,557	9,339

(*) In addition to the standard financial indicators required by IFRS, this document 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 2012	1st quarter 2011	Change	Full year 2011
A Operating profit	12	34	(22)	149
B - of which non-recurring expenses/(income)	*1*	-	*1*	5
C Depreciation and amortization	26	26	-	102
D Other non-monetary costs (net impairment/(reversals))	-	-	-	7
E - of which non-recurring	-	-	-	*7*
F = A+C+D EBITDA	38	60	(22)	258
G = F+B-E Ordinary EBITDA	39	60	(21)	256

Directors' report

Results in first quarter 2012

Revenue performance by geographic area, brand and collection

Group net revenues in the first quarter of the year were 428 million, down in line with expectations compared with the same period of 2011 (-5.5% at current exchange rates and -5.7% currency neutral). However, direct sales performance was positive on a like-for-like basis, with 6.1% growth compared with the same period of the previous year, to which is added a further increase following the take over of some stores previously managed by partners.
Developing and high growth markets confirmed the positive trend of recent quarters, with growth in Russia, Mexico, Korea and India. However, the rest of Latin America, China and Turkey were down.
Traditional western markets showed growth in continental Europe, partly due to the positive direct sales results, and modest growth in the USA. However, Southern European countries were down, including the Italian domestic market, still influenced by recessionary economic conditions. There was a total fall in revenues in these markets of 7.9% at current exchange rates and 8.4% currency neutral.
Overall, taking of orders for the Spring/Summer collections is closing with a reduction of around 3% compared with Spring/Summer 2011.

Income performance

Gross operating profit for the quarter was 188 million (203 million in the corresponding period of 2011), equivalent to 44.0% of revenues (44.7% in the comparative period). The reduction was attributable to the already mentioned increases in raw material costs, particularly cotton and wool, which resulted in a corresponding increase in cost of sales.
The contribution margin was 155 million, against 167 million in the reference period, and was 36.1% of sales.
Operating profit was 12 million (34 million in 2011), 2.8% of revenues compared with 7.5%, impacted by a large reduction in structural costs, which was offset by a cost increase of direct sales, following the take over of stores previously operated by third parties, and reduction in some extraordinary income. Non-recurring costs associated with the recently finalised Public Purchase Offer were also taken into account in the quarter.
The results of foreign currency hedging were positive in the quarter, and the average tax rate was slightly lower than in the past. As a result, net income was 10 million, equivalent to 2.4% of revenues (19 million in the first quarter of 2011, equivalent to 4.3% of revenues).

Balance Sheet

Compared with March 31, 2011, working capital increased by 142 million: in fact, trade receivables increased by 74 million due to a slow down in cash receipts, especially in the Mediterranean area, and product inventories grew by 47 million, largely due to the impact of increased raw material costs. Trade payables fell by 33 million, due to the combined effects of longer terms of payment and lower purchase volumes.
In the first quarter, the Group made net investments of 34 million, compared with 27 million in the corresponding period of 2011. Most of these investments were for renewal of the stores network.
Net debt was 687 million compared with 534 million at the end of March 2011, with an increase of 139 million compared with December 31, 2011.

Supplementary information

Allocation of net income

The Shareholders' Meeting of Benetton Group S.p.A. resolved on April 24, 2012 to allocate net income for the year of Euro 55,735,162.73 to the extraordinary reserve.

Treasury shares

In execution of the shareholders' authorization dated April 28, 2011, the Board of Directors adopted a resolution on July 28, 2011 to commence the buy-back of Benetton Group S.p.A. treasury shares by purchasing 3,855,672 treasury shares during the course of 2011, corresponding to 2.111% of share capital, at a cost of around Euro 17.9 million (exclusive of commissions). During the period in question, Benetton Group S.p.A. neither bought nor sold any treasury shares, either directly or indirectly through subsidiaries, trustees or other intermediaries.
As at today's date, the Company holds a total of 14,201,582 treasury shares, equating to 7.774% of share capital, with a corresponding purchase cost of around Euro 89.6 million (exclusive of commissions).

Controlling interest

As at March 31, 2012 the Company's majority shareholder was Edizione S.r.l., an investment holding company with registered office in Treviso (Italy) and wholly owned by the Benetton family. It held 122,540,000 ordinary shares in the Company at that date, representing a controlling interest of 67.08%. Please refer to the subsequent paragraph on "Significant events after March 31, 2012" for the latest information about the controlling interest.

Relations with the holding company, its subsidiaries and other related parties

The Group's relations with related parties are discussed more fully in the explanatory notes.

Directors

Parent Company Directors as of March 31, 2012 were as follows:

Name and surname	Date of birth	Appointed	Office
Luciano Benetton	05.13.1935	1978	Chairman (3)
Carlo Benetton	12.26.1943	1978	Deputy Chairman
Alessandro Benetton	03.02.1964	1998	Executive Deputy Chairman (3)
Biagio Chiarolanza	07.17.1962	2010	Executive Director (1)
Franco Furnò	01.06.1955	2010	Executive Director (1)
Gilberto Benetton	06.19.1941	1978	Director
Giuliana Benetton	07.08.1937	1978	Director
Gianni Mion	09.06.1943	1990	Director
Luigi Arturo Bianchi	06.03.1958	2000	Independent Director (2)
Giorgio Brunetti	01.14.1937	2005	Independent Director (2)
Alfredo Malguzzi	08.31.1962	2007	Independent Director (2)
Stefano Orlando	04.20.1948	2010	Independent Director (2)

(1) The Board of Directors has granted operational powers to Biagio Chiarolanza and Franco Furnò: Operations, foreign Business Units, Administration, Finance and Control, Legal and Corporate Affairs and Internal Audit all report to the former; the Commercial, Product, Real Estate, Licensing and Human Resources areas all report to the latter.
(2) The Directors Stefano Orlando, Luigi Arturo Bianchi, Giorgio Brunetti and Alfredo Malguzzi qualify as independent in accordance with art. 147 ter, par. 3 of Italy's Consolidated Law on Finance, and with the requirements contained in the Corporate Governance Code promoted by Borsa Italiana S.p.A.
(3) After the Shareholders' Meeting on April 24, 2012, the Board of Directors resolved unanimously to appoint Alessandro Benetton as Chairman. Luciano Benetton remains on the Board as a non-executive Director.

Luciano Benetton, Gilberto Benetton, Carlo Benetton and Giuliana Benetton are siblings; Alessandro Benetton is the son of Luciano Benetton.

Principal organizational and corporate changes

BENETTON NEKRETNINE d.o.o. Sarajevo - BENETTON REAL ESTATE Ltd. Sarajevo, a Bosnian-incorporated real estate company, with registered office in Dalmatinska 6, Sarajevo, Sarajevo-Centar, BOSNIA-HERZEGOVINA, was formed on March 27. Its share capital of 20,000 Bosnian marka was fully subscribed and paid by the sole shareholder Benetton Real Estate International S.A.

The holding company Edizione S.r.l. announced its decision on February 1 to make a voluntary tender offer under articles 102 *et seq* of Italy's Consolidated Law on Finance for all the Benetton shares not held directly or indirectly by the Offeror, with the aim of delisting the shares of Benetton Group S.p.A. from the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. (Italian Stock Exchange).

Significant events after March 31, 2012

As a result of acceptances of the above tender offer and market purchases made by Edizione S.r.l., as at May 15, 2012, the date of approving the present report, Edizione S.r.l. holds a controlling interest of 87.12% in the Company, which, together with the 7.77% of share capital represented by treasury shares, gives it direct and indirect ownership of 94.89% of share capital.

Edizione S.r.l. has also announced that, in compliance with the Procedures under the Offer still in progress as at May 15, the Offeror has received requests to sell such number of Benetton shares that will allow it to reach and exceed the threshold of 95% of share capital, thus entitling the Offeror to purchase all the remaining shares under art. 111 of the Consolidated Law on Finance.

Consequently, Borsa Italiana S.p.A. has notified the Company that it has ordered the delisting of Benetton Group shares with effect from May 31, 2012 with trading suspended from May 28, 2012.

During the month of April, Benetton Retail Deutschland GmbH acquired the other 50% of New Ben GmbH, therefore becoming owner of its entire share capital.

Outlook for the full year

The new year started with positive results in respect of direct sales in nearly all countries in which the Group operates. The very difficult economic situation, especially in the Group's principal markets, the recessionary situation in Southern Europe and the general difficulty of access to credit for small businesses, which represent the majority of Benetton Group customers, are still affecting sales to the wholesale channel.
Taking of orders for the 2012 Spring/Summer collections of the various Group brands has now ended, in line with expectations, with a slight downward trend compared with the comparative collections in the previous year. Based on the above considerations, it is expected that a similar trend could occur for the coming 2012 Fall/Winter collections.
The most recent data indicates some easing in the prices of raw materials, and of cotton in particular, with positive impacts on margins 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 those associated with direct sales activities. As already stated, due mainly to pressure on revenues, an improvement in operating profit will not be possible and, due to the increased cost of indebtedness, net income may also fall slightly.
The net financial position is expected to improve, compared with the end of 2011.

Consolidated Group results

Consolidated statement of income

Highlights from the Group's statements of income for first quarter 2012 and 2011 and for full year 2011 are presented below; they are based on a reclassification according to the function of expenses. The percentage changes are calculated with reference to the absolute amounts.

(millions of Euro)	1st quarter 2012	%	1st quarter 2011	%	Change	%	Full year 2011	%
Revenues	**428**	**100.0**	**453**	**100.0**	**(25)**	**(5.5)**	**2,032**	**100.0**
Materials and subcontracted work	209	48.8	218	48.2	(9)	(4.3)	1,024	50.4
Payroll and related costs	20	4.6	20	4.4	-	(2.7)	78	3.8
Industrial depreciation and amortization	3	0.8	4	0.8	(1)	1.5	14	0.7
Other manufacturing costs	8	1.8	8	1.9	-	(8.4)	34	1.7
Cost of sales	**240**	**56.0**	**250**	**55.3**	**(10)**	**(4.2)**	**1,150**	**56.6**
Gross operating profit	**188**	**44.0**	**203**	**44.7**	**(15)**	**(7.1)**	**882**	**43.4**
Distribution and transport	16	3.8	17	3.6	(1)	(0.3)	72	3.5
Sales commissions	17	4.1	19	4.2	(2)	(9.5)	86	4.3
Contribution margin	**155**	**36.1**	**167**	**36.9**	**(12)**	**(7.5)**	**724**	**35.6**
Payroll and related costs	48	11.3	44	9.8	4	8.9	181	8.9
Advertising and promotion	12	2.9	15	3.3	(3)	(16.8)	58	2.8
Depreciation and amortization	23	5.3	22	5.0	1	0.7	88	4.3
Other expenses and income	60	13.8	52	11.3	8	15.0	248	12.3
- of which non-recurring expenses/(income)	*1*	*0.3*	-	-	*1*	*n.s.*	*5*	*0.2*
General and operating expenses	**143**	**33.3**	**133**	**29.4**	**10**	**7.0**	**575**	**28.3**
- of which non-recurring expenses/(income)	*1*	*0.3*	-	-	*1*	*n.s.*	*5*	*0.2*
Operating profit (*)	**12**	**2.8**	**34**	**7.5**	**(22)**	**(64.3)**	**149**	**7.3**
Share of income/(losses) of associated companies	-	-	-	-	-	7.9	-	-
Financial (expenses)/income	(5)	(1.2)	(6)	(1.2)	1	(8.6)	(20)	(1.0)
Net foreign currency hedging (losses)/gains and exchange differences	5	1.3	-	-	5	n.s.	(10)	(0.4)
Income before taxes	**12**	**2.9**	**28**	**6.3**	**(16)**	**(56.8)**	**119**	**5.9**
Income taxes	3	0.9	10	2.1	(7)	(62.1)	42	2.1
Net income for the period	9	2.0	18	4.2	(9)	(54.1)	77	3.8
attributable to:								
- shareholders of the Parent Company	**10**	**2.4**	**19**	**4.3**	**(9)**	**(48.0)**	**73**	**3.6**
- minority shareholders	(1)	(0.4)	(1)	(0.1)	-	n.s.	4	0.2

(*) Trading profit was 13 million, representing 3.2% of revenues (34 million in first quarter 2011, representing 7.5% of revenues, and 154 million in 2011 representing 7.6% of revenues).

The Group's net revenues in first quarter 2012 amounted to 428 million against 453 million in the comparative period (-5.5% at current exchange rates and -5.7% at constant exchange rates), mainly due to the effect of:
- a reduction in sales which were affected by the economic downturn, particularly in Italy;
- a negative collection mix featuring, even in first quarter 2012, lower unit value product categories;
- this reduction was partially mitigated by positive sales performance in directly operated stores, which had good first-quarter results even in traditional markets.

The apparel segment reported 397 million in revenues from third parties, compared with 424 million in first quarter 2011.
The textile segment saw its sales increase by 2 million on the comparative period to 31 million, an improvement of 5.8%.

Cost of sales, which accounted for 56% of revenues against 55.3% in the comparative period, was as follows for the individual segments:
- apparel: 216 million, representing 54.2% of revenues against 53.7% in the related prior year period, and continuing to be adversely affected by the rise in the cost of raw materials, particularly cotton, while benefiting from the positive effect of the mix of collections and continuous optimization of product sourcing;
- textile: 49 million, representing 86.9% of revenues against 88.4% in first quarter 2011.

Gross operating profit came to 188 million, with a margin of 44% against 44.7% in the comparative period, analyzed by individual segment as follows:
- apparel: gross operating profit was 182 million, with a margin of 45.8% (196 million with a margin of 46.3% in first quarter 2011);
- textile: gross operating profit improved by 2 million to 8 million, with the margin going from 11.6% to 13.1%.

Variable selling costs (distribution, transport and sales commissions), amounting to 33 million and representing 7.9% of revenues, were of lower absolute value than in the comparative period, while continuing to represent the same percentage of revenues; the methods of goods shipment have been revised in certain emerging countries to improve delivery services to the network of commercial partners.

Contribution margin came to 155 million, representing 36.1% of revenues against 36.9% in first quarter 2011, with performance by segment as follows:
- apparel: 150 million, representing 37.8% of revenues, with a reduction of 7.4% on the corresponding prior year period;
- textile: 6 million, representing 9.9% of revenues, an improvement from 8.7%.

General and operating expenses amounted to 143 million, compared with 133 million in first quarter 2011, and accounted for 33.3% of revenues compared with 29.4%. General and operating expenses in the individual segments were as follows:
- apparel: 141 million, up 10 million on the comparative period, and accounting for 35.4% of revenues against 30.9%;
- textile: 2 million, in line with first quarter 2011 and accounting for 3.8% of revenues against 4.2% in the comparative period.

General and operating expenses are discussed in more detail below:

- Non-industrial payroll and related costs amounted to 48 million, accounting for 11.3% of revenues (44 million and 9.8% respectively in the comparative period), and reflecting the higher incidence of the direct channel, particularly in Europe.

- Advertising and promotion costs amounted to 12 million against 15 million, accounting for 2.9% of revenues (3.3% in first quarter 2011); the change on the corresponding prior year period is attributable not only to differences in the timing of advertising campaigns that increasingly use the web as a medium of communication, but also to fewer sports sponsorships.

- Non-industrial depreciation and amortization of 23 million, accounting for 5.3% of revenues, was broadly in line with the corresponding period of 2011.

- Other expenses and income came to 60 million, up from 52 million in the comparative period and representing 13.8% of revenues against 11.3% in first quarter 2011. This line item includes non-industrial general costs, additions to provisions, net other operating expenses and other expenses and income, details of which are as follows:

- non-industrial general costs of 25 million, accounting for 5.8% of revenues against 5.5%, were in line with the corresponding period of 2011 in absolute value despite including more than 1 million in costs incurred by Benetton Group S.p.A. in connection with activities required under the tender offer launched by Edizione S.r.l. in February 2012; in contrast, the emoluments of directors and statutory auditors, consulting and advisory fees and the cost of sundry other services all decreased;
- additions to provisions amounted to 6 million, of which 5 million for doubtful accounts (3 million in first quarter 2011);
- net operating and other expenses came to 29 million versus 22 million in first quarter 2011, representing 6.8% of revenues against 4.9%, with an increase of 7 million mostly due to:
  - disappearance of the positive effects in first quarter 2011 of the capital gain of some 3 million realized on the disposal of a commercial business in Palermo and of commodities hedging activities, particularly involving the purchase of call options on cotton, whose premiums paid, net of period-end valuation, gave rise to income of 1 million;
  - an increase of 1 million in rental expense (net of rental income);
  - an increase of 1 million in non-recurring expenses, mainly because of lower capital gains realized in the textile segment from assets held for sale.

Operating profit came to 12 million, against 34 million in first quarter 2011, with a margin of 2.8% compared with 7.5%. Operating profit in the individual segments was as follows:
- 9 million in the apparel segment, against 31 million in the comparative period, with a margin of 2.4% compared with 7.3%;
- 4 million in the textile segment, against 2 million in first quarter 2011, with a margin of 6.1%.

Net financial expenses of 5 million were broadly in line with the comparative quarter.
Net foreign currency hedging gains and exchange differences primarily reflect the positive impact of hedges arranged against dollar purchases.

Income taxes of 3 million represent a tax rate of 30%, compared with 34.1% in first quarter 2011, reflecting lower tax for certain foreign subsidiaries in profit, particularly the manufacturing ones.

Net income for the period attributable to the Group was 10 million (2.4% of revenues), compared with 19 million in first quarter 2011 (4.3% of revenues).

The average number of employees in each segment during the period was as follows:
- apparel: 8,293 (of whom 4,268 in the retail channel), compared with 7,910 (of whom 3,885 in the retail channel) in first quarter 2011, with the increase due to the higher incidence of the directly operated commercial network;
- textile: 1,285 compared with 1,494 in first quarter 2011.

Operating segments

IFRS 8 requires segment disclosures to provide management with an effective basis for administration and decision-making, and to supply financial investors with representative and meaningful information about company performance. The Group's activities have been divided into two segments on the basis of the internal reports that are regularly reviewed by management for the purposes of allocating resources to the different segments and assessing their performance.
These operating segments are:
- apparel, represented by the brands of United Colors of Benetton Adult and Kids, Undercolors, Sisley, Sisley Young, Playlife and Killer Loop. This segment also includes the results of the Group's real estate companies;
- textile, consisting of production and sales activities for raw materials (fabrics, yarns and labels), semi-finished products and industrial services.

Segment results for first quarters 2012 and 2011 and for full year 2011 are shown below, adopting the classification criteria described above.

Segment results - first quarter 2012

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	397	31	-	428
Inter-segment revenues	1	26	(27)	-
Total revenues	398	57	(27)	428
Cost of sales	216	49	(25)	240
Gross operating profit	182	8	(2)	188
Selling costs	32	2	(1)	33
Contribution margin	150	6	(1)	155
General and operating expenses	141	2	-	143
- of which non-recurring expenses/(income)	*2*	*(1)*	-	*1*
Operating profit	9	4	(1)	12
Depreciation and amortization	25	1	-	26
Other non-monetary costs (net impairment/(reversals))	-	-	-	-
EBITDA	34	5	(1)	38

Segment results - first quarter 2011

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	424	29	-	453
Inter-segment revenues	-	25	(25)	-
Total revenues	424	54	(25)	453
Cost of sales	228	48	(26)	250
Gross operating profit	196	6	1	203
Selling costs	34	2	-	36
Contribution margin	162	4	1	167
General and operating expenses	131	2	-	133
- of which non-recurring expenses/(income)	*1*	*(1)*	-	-
Operating profit	31	2	1	34
Depreciation and amortization	24	2	-	26
Other non-monetary costs (net impairment/(reversals))	-	-	-	-
EBITDA	55	4	1	60

Segment results - full year 2011

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	1,913	119	-	2,032
Inter-segment revenues	2	85	(87)	-
Total revenues	1,915	204	(87)	2,032
Cost of sales	1,057	179	(86)	1,150
Gross operating profit	858	25	(1)	882
Selling costs	153	7	(2)	158
Contribution margin	705	18	1	724
General and operating expenses	566	8	1	575
- of which non-recurring expenses/(income)	*7*	*(2)*	-	*5*
Operating profit	139	10	-	149
Depreciation and amortization	95	7	-	102
Other non-monetary costs (net impairment/(reversals))	6	1	-	7
EBITDA	240	18	-	258

Apparel segment result

(millions of Euro)	1st quarter 2012	%	1st quarter 2011	%	Change	%	Full year 2011	%
Revenues from third parties	397		424		(27)	(6.3)	1,913	
Inter-segment revenues	1		-		1	(16.9)	2	
Total revenues	398	100.0	424	100.0	(26)	(6.3)	1,915	100.0
Cost of sales	216	54.2	228	53.7	(12)	(5.4)	1,057	55.2
Gross operating profit	182	45.8	196	46.3	(14)	(7.3)	858	44.8
Selling costs	32	8.0	34	8.1	(2)	(7.0)	153	8.0
Contribution margin	150	37.8	162	38.2	(12)	(7.4)	705	36.8
General and operating expenses	141	35.4	131	30.9	10	7.2	566	29.5
- of which non-recurring expenses/(income)	*2*	*0.4*	*1*	*0.2*	*1*	*80.8*	*7*	*0.4*
Operating profit	9	2.4	31	7.3	(22)	(68.9)	139	7.3
EBITDA	34	8.6	55	13.0	(21)	(38.4)	240	12.5

Textile segment results

(millions of Euro)	1st quarter 2012	%	1st quarter 2011	%	Change	%	Full year 2011	%
Revenues from third parties	31		29		2	5.8	119	
Inter-segment revenues	26		25		1	4.6	85	
Total revenues	57	100.0	54	100.0	3	5.3	204	100.0
Cost of sales	49	86.9	48	88.4	1	3.5	179	87.8
Gross operating profit	8	13.1	6	11.6	2	19.0	25	12.2
Selling costs	2	3.2	2	2.9	-	17.5	7	3.4
Contribution margin	6	9.9	4	8.7	2	19.5	18	8.8
General and operating expenses	2	3.8	2	4.2	-	(6.0)	8	4.0
- of which non-recurring expenses/(income)	*(1)*	*(0.5)*	*(1)*	*(1.9)*	-	*(72.0)*	*(2)*	*(1.1)*
Operating profit	4	6.1	2	4.5	2	43.9	10	4.8
EBITDA	5	9.3	4	7.8	1	25.4	18	8.6

Balance sheet and financial position highlights

The most significant elements of the balance sheet and financial position, compared with those at December 31, 2011 and March 31, 2011, are presented in the following table.

(millions of Euro)	03.31.2012	12.31.2011	Change	03.31.2011	Change
Working capital	842	703	139	700	142
- trade receivables	882	897	(15)	808	74
- inventories	358	362	(4)	311	47
- trade payables	(364)	(506)	142	(397)	33
- other receivables/(payables) (A)	(34)	(50)	16	(22)	(12)
Assets held for sale	1	5	(4)	3	(2)
Property, plant and equipment and intangible assets (B)	1,317	1,317	-	1,303	14
Non-current financial assets (C)	21	20	1	23	(2)
Other assets/(liabilities) (D)	14	10	4	8	6
Net capital employed	**2,195**	**2,055**	**140**	**2,037**	**158**
Net debt (E)	687	548	139	534	153
Total shareholders' equity	**1,508**	**1,507**	**1**	**1,503**	**5**

(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, as reported in the detailed statement discussed in the explanatory notes.

Working capital was 142 million higher than at March 31, 2011, mainly because of:
- an increase of 74 million in net trade receivables, with the receivables turnover ratio continuing to be adversely affected by the macroeconomic situation that is having its most marked impact on certain Mediterranean countries;
- an increase of 47 million in inventories, due to differences in the scheduling of production and deliveries, like in December;
- a reduction of 33 million in trade payables due to fewer purchases in the quarter because of the differences in procurement scheduling described above.

The increase in working capital was accompanied by an increase, totaling 16 million, in the other components of net capital employed, mainly due to:
- a net increase in property, plant and equipment and intangible assets, reflecting:
  - 134 million in gross operating investments during the period;
  - 16 million in disposals at net book value;
  - 102 million in depreciation and amortization;
  - 6 million in impairment net of reversals.
- an increase of 6 million in net other assets mainly as a result of lower net payables for income tax and lower payables for employee termination indemnities, as offset by lower deferred tax assets.

Net capital employed was 140 million higher than at December 31, 2011, mainly due to an increase of 139 million in working capital, linked to the cyclical nature of the business and particularly to the reduction in trade payables after settling purchases made in the last few months of 2011.

The Group's net debt (discussed in detail in the explanatory notes) came to 687 million compared with 534 million at March 31, 2011; net debt reported an increase of 139 million relative to December 31, 2011, attributable to the cyclical trend in the business.

Cash flows during first quarter 2012 are summarized below with comparative figures for the same period of last year:

(millions of Euro)	1st quarter 2012	1st quarter 2011
Cash flow from operating activities before changes in working capital	41	58
Cash flow used by changes in working capital	(134)	(70)
Payment of taxes	(3)	(3)
Interest (paid)/received and exchange differences	-	(8)
Cash flow used by operating activities	**(96)**	**(23)**
Net operating investments/Capex	(33)	(28)
Non-current financial assets	(1)	1
Cash flow used by investing activities	**(34)**	**(27)**
Free cash flow	**(130)**	**(50)**
Cash flow provided/(used) by financing activities of which:		
- payment of dividends	-	-
- net change in other sources of finance	21	7
Cash flow provided/(used) by financing activities	**21**	**7**
Net decrease in cash and cash equivalents	**(109)**	**(43)**

Cash flow from operating activities before changes in working capital amounted to Euro 41 million in the period, compared with Euro 58 million in first quarter 2011, largely reflecting the deterioration in EBITDA.
Cash flow used by changes in working capital amounted to Euro 134 million (Euro 70 million in first quarter 2011) and mostly reflect:
- a reduction in trade payables due not only to higher payments relating to purchases made in the last few months of 2011, but also to fewer purchases in the quarter because of differences in the scheduling of production;
- a reduction in other net payables due to lower payables to the tax authorities, particularly for VAT, and to social security institutions.

Cash flow used to pay taxes amounted to Euro 3 million, as the comparative period.
Net financial expenses paid and the net balance of foreign currency operations used virtually no cash, compared with Euro 8 million used in first quarter 2011.
Cash flow used by operating activities amounted to a total of Euro 96 million, against Euro 23 million in the comparative period.
Cash flow used by investing activities amounted to Euro 34 million (Euro 27 million in first quarter 2011), of which:
- Euro 21 million in the commercial network, mainly in markets such as Italy and Spain, as well as in developing countries like Russia; priority was given to refurbishing and expanding existing stores, while the purchase of new buildings and commercial businesses was pursued very selectively;
- Euro 4 million in investments in production, mostly relating to acquisition of production machinery in Croatia and to the production center in Serbia;
- Euro 3 million in other investments, most of which in information technology; the most important of these investments were in updating SAP and Oracle application software.

Disposals in the period amounted to a total of Euro 6 million, most of which relating to the sale of a commercial property in Caserta (Italy) and to the sale of textile segment production machinery.

Further information of an economic and financial nature is provided in the explanatory notes to the consolidated financial statements.

Consolidated financial statements

Consolidated statement of income

(thousands of Euro)	1st quarter 2012	1st quarter 2011	Full year 2011	*Notes*
Revenues	**428,425**	**453,237**	**2,032,341**	*[1]*
Materials and subcontracted work	209,127	218,418	1,023,715	*[2]*
Payroll and related costs	19,613	20,157	77,993	*[3]*
Industrial depreciation and amortization	3,583	3,532	14,231	*[5]*
Other manufacturing costs	7,726	8,431	33,849	
Cost of sales	**240,049**	**250,538**	**1,149,788**	
Gross operating profit	**188,376**	**202,699**	**882,553**	
Distribution and transport	16,454	16,509	71,841	
Sales commissions	17,058	18,847	86,828	
Contribution margin	**154,864**	**167,343**	**723,884**	
Payroll and related costs	48,371	44,419	180,937	*[3]*
Advertising and promotion	12,449	14,954	57,425	*[4]*
Depreciation and amortization	22,610	22,461	88,354	*[5]*
Other expenses and income	59,340	51,598	248,038	*[6]*
- of which non-recurring expenses/(income)	*1,435*	*(70)*	*4,551*	
General and operating expenses	**142,770**	**133,432**	**574,754**	
- of which non-recurring expenses/(income)	*1,435*	*(70)*	*4,551*	
Operating profit	**12,094**	**33,911**	**149,130**	
Share of income/(losses) of associated companies	9	8	6	
Financial expenses	(8,856)	(6,944)	(33,053)	*[7]*
Financial income	3,775	1,387	12,664	*[7]*
Net foreign currency hedging (losses)/gains and exchange differences	5,275	121	(9,497)	*[8]*
Income before taxes	**12,297**	**28,483**	**119,250**	
Income taxes	3,674	9,700	42,272	*[9]*
Net income for the period	8,623	18,783	76,978	
attributable to:				
- shareholders of the Parent Company	**10,091**	**19,403**	**73,217**	
- minority shareholders	(1,468)	(620)	3,761	
Basic earnings per share (Euro)	0.06	0.11	0.43	
Diluted earnings per share (Euro)	0.06	0.11	0.43	

Statement of comprehensive income

	1st quarter 2012			1st quarter 2011		
(thousands of Euro)	Shareholders of the Parent Company	Minority shareholders	Comprehensive income	Shareholders of the Parent Company	Minority shareholders	Comprehensive income
Net income for the period (A)	**10,091**	**(1,468)**	**8,623**	**19,403**	**(620)**	**18,783**
Gains/(Losses) recognized in cash flow hedge reserve	(8,700)	-	(8,700)	(6,723)	-	(6,723)
Tax effect relating to other gains/(losses)	2,329	-	2,329	1,595	-	1,595
Gains/(Losses) recognized in currency translation reserve	1,106	42	1,148	(6,774)	(604)	(7,378)
Total other comprehensive income, net of tax (B)	**(5,265)**	**42**	**(5,223)**	**(11,902)**	**(604)**	**(12,506)**
Total comprehensive income for the period (A)+(B)	**4,826**	**(1,426)**	**3,400**	**7,501**	**(1,224)**	**6,277**

Consolidated balance sheet - Assets

(thousands of Euro)	03.31.2012	12.31.2011	03.31.2011	*Notes*
Non-current assets				
Property, plant and equipment				*[10]*
Land and buildings	775,830	779,674	779,698	
Plant, machinery and equipment	114,913	115,478	116,512	
Furniture, fittings and electronic devices	79,394	78,565	69,710	
Vehicles and aircraft	24,660	24,897	27,016	
Assets under construction and advances	51,254	45,166	37,289	
Leased assets	320	334	452	
Leasehold improvements	43,974	42,532	40,134	
	1,090,345	**1,086,646**	**1,070,811**	
Intangible assets				*[11]*
Goodwill and other intangible assets of indefinite useful life	43,026	43,012	43,275	
Intangible assets of finite useful life	184,101	187,362	188,828	
	227,127	**230,374**	**232,103**	
Other non-current assets				
Investments	1,923	1,904	2,032	*[12]*
Guarantee deposits	25,817	24,929	24,840	*[13]*
Medium/long-term financial receivables	2,582	3,070	3,564	*[14]*
Other medium/long-term receivables	15,636	13,491	7,595	*[15]*
Deferred tax assets	149,069	152,132	154,066	*[16]*
	195,027	**195,526**	**192,097**	
Total non-current assets	**1,512,499**	**1,512,546**	**1,495,011**	
Current assets				
Inventories	358,434	362,410	311,274	*[17]*
Trade receivables	871,737	889,330	802,258	*[18]*
Tax receivables	30,707	31,565	33,180	*[19]*
Other receivables, accrued income and prepaid expenses	69,177	66,074	64,144	*[20]*
Financial receivables	31,357	62,208	43,272	*[21]*
Cash and banks	74,994	178,819	150,084	*[22]*
Total current assets	**1,436,406**	**1,590,406**	**1,404,212**	
Assets held for sale	525	4,660	3,103	*[23]*
TOTAL ASSETS	**2,949,430**	**3,107,612**	**2,902,326**	

Consolidated balance sheet - Shareholders' equity and liabilities

(thousands of Euro)	03.31.2012	12.31.2011	03.31.2011	*Notes*
Shareholders' equity				
Shareholders' equity attributable to the Group				*[24]*
Share capital	237,483	237,483	237,483	
Treasury shares	(89,679)	(89,679)	(71,734)	
Additional paid-in capital	65,182	65,182	65,182	
Fair value and hedging reserve	1,141	7,512	(6,239)	
Other reserves and retained earnings	1,267,809	1,193,486	1,243,294	
Net income for the period	10,091	73,217	19,403	
	1,492,027	**1,487,201**	**1,487,389**	
Minority shareholders	**16,406**	**19,518**	**15,574**	
Total shareholders' equity	**1,508,433**	**1,506,719**	**1,502,963**	
Liabilities				
Non-current liabilities				
Medium/long-term loans	298,996	302,963	649,982	*[25]*
Other medium/long-term payables	42,485	43,455	38,652	*[26]*
Lease financing	246	273	405	
Retirement benefit obligations	39,413	40,556	44,385	*[27]*
Other medium/long-term provisions and liabilities	37,538	37,565	38,661	*[28]*
	418,678	**424,812**	**772,085**	
Current liabilities				
Trade payables	364,498	506,145	397,313	*[29]*
Other payables, accrued expenses and deferred income	146,729	164,671	133,036	*[30]*
Current income tax liabilities	7,476	8,707	7,403	*[31]*
Other current provisions and liabilities	7,424	7,590	8,584	*[32]*
Current portion of lease financing	128	119	189	
Current portion of medium/long-term loans	400,582	400,575	284	
Financial payables and bank loans	95,482	88,274	80,469	*[33]*
	1,022,319	**1,176,081**	**627,278**	
Total liabilities	**1,440,997**	**1,600,893**	**1,399,363**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**2,949,430**	**3,107,612**	**2,902,326**	

Shareholders' equity - Statement of changes

(thousands of Euro)	Share capital	Treasury shares	Additional paid-in capital	Fair value and hedging reserve	Other reserves and retained earnings	Currency translation reserve	Net income/ (loss)	Minority shareholders	Total
Balances as of 12.31.2010	**237,483**	**(71,734)**	**65,182**	**(1,111)**	**1,184,818**	**(36,823)**	**102,073**	**18,758**	**1,498,646**
Carryforward of 2010 net income	-	-	-	-	102,073	-	(102,073)	-	-
Dividends distributed to minority shareholders	-	-	-	-	-	-	-	(1,960)	(1,960)
Total comprehensive income for the period	-	-	-	(5,128)	-	(6,774)	19,403	(1,224)	6,277
Balances as of 03.31.2011	**237,483**	**(71,734)**	**65,182**	**(6,239)**	**1,286,891**	**(43,597)**	**19,403**	**15,574**	**1,502,963**
Dividends distributed as approved by Ordinary Shareholders' Meeting of 04.28.2011	-	-	-	-	(43,083)	-	-	-	(43,083)
Formation of new subsidiaries and business combination	-	(17,945)	-	-	-	-	-	-	(17,945)
Dividends distributed to minority shareholders	-	-	-	-	-	-	-	(584)	(584)
Total comprehensive income for the period	-	-	-	13,751	-	(6,725)	53,814	4,528	65,368
Balances as of 12.31.2011	**237,483**	**(89,679)**	**65,182**	**7,512**	**1,243,808**	**(50,322)**	**73,217**	**19,518**	**1,506,719**
Carryforward of 2011 net income	-	-	-	-	73,217	-	(73,217)	-	-
Dividends distributed to minority shareholders	-	-	-	-	-	-	-	(1,686)	(1,686)
Total comprehensive income for the period	-	-	-	(6,371)	-	1,106	10,091	(1,426)	3,400
Balances as of 03.31.2012	**237,483**	**(89,679)**	**65,182**	**1,141**	**1,317,025**	**(49,216)**	**10,091**	**16,406**	**1,508,433**

Consolidated statement of cash flows

(thousands of Euro)	1st quarter 2012	1st quarter 2011
Operating activities		
Net income for the period attributable to the Group and minority shareholders	8,623	18,783
Income taxes expense	3,674	9,700
Income before taxes	**12,297**	**28,483**
Adjustments for:		
- depreciation and amortization	26,193	25,993
- net capital (gains)/losses and non-monetary items	(1,065)	(3,724)
- net provisions charged to statement of income	5,652	4,682
- use of provisions	(1,830)	(3,208)
- share of (income)/losses of associated companies	(9)	(8)
- net financial expenses/(income) and exchange differences	(194)	5,435
Cash flow from operating activities before changes in working capital	**41,044**	**57,653**
Cash flow used by changes in working capital	(133,929)	(69,589)
Payment of taxes	(3,378)	(2,417)
Net interest paid and exchange differences	(260)	(8,375)
Cash flow used by operating activities	**(96,523)**	**(22,728)**
Investing activities		
Operating investments	(38,125)	(33,431)
Operating divestments	5,343	5,192
Purchases of investments and business combinations	(11)	(10)
Operations in non-current financial assets	(762)	1,070
Cash flow used by investing activities	**(33,555)**	**(27,179)**
Financing activities		
Payment of dividends	-	-
Net change in other sources of finance	20,969	7,053
Cash flow provided by financing activities	**20,969**	**7,053**
Net decrease in cash and cash equivalents	(109,109)	(42,854)
Cash and cash equivalents at the beginning of the period	178,141	191,716
Translation differences and other movements	422	(655)
Cash and cash equivalents at the end of the period (*)	69,454	148,207

(*) Includes Euro 5,540 thousand in current account overdrafts (Euro 1,877 thousand in first quarter 2011).

The explanatory notes (pages 22 through 43) are to be considered an integral part of this report.

Explanatory notes

Summary of main accounting standards and policies

Group activities

Benetton Group S.p.A. (the "Parent Company") and its subsidiary companies (hereinafter also referred to as the "Group") primarily manufacture and market fashion apparel in wool, cotton and woven fabrics, as well as leisurewear. The manufacture of finished articles from raw materials is undertaken partly within the Group and partly using subcontractors, whereas selling is carried out through an extensive commercial network both in Italy and abroad, consisting mainly of stores operated and owned by third parties.

The legal headquarters and other such information are shown on the last page of this document. The Parent Company is listed on the Milan stock exchange.

Form and content of the consolidated financial statements

The statement of income format used for the consolidated financial statements and interim financial reports of the Benetton Group differs from the one used by Benetton Group S.p.A. for its individual annual financial statements. This is because this Company principally acts as a financial holding company and provider of services to its subsidiaries.
The consolidated financial statements of the Group include the financial statements as of March 31 of Benetton Group S.p.A. and all Italian and foreign companies in which the Parent Company holds, directly or indirectly, the majority of the voting rights. The consolidated financial statements also include the accounts of certain companies in which the Group's interest is 50%, or less, and over which it exercises a significant influence such that it has control over their financial and operating policies. In particular, the following companies have been consolidated:
a. Benetton Korea Inc., since the effective voting rights held by Benetton total 51% of all voting rights;
b. Benetton Giyim Sanayi ve Ticaret A.S. (a Turkish company), since the licensing and distribution agreements grant Benetton a dominant influence over the company, as well as the majority of risks and rewards linked to its business activities;
c. New Ben GmbH, a German company, which manages stores selling Benetton-branded products, insofar as the shareholder agreement gives Benetton the right to appoint the majority of the company's Directors. In addition, most of the risks and rewards of the business are attributable to Benetton;
d. Ben-Mode A.G., because the Group has the power to appoint the majority of Directors as well as a majority of effective voting rights at Shareholders' Meetings. In addition, most of the risks and rewards of the business are attributable to Benetton itself by virtue, amongst others, of the margins earned on sales.

Financial statements of subsidiaries have been reclassified, where necessary, for consistency with the format adopted by the Parent Company. Such financial statements have been adjusted so that they are consistent with the reference international accounting and financial reporting standards.
These financial statements have been prepared on a "going concern" basis, matching costs and revenues to the accounting periods to which they relate. The reporting currency is the Euro and all values have been rounded to thousands of Euro, unless otherwise specified.

Consolidation criteria

The method of consolidation adopted for the preparation of the consolidated financial statements is as follows:

a. Consolidation of subsidiary companies' financial statements according to the line-by-line method, with elimination of the carrying value of the shareholdings held by the Parent Company and other consolidated companies against the relevant shareholders' equity.
b. When a company is consolidated for the first time, any positive difference emerging from the elimination of its carrying value on the basis indicated in a. above, is allocated, where applicable, to the assets and liabilities of the subsidiary. The excess of the cost of acquisition over the net assets is recorded as "Goodwill and other intangible assets of indefinite useful life". Negative differences are recorded in the statement of income as income.
c. Intercompany receivables and payables, costs and revenues, and all significant transactions between consolidated companies, including the intragroup payment of dividends, are eliminated.
d. Unrealized profits, such as margins included in inventories, and gains and losses arising from intragroup transactions are also eliminated.
e. The share of equity and the result for the period of consolidated subsidiaries attributable to minority shareholders are classified separately as "Minority shareholders" under shareholders' equity and as "Net income for the period attributable to minority shareholders" in the consolidated statement of income.
f. The financial statements of foreign subsidiaries are translated into Euro using period-end exchange rates for assets and liabilities and average exchange rates for the period for the statement of income, except for some subsidiaries in Romania and Croatia whose functional currency differs from the presentation currency and so whose financial statements have been translated in accordance with IAS 21.
   Differences arising from the translation into Euro of foreign currency financial statements are reported in comprehensive income for the period and accumulated in an equity reserve.

Accounting standards and policies

Application of IFRS

The Group's financial statements for first quarter 2012 and comparative periods have been drawn up in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union, which are in force at the date of preparing this report; more specifically, as required by IAS 34 (Interim Financial Reporting) a condensed reporting format has been adopted.

The Group's consolidated quarterly financial statements have been prepared using the same accounting policies and methods as those adopted for the latest annual financial statements; there are no IFRSs or amendments applicable to the Group that have come into effect from 2012 and are material in this quarter. The Group carries out activities that as a whole do not involve significant seasonal or cyclical variations in total sales during the year. When preparing the interim financial report, the Group must nonetheless make estimates and assumptions that affect the amount of revenues, costs, assets and liabilities and the disclosures relating to contingent assets and liabilities at the interim balance sheet date. If in the future such estimates and assumptions, which are based on the Group's best judgment, should differ from the actual circumstances, they will be amended as appropriate in the period in which such circumstances have changed.

In addition, some of these estimation processes, particularly the more complex ones such as determining any impairment losses on non-current assets, are usually carried out completely only at the time of drawing up the annual financial statements, when all the necessary information is available, unless there is evidence of impairment requiring an immediate evaluation of the related losses. Income taxes have been recognized in the interim management statement using the best estimate of the weighted average rate expected for the entire year.

Operating segments

IFRS 8 requires segment disclosures to provide management with an effective basis for administration and decision-making, and to supply financial investors with representative and meaningful information about company performance. The Group's activities have been divided into two segments on the basis of the internal reports that are regularly reviewed by management for the purposes of allocating resources to the different segments and assessing their performance.

The operating segments are:

- apparel, represented by the brands of United Colors of Benetton Adult and Kids, Undercolors, Sisley, Sisley Young, Playlife and Killer Loop. This segment also includes the results of the Group's real estate companies;
- textile, consisting of production and sales activities for raw materials (fabrics, yarns and labels), semi-finished products and industrial services.

Comments on the principal items in the statement of income

[1] Revenues

(thousands of Euro)	1st quarter 2012	1st quarter 2011
Sales of core products	416,365	442,021
Miscellaneous sales	7,519	6,355
Royalty income	2,540	2,531
Other revenues	2,001	2,330
Total	**428,425**	**453,237**

Sales of core products are stated net of discounts.
Miscellaneous sales relate mainly to the sale of semi-finished products and sample items.
Other revenues refer mainly to the provision of services such as processing, to cost recharges and miscellaneous services.
The change in revenues relative to the comparative period is primarily attributable to:
- a reduction in sales which were affected by the economic downturn, particularly in Italy;
- a negative collection mix featuring, even in first quarter 2012, lower unit value product categories;
- this reduction was partially mitigated by positive sales performance in directly operated stores, which had first-quarter good results even in traditional markets.

Sales of core products, by brand

(thousands of Euro)	1st quarter 2012	1st quarter 2011
United Colors of Benetton	207,096	219,132
United Colors of Benetton Kids and Sisley Young	113,204	115,742
Sisley	60,434	70,976
Playlife	7,121	8,531
Killer Loop	3	95
Other sales	28,507	27,545
Total	**416,365**	**442,021**

The United Colors of Benetton brand also includes Euro 13,616 thousand in sales by the Undercolors brand (Euro 17,063 thousand in first quarter 2011). "Other sales" mostly refer to the sale of fabrics and yarns.

Information on the individual segments can be found in the paragraph entitled "Supplementary information - Segment information".

[2] Cost of sales

[2] Materials and subcontracted work

These costs, totaling Euro 209,127 thousand (Euro 218,418 thousand in first quarter 2011), have been mainly affected by inflation in the cost of raw materials, particularly cotton, while benefiting from the positive effect of the mix of collections and from continuous optimization of product sourcing.

[3-6] General and operating expenses

[3] Payroll and related costs

An analysis of the Group's payroll and related costs is presented below, including industrial ones classified as part of the cost of sales, and those relating to directly operated stores classified as part of general and operating expenses.

First quarter 2012

(thousands of Euro)	Industrial wages, salaries and related costs	Non-industrial salaries and related costs	Advertising division salaries and related costs	Total
Wages and salaries	14,272	37,559	224	52,055
Social security contributions	4,666	9,836	71	14,573
Provision for retirement benefit obligations	177	407	11	595
Other payroll and related costs	498	569	-	1,067
Total	**19,613**	**48,371**	**306**	**68,290**

First quarter 2011

(thousands of Euro)	Industrial wages, salaries and related costs	Non-industrial salaries and related costs	Advertising division salaries and related costs	Total
Wages and salaries	14,629	34,358	229	49,216
Social security contributions	4,836	9,125	70	14,031
Provision for retirement benefit obligations	262	423	13	698
Other payroll and related costs	430	513	-	943
Total	**20,157**	**44,419**	**312**	**64,888**

There has been an increase in non-industrial payroll and related costs due to the higher incidence of the direct channel.

The number of employees is analyzed by category below:

	03.31.2012	03.31.2011	Period average
Management	91	89	90
White collar	5,473	5,029	5,251
Workers	2,396	2,637	2,517
Part-timers	1,639	1,584	1,611
Total	**9,599**	**9,339**	**9,469**

[4] Advertising and promotion

Advertising and promotion costs amount to Euro 12,449 thousand (Euro 14,954 thousand in first quarter 2011) and reflect the costs incurred for developing advertising campaigns for the Group's brands. The change on the prior year corresponding period is attributable not only to differences in the timing of advertising campaigns that increasingly use the web as a medium of communication, but also to fewer sports sponsorships.

[5] Depreciation and amortization

The Group's depreciation and amortization charges for the period, including the industrial ones reported in the cost of sales, are analyzed as follows:

First quarter 2012

(thousands of Euro)	Industrial depreciation and amortization	Non-industrial depreciation and amortization	Total
Depreciation of property, plant and equipment	3,538	14,794	18,332
Amortization of intangible assets	45	7,816	7,861
Total	**3,583**	**22,610**	**26,193**

First quarter 2011

(thousands of Euro)	Industrial depreciation and amortization	Non-industrial depreciation and amortization	Total
Depreciation of property, plant and equipment	3,478	14,341	17,819
Amortization of intangible assets	54	8,120	8,174
Total	**3,532**	**22,461**	**25,993**

[6] Other expenses and income

(thousands of Euro)	1st quarter 2012	1st quarter 2011
Non-industrial general costs	24,710	24,808
Other operating expenses/(income)	29,716	26,003
Additions to provisions	5,589	4,365
Other expenses/(income)	(675)	(3,578)
Total	**59,340**	**51,598**

Details of these amounts are provided in the following tables.

Non-industrial general costs

(thousands of Euro)	1st quarter 2012	1st quarter 2011
Other services	5,496	5,187
Electricity and gas	2,794	2,553
Consulting and advisory fees	2,448	2,685
Maintenance and cleaning	2,358	2,197
Rental and hire costs	2,173	2,294
Travel and entertainment costs	1,942	1,838
Sundry purchases	1,545	1,438
Telephone and postage expenses	1,428	1,590
Insurance	1,065	1,046
Directors and Statutory Auditors	1,000	1,502
Banking services	882	846
Surveillance and security	779	695
Other	800	937
Total	**24,710**	**24,808**

The overall reduction in general costs relative to the comparative period, as detailed for the individual line items, confirms the Group's constant attention to cost containment. It should be noted that other services include Euro 1,200 thousand in non-recurring costs incurred in connection with activities required under the tender offer launched by Edizione S.r.l. in February 2012; in contrast, the emoluments of directors and statutory auditors, consulting and advisory fees and the cost of recurring other services have all decreased.

Other operating expenses/(income)

(thousands of Euro)	1st quarter 2012	1st quarter 2011
Operating income:		
- rental income	(20,219)	(19,095)
- reimbursements and compensation payments	(178)	(204)
- other operating income	(2,087)	(7,872)
Total operating income	**(22,484)**	**(27,171)**
Operating expenses:		
- rental expense	43,442	41,198
- indirect taxes and duties	3,052	2,463
- other operating expenses	5,706	9,513
Total operating expenses	**52,200**	**53,174**
Total	**29,716**	**26,003**

Rental expense (net of rental income) has increased by Euro 1,120 thousand in first quarter 2012.
Net operating expenses mostly refer to incidental costs for leases incurred, as well as costs for realizing fashion shows and the sample collection.

Additions to provisions

(thousands of Euro)	1st quarter 2012	1st quarter 2011
Addition to provision for doubtful accounts	4,893	3,453
Addition to provision for legal and tax risks	178	559
Addition to provision for sales agent indemnities	518	353
Total	**5,589**	**4,365**

Other expenses/(income)

(thousands of Euro)	1st quarter 2012	1st quarter 2011
Other expenses:		
- donations	539	747
- out-of-period expenses	284	335
- losses on disposal	102	276
- impairment of property, plant and equipment and intangible assets	46	73
- costs for expected obligations	6	22
- other sundry expenses	1,509	1,300
Total other expenses	**2,486**	**2,753**
Other income:		
- gains on disposals of property, plant and equipment and intangible assets	(1,272)	(4,075)
- out-of-period income	(1,129)	(1,661)
- release of provisions	(538)	(403)
- other sundry income	(222)	(192)
Total other income	**(3,161)**	**(6,331)**
Total	**(675)**	**(3,578)**

Other sundry expenses primarily refer to indemnities paid to terminate lease agreements early as well as voluntary redundancy incentives paid in the period.
The gains on disposals of property, plant and equipment and intangible assets include income from the sale of a commercial property in Caserta (Italy), classified as held for sale at the end of 2011, as well as from the sale of textile segment production machinery.
The release of provisions includes the gain on discounting the provision for sales agent indemnities to present value.
Non-recurring expenses, included in "Other expenses/(income)" and totaling Euro 235 thousand, are discussed in the section entitled "Other information – Non-recurring events and significant transactions".

[7] Financial (expenses)/income

Overall, net financial expenses of Euro 5,081 thousand are broadly in line with the comparative period.

[8] Net foreign currency hedging (losses)/gains and exchange differences

Net foreign currency hedging gains and exchange differences amount to Euro 5,275 thousand; these primarily reflect the positive impact of hedges arranged against dollar purchases.

[9] Income taxes

The tax charge amounts to Euro 3,674 thousand compared with Euro 9,700 thousand in the corresponding period of 2011; the tax rate is 30%, compared with 34.1% in first quarter 2011, reflecting lower tax for certain foreign subsidiaries in profit, particularly the manufacturing ones.

Statement of comprehensive income

Other components of consolidated comprehensive income are analyzed as follows:

(thousands of Euro)	1st quarter 2012 Shareholders of the Parent Company	1st quarter 2012 Minority shareholders	1st quarter 2012 Total	1st quarter 2011 Shareholders of the Parent Company	1st quarter 2011 Minority shareholders	1st quarter 2011 Total
Gains/(Losses) recognized directly in cash flow hedge reserve	(6,942)	-	(6,942)	(6,951)	-	(6,951)
Transfers from cash flow hedge reserve	(1,758)	-	(1,758)	228	-	228
Gains/(Losses) recognized in cash flow hedge reserve	**(8,700)**	**-**	**(8,700)**	**(6,723)**	**-**	**(6,723)**
Gains/(Losses) recognized directly in currency translation reserve	1,106	42	1,148	(6,769)	(604)	(7,373)
Transfers from currency translation reserve	-	-	-	(5)	-	(5)
Gains/(Losses) recognized in currency translation reserve	**1,106**	**42**	**1,148**	**(6,774)**	**(604)**	**(7,378)**
Tax effect relating to other gains/(losses)	2,329	-	2,329	1,595	-	1,595
Total other comprehensive income, net of tax	**(5,265)**	**42**	**(5,223)**	**(11,902)**	**(604)**	**(12,506)**

Comments on the principal asset items

Non-current assets

[10] Property, plant and equipment

The gross amount, accumulated depreciation and impairment and related net book value of the Group's property, plant and equipment are analyzed below:

	03.31.2012			12.31.2011		
(thousands of Euro)	Gross	Accumulated depreciation and impairment	Net	Gross	Accumulated depreciation and impairment	Net
Land and buildings	972,045	196,215	775,830	972,039	192,365	779,674
Plant, machinery and equipment	343,049	228,136	114,913	341,542	226,064	115,478
Furniture, fittings and electronic devices	275,268	195,874	79,394	268,985	190,420	78,565
Vehicles and aircraft	34,094	9,434	24,660	34,194	9,297	24,897
Assets under construction and advances	51,254	-	51,254	45,462	296	45,166
Leased assets	1,579	1,259	320	1,655	1,321	334
Leasehold improvements	151,318	107,344	43,974	153,455	110,923	42,532
Total	**1,828,607**	**738,262**	**1,090,345**	**1,817,332**	**730,686**	**1,086,646**

Investments in property, plant and equipment in the period amount to Euro 24,102 thousand and mainly relate to:
- acquisitions of properties for commercial use and the modernization and refurbishment of points of sale for the purposes of expanding the commercial network, particularly in Italy, Russia and Spain;
- investments to increase production capacity, mostly relating to the acquisition of production machinery in Croatia and to the production center in Serbia at the new site in the city of Niš.

Leasehold improvements mainly refer to the cost of restructuring and modernizing stores belonging to third parties.

Disposals in the period amount to Euro 4,432 thousand and mainly refer to the sale of a commercial property in Caserta (Italy) and of production machinery.

In addition, Euro 46 thousand in impairment has been recognized in the period to adjust certain commercial assets to their recoverable amount; except as specified above, no other signs were reported that the value of property, plant and equipment might be impaired; this is why, in compliance with IAS 36, no impairment testing has been carried out at March 31, 2012.

[11] Intangible assets

The gross amount, accumulated amortization and impairment and related net book value of the Group's intangible assets are analyzed below:

	03.31.2012			12.31.2011		
(thousands of Euro)	Gross	Accumulated amortization and impairment	Net	Gross	Accumulated amortization and impairment	Net
Goodwill and other intangible assets of indefinite useful life	60,493	17,467	43,026	60,622	17,610	43,012
Industrial patents and intellectual property rights	6,384	4,376	2,008	6,309	4,287	2,022
Concessions, licenses, trademarks and similar rights	73,084	63,619	9,465	73,200	63,122	10,078
Deferred charges	314,478	172,279	142,199	313,114	170,367	142,747
Other	119,478	89,049	30,429	118,542	86,027	32,515
Total	**573,917**	**346,790**	**227,127**	**571,787**	**341,413**	**230,374**

Investments in intangible assets in the period amount to Euro 4,166 thousand and mainly relate to:
- the acquisition of deferred commercial charges for developing the sales network, particularly in Italy and Spain;
- investments in information technology; the most important of these investments were in updating SAP and Oracle application software.

"Goodwill and other intangible assets of indefinite useful life" consist of residual amounts of goodwill arising on the consolidation of acquired companies.

"Deferred charges" mainly consist of lease surrender payments to obtain the lease of buildings for use as stores ("key money"), which are amortized over the term of the related lease contracts. "Other" mainly comprises costs for the purchase and development of software.

No signs were reported that intangible assets might be impaired; this is why, in compliance with IAS 36, no impairment testing has been carried out at March 31, 2012.

Other non-current assets

[12] Investments

Investments in subsidiary and associated companies relate mainly to companies not included in the consolidation because they were not yet operational. Investments in other companies are stated at cost and refer to minority stakes in a number of companies in Switzerland and Italy.

[13] Guarantee deposits

The guarantee deposits of Euro 25,817 thousand reported at March 31, 2012 primarily relate to lease contracts entered into by Japanese, Korean and Indian subsidiaries in particular.

[14] Medium/long-term financial receivables

This line item refers to the long-term portion of loans, carrying market rates of interest, mostly given by Group subsidiaries to third parties.

[15] Other medium/long-term receivables

This line item, totaling Euro 15,636 thousand, includes:
- Euro 9,869 thousand in customer trade receivables (stated net of Euro 1,546 thousand in provisions for doubtful accounts);
- Euro 3,862 thousand in receivables for fixed asset disposals;
- Euro 1,782 thousand in recoverable VAT;
- sundry other receivables of individually immaterial amounts.

[16] Deferred tax assets

The Group offsets deferred tax assets against deferred tax liabilities for Italian companies that have made the group tax election and for foreign subsidiaries to the extent legally allowed in their country of origin. This balance is mostly attributable to taxes paid in advance as a result of differences in calculating the depreciable/amortizable base of assets. The associated deferred tax assets have been recognized on the basis of the Group's future expected profitability following its reorganization in 2003. The balance also includes deferred tax assets recognized on provisions and costs already reported in the financial statements that will become deductible for tax in future periods.

Current assets

[17] Inventories

Inventories, totaling Euro 358,434 thousand (Euro 362,410 thousand at December 31, 2011), are shown net of the related write-down provision. The change in inventories reflects differences in the scheduling of production and deliveries, like in December.

The valuation of closing inventories at weighted average cost is not appreciably different from their value at current purchase cost.

[18] Trade receivables

(thousands of Euro)	03.31.2012	12.31.2011
Current trade receivables	947,834	965,597
(Provision for current doubtful accounts)	(76,097)	(76,267)
Current trade receivables	**871,737**	**889,330**
Non-current trade receivables	11,415	9,521
(Provision for non-current doubtful accounts)	(1,546)	(1,835)
Non-current trade receivables	**9,869**	**7,686**
Total	**881,606**	**897,016**

Trade receivables also include Euro 89 thousand in amounts due from the holding company Edizione S.r.l.
At March 31, 2012 there were no receivables factored without recourse.

[19] Tax receivable

This balance includes:

(thousands of Euro)	03.31.2012	12.31.2011
VAT recoverable	22,924	23,706
Tax credits	1,932	1,585
Other tax receivables	5,851	6,274
Total	**30,707**	**31,565**

[20] Other receivables, accrued income and prepaid expenses

This balance includes:

(thousands of Euro)	03.31.2012	12.31.2011
Other receivables:		
- other	29,895	32,940
- receivables from holding and related companies	17,037	11,561
Total other receivables	**46,932**	**44,501**
Accrued income and prepaid expenses:		
- accrued income and prepaid expenses on operating leasing	12,707	13,781
- other accrued income and prepaid expenses	9,538	7,792
Total accrued income and prepaid expenses	**22,245**	**21,573**
Total	**69,177**	**66,074**

Other receivables, which amount to Euro 46,932 thousand (Euro 44,501 thousand at December 31, 2011), mainly refer to advances given to various suppliers and employees, to receivables from social security institutions, credits for advance customs duties paid, short-term guarantee deposits and receivables for fixed asset disposals; receivables from holding and related companies mostly refer to amounts due from Edizione S.r.l. in connection with the group tax filing by Italian companies.
The balance at March 31, 2012 includes Euro 12 million for an amount receivable from the Serbian government under an agreement entered on May 18, 2011 by Benetton Serbia D.O.O. and the Ministry of Economy and Regional Development involving the award of an operating grant, totaling Euro 18 million, in return for the creation of two thousand jobs in three years and the maintenance thereof for another three years. The grant has been recorded in view of the reasonable certainty by the Group's Directors and Management of receiving it and of complying with the conditions set out in the agreement; the grant is being recognized in the statement of income on a systematic basis over the periods in which the related costs are incurred for which the grant is intended to compensate.
At March 31:

- the amount still receivable was Euro 12 million;
- the portion of the grant maturing in the period of Euro 78 thousand has been recognized in other manufacturing costs;
- the unmatured portion of the grant has been deferred and recorded in short-term liabilities.

[21] Financial receivables

This line item mostly refers to:

- short-term loans as well as the current portion of long-term loans to third parties;
- positive differentials on forward exchange contracts, mainly relating to the adjustment to period-end rates of outstanding hedges against economic, transaction and translation exchange risks;
- accrued interest on loans and the time value component maturing on derivatives.

[22] Cash and banks

(thousands of Euro)	03.31.2012	12.31.2011
Checks	31,219	76,099
Bank current accounts in other currencies	22,809	33,948
Bank and post office current accounts in Euro	19,388	16,872
Time deposits	1,079	51,400
Cash in hand	499	500
Total	**74,994**	**178,819**

Checks refer to amounts received from customers in the last few days of the reporting period.
Average interest rates reflect market returns for the various currencies concerned.

[23] Assets held for sale

The change since December 31, 2011 is primarily due to the sale of a commercial property in Caserta (Italy).

Comments on the principal items in shareholders' equity and liabilities

Shareholders' equity

[24] Shareholders' equity attributable to the Group

The Shareholders' Meeting of Benetton Group S.p.A. resolved on April 24, 2012 to allocate the net income for 2011 of Euro 55,735 thousand entirely to the extraordinary reserve. Changes in shareholders' equity during the period are detailed in the statement of changes contained in the "Consolidated financial statements" section.

Share capital

The fully paid-in share capital of Benetton Group S.p.A. amounts to Euro 237,482,715.60 at March 31, 2012 and consists of 182,679,012 shares with a par value of Euro 1.30 each.

Treasury shares

During the period in question, Benetton Group S.p.A. neither bought nor sold any treasury shares, either directly or indirectly through subsidiaries, trustees or other intermediaries.
As at today's date, the Company holds a total of 14,201,582 treasury shares, equating to 7.774% of share capital, with a corresponding purchase cost of around Euro 89,679 thousand (inclusive of commissions).

Liabilities

Non-current liabilities

[25] Medium/long-term loans

This balance mostly refers to:
- the club deal for Euro 250 million, maturing in 2015, agreed on May 31, 2010 with Banca Nazionale del Lavoro (BNP Paribas group), Credit Agricole, Cassa di Risparmio del Veneto, Mediobanca and UniCredit S.p.A. This loan carries interest of one, two, three or six-month Euribor plus a spread ranging between 150 and 250 basis points depending on the ratio between net debt and EBITDA;
- the loan with Development Bank of Japan, agreed on July 15, 2011 and maturing on July 25, 2014, for a nominal amount of JPY 5 billion. This loan carries interest of 6-month JPY Libor plus a spread of 65 basis points.

The above loans call for compliance with two financial covenants, observance of which is verified every six months on the basis of the consolidated financial statements, namely:
- a ratio of 4 or above between EBITDA and net financial expenses;
- a ratio of 3.5 or less between net debt and EBITDA.

The three loans with Intesa Sanpaolo, Unicredit Banca and BNL mature in September 2012 and so have been reclassified as short-term.

[26] Other medium/long-term payables

(thousands of Euro)	03.31.2012	12.31.2011
Other payables due to third parties	32,518	32,611
Guarantee deposits received	6,725	7,006
Non-current liabilities for the purchase of fixed assets	3,242	3,838
Total	**42,485**	**43,455**

"Other payables due to third parties" also include the value attributed to the put options held by minority shareholders in some of the subsidiary companies.

[27] Retirement benefit obligations

These refer to provisions for post-employment benefit plans relating to Group employees, of which Euro 35,042 thousand relates to provisions for employee termination indemnities (TFR) reported by the Group's Italian companies.

[28] Other medium/long-term provisions and liabilities

These include provisions of Euro 23,738 thousand for sales agent indemnities, provisions of Euro 12,915 thousand for legal and tax risks, as well as provisions of Euro 885 thousand against the expected closure costs of certain directly operated stores. In particular, provisions for tax risks include Euro 10,274 thousand of which:

- Euro 3,070 thousand for a dispute relating to the disallowance for income tax purposes of certain commissions paid in 2003 to agents resident in low-tax jurisdictions, as described in more detail in the explanatory notes to previous financial statements, to which reference should be made;
- Euro 7,114 thousand for the estimated amount of extra tax payable (Italian regional business tax and corporate income tax) arising from the matters raised by the tax authorities with the subsidiary Bencom S.r.l. concerning the disallowance of certain costs for commissions paid to agents resident in low-tax jurisdictions (from 2004 to 2007). The above findings have resulted in separate notices of assessment (currently limited to 2004, 2005 and 2006), against which the Company has filed respective appeals with the competent provincial tax tribunals. To date the Company has won at the first level of appeal (limited to allegations that were the subject of the notice of assessment for tax year 2004), while the other years are still awaiting rulings by the provincial tax tribunals concerned.

Current liabilities

[29] Trade payables

These represent the Group's liabilities for the purchase of goods and services amounting to Euro 364,498 thousand (Euro 506,145 thousand at December 31, 2011).

[30] Other payables, accrued expenses and deferred income

(thousands of Euro)	03.31.2012	12.31.2011
Other payables:		
- payables for the purchase of fixed assets	34,970	44,035
- other payables due to employees	25,542	25,178
- other payables due to holding and related companies	21,571	20,190
- other payables due to third parties	18,424	17,812
- payables due to social security and welfare institutions	7,257	9,342
- VAT	6,360	12,433
- other payables due to tax authorities	4,549	8,350
Total other payables	**118,673**	**137,340**
Accrued expenses and deferred income:		
- accrued expenses and deferred income on operating leasing	7,048	7,856
- other accrued expenses and deferred income	21,008	19,475
Total accrued expenses and deferred income	**28,056**	**27,331**
Total	**146,729**	**164,671**

"Payables for the purchase of fixed assets" mostly refer to investments in the commercial network, the manufacturing division and Information Technology.

"Other payables due to employees" refer to amounts accruing and not paid at the end of March.

"Other payables due to holding and related companies" entirely refer to amounts owed to Edizione S.r.l. under the group tax election.

"Other payables due to third parties" include non-trade related payables, amongst which: guarantee deposits received, payables to minority shareholders for dividends declared but not yet paid, payables due to insurance companies, remuneration owed to Directors, and the liability representing the valuation of put options held by minority shareholders in some of the Group subsidiaries.

"Payables due to social security and welfare institutions" relate to amounts owed to these institutions by Group companies and their employees.

"Other accrued expenses and deferred income" include Euro 16,950 thousand in deferred income relating to the Serbian government grant received to realize the new production center in the city of Niš, already discussed earlier.

[31] Current income tax liabilities

These liabilities amount to Euro 7,476 thousand (Euro 8,707 thousand at December 31, 2011) and represent the amount payable by the Group for current income tax, stated net of taxes paid in advance, tax credits and withholding taxes.

[32] Other current provisions and liabilities

This line item relates to the Group's provisions against legal and tax disputes or liabilities that it expects to be resolved or settled within one year. The balance mainly refers to corporate reorganization costs that the Group still expects to incur and to expected liabilities for legal disputes in the process of being settled.

[33] Financial payables and bank loan

These mainly refer to:

- short-term loans from third parties;
- negative differentials on forward exchange contracts, mainly relating to the adjustment to period-end rates of outstanding hedges against economic, transaction and translation exchange risks;
- accrued interest on loans and the time value component maturing on derivatives;
- bank loans and overdrafts (details of the type of loans can be found in the paragraph on "Financial position").

Commentary on the statement of cash flows

Cash flow from operating activities before changes in working capital amounted to Euro 41,044 thousand in the period, compared with Euro 57,653 thousand in first quarter 2011, largely reflecting the deterioration in EBITDA.
Cash flow used by changes in working capital amounted to Euro 133,929 thousand (Euro 69,589 thousand in first quarter 2011) and mostly reflect:

- a reduction in trade payables due not only to higher payments relating to purchases made in the last few months of 2011, but also to fewer purchases in the quarter because of differences in the scheduling of production;
- a reduction in other net payables due to lower payables to the tax authorities, particularly for VAT, and to social security institutions.

Cash flow used to pay taxes amounted to Euro 3,378 thousand, in line with the comparative period.
Net financial expenses paid and the net balance of foreign currency operations used virtually no cash, compared with Euro 8,375 thousand used in first quarter 2011.
Cash flow used by operating activities amounted to a total of Euro 96,523 thousand, against Euro 22,728 thousand in the comparative period.
Cash flow used by investing activities amounted to Euro 33,555 thousand (Euro 27,179 thousand in first quarter 2011), of which:

- Euro 21,455 thousand in the commercial network, mainly in markets such as Italy and Spain, as well as in developing countries like Russia; priority was given to refurbishing and expanding existing stores, while the purchase of new buildings and commercial businesses was pursued very selectively;
- Euro 4,026 thousand in investments in production, mostly relating to acquisition of production machinery in Croatia and to the production center in Serbia;
- Euro 2,788 thousand in other investments, most of which in information technology; the most important of these investments were in updating SAP and Oracle application software.

Disposals in the period amounted to a total of Euro 5,343 thousand, most of which relating to the sale of a commercial property in Caserta (Italy) and to the sale of textile segment production machinery.

Supplementary information

Financial position

Net debt amounts to Euro 686,501 thousand at March 31, 2012, compared with Euro 534,409 thousand a year earlier, and has increased by Euro 138,394 thousand since December 31, 2011. It is analyzed as follows:

(thousands of Euro)	03.31.2012	12.31.2011	Change	03.31.2011
Cash and banks	74,994	178,819	(103,825)	150,084
A Liquid assets	**74,994**	**178,819**	**(103,825)**	**150,084**
B Current financial receivables	**31,357**	**62,208**	**(30,851)**	**43,272**
Current portion of medium/long-term loans	(400,582)	(400,575)	(7)	(284)
Financial payables, bank loans and lease financing	(95,610)	(88,393)	(7,217)	(80,658)
C Current financial payables	**(496,192)**	**(488,968)**	**(7,224)**	**(80,942)**
D = A+B+C Current financial indebtedness	**(389,841)**	**(247,941)**	**(141,900)**	**112,414**
E Non-current financial receivables	**2,582**	**3,070**	**(488)**	**3,564**
Medium/long-term loans	(298,996)	(302,963)	3,967	(649,982)
Lease financing	(246)	(273)	27	(405)
F Non-current financial payables	**(299,242)**	**(303,236)**	**3,994**	**(650,387)**
G = E+F Non-current financial indebtedness	**(296,660)**	**(300,166)**	**3,506**	**(646,823)**
H = D+G Net debt	**(686,501)**	**(548,107)**	**(138,394)**	**(534,409)**

The Group's net debt is mainly made up of:

Cash and banks

Most of this balance refers to ordinary current accounts, with Euro 31,219 thousand relating to checks received from customers at the end of March 2012.

Medium/long-term loans, financial payables, bank loans and lease financing

These mainly represent loans and drawdowns against both committed and uncommitted credit facilities, the main features of which are summarized in the tables below.

Credit facility/Bank	Amount (millions of Euro) Granted	Drawn down at reporting date	Undrawn	Dates Signed	Contractual maturity	Cost in basis points (on 1/2/3/6 month Euribor)
Term - committed [(B)]						
BNL S.p.A. (BNP Paribas group)	100	100	-	09.07.2007	09.07.2012	20/50 [(A)]
Intesa Sanpaolo S.p.A.	150	150	-	09.07.2007	09.07.2012	20/50 [(A)]
UniCredit Banca d'Impresa S.p.A.	150	150	-	09.07.2007	09.07.2012	20/50 [(A)]
BNL, Cassa di Risparmio del Veneto, Credit Agricole, Mediobanca, UniCredit	250	250	-	05.31.2010	05.31.2015	150/250 [(A)]
Development Bank of Japan [(C)]	46	46	-	07.15.2011	07.25.2014	65 (on 6M JPY Libor)
Aozora Bank [(D)]	27	-	27	03.30.2012	03.31.2016	200 (on 6M JPY Libor)
Total term - committed	**723**	**696**	**27**			
Revolving - committed [(B)]						
Banca Popolare di Vicenza	60	-	60	12.17.2009	12.17.2014	150/250 [(A)]
BNL, Cassa di Risparmio del Veneto, Credit Agricole, Mediobanca, UniCredit	150	-	150	05.31.2010	05.31.2015	150/250 [(A)]
Revolving - uncommitted						
Other	440	67	373	evergreen		Interbank (or prime) rate + spread
Total revolving	**650**	**67**	**583**			
Total	**1,373**	**763**	**610**			

(A) Depending on the ratio Net debt/EBITDA.
(B) Compliance with financial covenants calculated six-monthly:
- EBITDA/Net financial expenses: min 4;
- Net debt/EBITDA: max 3.5.
(C) Euro equivalent of the Jpy 5 billion loan at March 31, 2012.
(D) Euro equivalent of the Jpy 3 billion loan at March 31, 2012.

A loan for JPY 3 billion maturing on March 31, 2016 was obtained from Aozora Bank Ltd. on March 30, 2012. This loan carries interest of 6-month JPY Libor plus a spread of 2%.

The committed credit facilities and the long-term loans not only carry the financial covenants set out above but also other covenants, typically applied in international practice, that must be respected by Benetton Group S.p.A. and, in some cases, by other Group companies, the most relevant of which are:

a. negative pledge clauses, which limits the creation of any security (mortgage, pledge, lien) over Group's assets;
b. pari passu clauses, which define that all the obligations on the above transactions will have the same ranking of any other new unsecured and unsubordinated obligations;
c. periodic reporting obligations;
d. cross default clauses, which entitle the lender to call for immediate repayment of the loans in the event of certain types of default on other financial instruments issued by the Group;
e. restrictions on major asset disposals;
f. other clauses generally used in similar transactions.

These covenants are nevertheless subject to several exceptions and restrictions.

There are no relationships of a financial nature with the tax group consolidating company Edizione S.r.l.

Segment information

Segment results – first quarter 2012

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	397	31	-	428
Inter-segment revenues	1	26	(27)	-
Total revenues	398	57	(27)	428
Cost of sales	216	49	(25)	240
Gross operating profit	182	8	(2)	188
Selling costs	32	2	(1)	33
Contribution margin	150	6	(1)	155
General and operating expenses	141	2	-	143
- of which non-recurring expenses/(income)	*2*	*(1)*	-	*1*
Operating profit	9	4	(1)	12

Segment results – first quarter 2011

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	424	29	-	453
Inter-segment revenues	-	25	(25)	-
Total revenues	424	54	(25)	453
Cost of sales	228	48	(26)	250
Gross operating profit	196	6	1	203
Selling costs	34	2	-	36
Contribution margin	162	4	1	167
General and operating expenses	131	2	-	133
- of which non-recurring expenses/(income)	*1*	*(1)*	-	-
Operating profit	31	2	1	34

Apparel segment results

(millions of Euro)	1st quarter 2012	%	1st quarter 2011	%	Change	%	Full year 2011	%
Revenues from third parties	397		424		(27)	(6.3)	1,913	
Inter-segment revenues	1		-		1	(16.9)	2	
Total revenues	398	100.0	424	100.0	(26)	(6.3)	1,915	100.0
Cost of sales	216	54.2	228	53.7	(12)	(5.4)	1,057	55.2
Gross operating profit	182	45.8	196	46.3	(14)	(7.3)	858	44.8
Selling costs	32	8.0	34	8.1	(2)	(7.0)	153	8.0
Contribution margin	150	37.8	162	38.2	(12)	(7.4)	705	36.8
General and operating expenses	141	35.4	131	30.9	10	7.2	566	29.5
- of which non-recurring expenses/(income)	*2*	*0.4*	*1*	*0.2*	*1*	*80.8*	*7*	*0.4*
Operating profit	9	2.4	31	7.3	(22)	(68.9)	139	7.3

Textile segment results

(millions of Euro)	1st quarter 2012	%	1st quarter 2011	%	Change	%	Full year 2011	%
Revenues from third parties	31		29		2	5.8	119	
Inter-segment revenues	26		25		1	4.6	85	
Total revenues	57	100.0	54	100.0	3	5.3	204	100.0
Cost of sales	49	86.9	48	88.4	1	3.5	179	87.8
Gross operating profit	8	13.1	6	11.6	2	19.0	25	12.2
Selling costs	2	3.2	2	2.9	-	17.5	7	3.4
Contribution margin	6	9.9	4	8.7	2	19.5	18	8.8
General and operating expenses	2	3.8	2	4.2	-	(6.0)	8	4.0
- of which non-recurring expenses/(income)	*(1)*	*(0.5)*	*(1)*	*(1.9)*	-	*(72.0)*	*(2)*	*(1.1)*
Operating profit	4	6.1	2	4.5	2	43.9	10	4.8

The number of employees in each segment is detailed below:

	03.31.2012	12.31.2011	Period average
Apparel	8,346	8,241	8,293
Textile	1,253	1,316	1,285
Total	**9,599**	**9,557**	**9,578**

The change since December 31, 2011 is due to the higher incidence of the direct channel in the apparel segment.

Information by geographical area

Revenues by geographical area and operating segment

(thousands of Euro)	Italy	%	Rest of Europe	%	The Americas	%	Asia	%	Rest of the world	%	Total
Apparel	153,754	88.5	144,138	96.6	16,618	96.5	79,570	95.3	3,465	72.4	397,545
Textile	20,020	11.5	5,028	3.4	602	3.5	3,909	4.7	1,321	27.6	30,880
Total revenues 1st quarter 2012	**173,774**	**100.0**	**149,166**	**100.0**	**17,220**	**100.0**	**83,479**	**100.0**	**4,786**	**100.0**	**428,425**
Total revenues 1st quarter 2011	**201,474**		**144,862**		**18,352**		**85,890**		**2,659**		**453,237**
Change	(27,700)		4,304		(1,132)		(2,411)		2,127		(24,812)

Revenues are allocated according to the geographical area in which customers are located.

Other information

Relations with the holding company, its subsidiaries and other related parties

The Benetton Group has trade dealings with Edizione S.r.l. (the holding company), with subsidiary companies of the same and with other parties which, directly or indirectly, are linked by common interests with the majority shareholder. Trading relations with such parties are conducted on an arm's-length basis and using the utmost transparency, in compliance with the Group's "Procedures for related party transactions". The total value of such transactions was nonetheless not significant in relation to the total value of the Group's production. These transactions mostly relate to the purchase and sale of goods and services.

The Group's Italian companies have elected to file for tax on a group basis as allowed by articles 117 et seq. of the Tax Consolidation Act (DPR 917 dated December 22, 1986), based on a proposal by the consolidating company Edizione S.r.l., which made the election for this type of tax treatment on June 14, 2010. The election lasts for three years, starting from the 2010 financial year, and represents a renewal of the previous election for the 2007-2009 three-year tax period. The relationships arising from participation in the group tax election are governed by specific rules, approved and signed by all participating companies.

Transactions have also taken place between companies directly or indirectly controlled by the Parent Company or between such companies and the Parent Company itself, in compliance with the Group's "Procedures for related party transactions". The Parent Company's management considers that such transactions have been conducted on an arm's-length basis.

No Director, manager, or shareholder is a debtor of the Group.

Non-recurring events and significant transactions

The impact on the statement of income of the Group's non-recurring events and transactions has resulted in net expenses of Euro 1,435 thousand in first quarter 2012 (Euro 70 thousand in net income in first quarter 2011), mostly represented by gains on the disposal of textile segment machinery and of a commercial property in Caserta (Italy), by an early termination indemnity paid in respect of two property leases in the United States and by the costs incurred in connection with activities required under the tender offer launched by Edizione S.r.l. in February 2012.

Atypical and/or unusual transactions

The Group has not undertaken any atypical and/or unusual transactions, meaning those whose significance/materiality, nature of the counterparties, purpose, method of determining the transfer price and timing, might give rise to doubts as to: the fairness/completeness of the information contained in the financial statements, conflicts of interest, the safekeeping of assets and interests of minority shareholders.

Significant events after March 31, 2012

As a result of acceptances of the tender offer and market purchases made by Edizione S.r.l., as at May 15, 2012, the date of approving the present report, Edizione S.r.l. holds a controlling interest of 87.12% in the Company, which, together with the 7.77% of share capital represented by treasury shares, gives it direct and indirect ownership of 94.89% of share capital.

Edizione S.r.l. has also announced that, in compliance with the Procedures under the Offer still in progress as at May 15, the Offeror has received requests to sell such number of Benetton shares that will allow it to reach and exceed the threshold of 95% of share capital, thus entitling the Offeror to purchase all the remaining shares under art. 111 of the Consolidated Law on Finance.

Consequently, Borsa Italiana S.p.A. has notified the Company that it has ordered the delisting of Benetton Group shares with effect from May 31, 2012 with trading suspended from May 28, 2012.

During the month of April, Benetton Retail Deutschland GmbH acquired the other 50% of New Ben GmbH, therefore becoming owner of its entire share capital.

Contingent liabilities

The Group has not recognized any provisions against an estimated amount of Euro 13.6 million in liabilities associated with unsettled litigation, insofar as it considers that the risk of a related financial outlay is only "possible" and so, in accordance with IAS 37, only requires disclosure but not provision.

The subsidiary Benind S.p.A. has an unsettled dispute with the Italian customs authorities, which could give rise to a liability of approximately Euro 7.5 million, plus penalties. In the absence of new information to report, reference should be made to the full descriptions already contained in the explanatory notes to previous financial statements.

In addition, during 2011 Benind S.p.A. underwent a partial tax audit by the Veneto Regional Revenue Office for tax years 2006-2007-2008 in relation to IRES (Italian corporate income tax) and IRAP (Italian regional business tax). The notice of findings received has raised some transfer pricing issues.
The contested items correspond to an estimated Euro 7 million in additional tax.
The above findings have resulted in several notices of assessment (for IRES and IRAP), notified by the Revenue Office during December 2011 although only with respect to tax year 2006. The additional taxes assessed for the year in question amount to Euro 4.5 million plus penalties and interest.

The Board of Directors of Benind S.p.A. is of the opinion that the matters raised concerning both the customs duties and income taxes (transfer prices) are unsubstantiated and so it has not seen fit to make any provisions against the risk of losing the related disputes since they qualify as only "possible" risks, in compliance with definitions under the accounting standards.

During 2011, the subsidiary Bencom S.r.l. underwent a partial tax audit by the Veneto Regional Revenue Office for tax year 2006 in relation to IRES (Italian corporate income tax) and IRAP (Italian regional business tax). The notice of findings received has raised some transfer pricing issues.
The above findings have resulted in several notices of assessment (for IRES and IRAP), notified by the Revenue Office during December 2011. The additional taxes assessed for the year in question amount to Euro 0.6 million plus penalties and interest.

During the month of December 2011, the French tax authorities concluded a tax audit in respect of the French permanent establishment of the subsidiary Bencom S.r.l. The audit has raised issues concerning transfer pricing and "taxe professionnelle", which, if fully confirmed in court, could result in additional taxes of about Euro 3.2 million plus penalties and interest.
The company has already submitted its comments and is waiting for a response from the competent office.

With reference to the above findings, the Board of Directors of the subsidiary Bencom S.r.l. is of the opinion that the matters raised are unsubstantiated and so it has not seen fit to make any provision because the risk of losing any court case is seen as only possible.

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 document corresponds to the document results, books and accounting records.

Corporate information

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