Benetton Group

Interim management statement first nine months 2011

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	**3**
Directors and other officers	3
Disclaimer	4
Key performance indicators	4
Directors' report	**6**
Overview of performance in first nine months 2011	6
Supplementary information	8
- Dividend distribution	8
- Stock option plan	8
- Treasury shares	8
- Controlling interest	8
- Relations with the holding company, its subsidiaries and other related parties	9
- Directors	9
- Principal organizational and corporate changes	9
- Significant events after September 30, 2011	10
- Outlook for the full year	10
Consolidated Group results	11
- Consolidated statement of income	11
- Operating segments	14
- Third quarter 2011	17
- Balance sheet and financial position highlights	20
Consolidated financial statements	**24**
Consolidated statement of income	24
Statement of comprehensive income	25
Consolidated balance sheet - Assets	26
Consolidated balance sheet - Shareholders' equity and liabilities	27
Shareholders' equity - Statement of changes	28
Consolidated statement of cash flows	29
Explanatory notes	**30**
Summary of main accounting standards and policies	30
Comments on the principal items in the statement of income	33
Statement of comprehensive income	38
Comments on the principal asset items	39
Comments on the principal items in shareholders' equity and liabilities	43
Commentary on the statement of cash flows	47
Supplementary information	48
Other information	52
Declaration by the manager responsible for preparing the company's financial reports	**55**

The Benetton Group

Directors and other officers

Board of Directors

Luciano Benetton	Chairman
Carlo Benetton	Deputy Chairman
Alessandro Benetton	Executive Deputy Chairman
Biagio Chiarolanza	Executive Director
Franco Furnò	Executive Director
Gilberto Benetton	Directors
Giuliana 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 nine months 2011 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)	Nine months 2011	%	Nine months 2010	%	Change	%	Full year 2010	%
Revenues	1,481	100.0	1,498	100.0	(17)	(1.1)	2,053	100.0
Gross operating profit	645	43.5	696	46.5	(51)	(7.3)	948	46.2
Contribution margin	530	35.8	583	38.9	(53)	(9.0)	789	38.4
EBITDA (*)	193	13.0	224	15.0	(31)	(14.1)	303	14.8
Ordinary EBITDA (*)	195	13.2	235	15.7	(40)	(17.2)	311	15.2
Operating profit	115	7.8	141	9.4	(26)	(18.4)	176	8.6
Net income for the period attributable to the Group	60	4.1	85	5.7	(25)	(29.8)	102	5.0

Key financial data (millions of Euro)	09.30.2011	12.31.2010	09.30.2010
Working capital	889	622	786
Net capital employed	2,232	1,984	2,140
Assets held for sale	1	10	13
Net debt	749	486	645
Total shareholders' equity	1,483	1,498	1,495
Free cash flow	(213)	133	(23)
Net investments	82	122	101

Share and market data	09.30.2011	12.31.2010	09.30.2010
Basic earnings per share (Euro)	0.35	0.59	0.50
Shareholders' equity per share (Euro)	8.54	8.59	8.68
Price at period end (Euro)	4.30	4.92	5.63
Screen traded price: period high (Euro)	5.73	6.70	6.70
Screen traded price: period low (Euro)	4.20	4.50	5.17
Market capitalization (thousands of Euro)	739,591	848,310	970,235
Average no. of shares outstanding	171,997,843	172,333,102	172,333,102
No. of shares outstanding	182,679,012	182,679,012	182,679,012

	09.30.2011	12.31.2010	09.30.2010
Total employees	9,356	9,469	9,378

(*) 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)	Nine months 2011	Nine months 2010	Change	Full year 2010
A Operating profit	115	141	(26)	176
B - of which non-recurring expenses/(income)	*4*	*18*	*(14)*	*32*
C Depreciation and amortization	76	76	-	103
D Other non-monetary costs (net impairment/(reversals))	2	7	(5)	24
E - of which non-recurring	*2*	*7*	*(5)*	*24*
F = A+C+D EBITDA	193	224	(31)	303
G = F+B-E Ordinary EBITDA	195	235	(40)	311

Overview of performance in first nine months 2011

Consolidated statement of income

Group net revenues for the first nine months of 2011 reached 1,481 million, almost unchanged at currency neutral, compared with the same period of 2010 (-0.5%). This result was the outcome of extensive efforts to accelerate growth in those markets where there are promising opportunities for the Group, mainly the emerging markets, and to defend its market share in established markets, where the economic crisis and uncertain prospects had a significant influence on consumer expenditure, impacting development of the whole sector and of the Group. In particular, the apparel segment recorded revenues of 1,388 million, with a currency neutral reduction of 1.4% (30 million) compared with the first nine months of 2010. The textile segment, on the other hand, achieved an increase in revenues of 16.3% (93 million, compared with 80 million in the comparable period), also due to the impact of increases in raw material costs.

At geographic level, emerging markets and markets with high growth potential increased overall by 11% currency neutral, with a proportion of revenues which rose to 26% (from 24% for the first nine months of 2010), and all principal markets here were positive. We mention in particular the excellent results achieved in Mexico (+26% currency neutral), in India (+12%) and in Russia (+28%). In established markets on the other hand, there was a 4% currency neutral reduction in revenues, with a positive performance in Germany and the UK, which offset a significant contraction in sales in Greece and, although to a much lesser extent, also in Mediterranean area countries (Portugal, Spain, France and Italy). Outside Europe, USA (-9% currency neutral) and Japan (-23%) were negative, also after rationalisation of the stores network in these markets.

Gross operating profit, of 645 million (43.5% of net revenues) was down (-51 million) compared with 696 million (46.5%) in the comparable nine months, due to the already-reported high increases in raw material costs, cotton and wool in particular, which negatively impacted on the 2011 Fall/Winter collection despatched to stores between the end of the second quarter and the third quarter. On the other hand, the change in the euro exchange rate against the US dollar, the main reference currency for purchases, had a positive effect.

The contribution margin was 530 million (35.8% of revenues), against 583 million (38.9%) in the corresponding period of 2010, down by 53 million.

Due to systematic attention to management of costs, following programmes initiated in previous years and pursued with determination also in the current financial year, general expenses in the first nine months of 2011 were further reduced by around 3% against the comparable nine months. Non-recurring expenses were also down, due, in particular, to the conclusion of the already-reported programmes for reorganisation of the Group textile division.

As a result, operating profit was 115 million, down compared with 141 million in the corresponding period of 2010, with a percentage to revenues of 7.8%, compared with the previous 9.4%.

Financial management produced some improvements, above all due to the reduction in average indebtedness and in spite of the increase in interest rates. Overall, financial expenses moved from 15 million in the first nine months of 2010 to 14 million in 2011. However, the usual exchange rate hedging operations contributed negatively to the result (-11 million compared with an income of 13 million in 2010).

The effective tax rate was 34% in the 2011 nine months, down as expected compared with the same period of 2010 (41%).

Finally, net income was 60 million (4.1% of revenues), compared with 85 million (5.7%) for the first nine months of 2010.

Balance sheet

Compared with September 30, 2010, working capital increased by 103 million, due to the combined effects of an increase in inventories of 57 million, partly linked to the already mentioned growth in raw material costs, and the increase in trade receivables of 71 million, in turn resulting from the incidence of sales in the wholesale channel, in particular linked to development in Russia and India, as well as to a slow-down in collection ratios, more marked in the Mediterranean area. This was offset by an increase in trade and sundry payables of 25 million.

Net debt at September 30, 2011, traditionally a peak time for Group exposure to the banking system, was 749 million, higher than the 645 million at September 30, 2010, due to the impact of the increase in working capital already mentioned, as well as to purchase of treasury shares and investments in the period.

Summary of consolidated cash flows

Cash flow generated by operating activities before changes in working capital totalled 198 million, against 244 million in the comparable period.

In the first nine months of 2011, the Group continued its policy of renewal of the commercial network, with net investments of 82 million (101 million in the comparative period). These included 53 million of commercial and real estate investments and 14 million for manufacturing activities.

During the first nine months of 2011, dividends were paid of 46 million (41 million in the comparative period) and, between July 28 and September 30, 3,855,672 treasury shares were purchased for an outlay of around 17.9 million (without commissions). As of September 30, 2011, the Company held 14,201,582 treasury shares, equivalent to 7.8% of share capital for a total outlay of 89.6 million (without commissions).

Supplementary information

Dividend distribution

The Shareholders' Meeting of Benetton Group S.p.A. resolved on April 28, 2011 to pay a dividend per share of Euro 0.25 (pre-tax), totaling Euro 43.083 million. The shares went ex-div on May 23, 2011 and the dividend was paid on May 26, 2011.

Stock option plan

Details of this stock option plan, approved by the Board of Directors of Benetton Group S.p.A. in September 2004, can be found under "Stock Option Plan" in "Regulations & Codes" in the Governance section of the website www.benettongroup.com/investors.
At September 30, 2011 there were still 100,000 unexercised options, carrying the right to subscribe to an equal number of the Company's shares at a price of Euro 8.984 each through until the plan's expiry in September 2013.

2004 stock option plan

	Options outstanding as of 01.01.2011	New options granted in the period	Options exercised in the period	Options expired and not exercised or lost in the period	Options cancelled in the period due to termination of employment	Options outstanding as of 09.30.2011	of which exercisable as of 09.30.2011
No. of options (*)	100,000	-	-	-	-	100,000	100,000
Allocation ratio (%)	0.055					0.055	0.055
Weighted average exercise price (Euro)	8.984					8.984	8.984
Market price (Euro)	5.000					4.300	4.300

(*) Granted to Biagio Chiarolanza.

Treasury shares

The Shareholders' Meeting of April 28, 2011 granted the Board of Directors the authority to buy back and dispose of the Company's ordinary shares with a par value of Euro 1.30 each, up to a maximum amount that, together with the shares already held, represents no more than 10% of share capital. At the same time, the shareholders revoked the previous authority relating to the buy back and disposal of shares granted on April 22, 2010. This authority was granted for a period of 18 months commencing April 28, 2011. The minimum purchase price may not be 30% below the official share price reported in the trading session prior to each individual transaction, while the maximum purchase price may not be 20% above such official share price; the disposal price may not be less than 90% of the official share price reported in the trading session prior to each individual transaction. Between July 28, 2011, the date the Board of Directors adopted a resolution to commence a new share buy-back program, and September 30, 2011, Benetton Group S.p.A. purchased 3,855,672 treasury shares, corresponding to 2.111% of share capital, at a cost of around Euro 17.9 million (excluding commissions). 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

The Company's majority shareholder is Edizione S.r.l., an investment holding company with registered office in Treviso (Italy) and wholly owned by the Benetton family. It owns 122,540,000 ordinary shares in the Company representing a controlling interest of 67.08%.

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 September 30, 2011 were as follows:

Name and surname	Date of birth	Appointed	Office
Luciano Benetton	05.13.1935	1978	Chairman
Carlo Benetton	12.26.1943	1978	Deputy Chairman
Alessandro Benetton	03.02.1964	1998	Executive Deputy Chairman
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.

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

Principal organizational and corporate changes
On January 31, 2011 Benetton Group S.p.A. signed with the Republic of Serbia and the city of Niš a memorandum of understanding for cooperation in a business project to develop a new production center in the city of Niš.
The project will require that the Group invest over Euro 30 million and will make it possible, amongst other things, to verticalize the production cycle for wool garments, which may reach a run-rate level of 7 million per year. Based on the agreement the Serbian authorities will pay the Group a non-refundable free grant of around Euro 20 million in stages as the personnel recruitment and training program progresses.
Accordingly, Benetton Serbia D.O.O., a Serbian-registered company based in Belgrade, was formed on February 25, 2011 as a subsidiary of the Luxembourg-registered Benetton International S.A.
In May the purchase was finalized of an industrial site comprising 80,000 square meters in land and 60,000 square meters in buildings. The following Serbian-registered companies were formed on July 7 and 12 respectively as part of the same project: Olimpias Knitting Serbia D.O.O., as a subsidiary of Aerre S.r.l., and Olimpias Serbia D.O.O., as a subsidiary of Olimpias S.p.A.

As part of the commercial development strategy in Brazil, during the month of August Benetton Comercio de Produtos Texteis do Brasil Ltda., a Brazilian-registered company, was formed as a subsidiary of Benetton Group S.p.A.
During the month of September, Benetton Commercial Hellas EPE, a Greek-registered company, was formed as a wholly-owned subsidiary of the Luxembourg-registered Benetton International S.A.. The newly-formed company performs agency activities for the territory of Greece.

As part of the process of simplifying the Group's corporate structure, the merger of Benetton International Property N.V. S.A. into Benetton Holding International N.V. S.A. was completed on September 21.

Significant events after September 30, 2011

As part of the ongoing simplification of the Group's corporate structure, the merger of Bentec S.p.A. and Benair S.p.A. into Benind S.p.A. came into effect on October 1, 2011.

Outlook for the full year

The economic outlook in the Group's main reference markets continues to be very critical, whereas the development of new markets continues in an encouraging way. Overall, the collection of orders for the 2011 Fall/Winter collection has shown a significant change in trend and will close, in line with Group expectations, with a higher value than for the corresponding collection for 2010. The pressure on raw material costs has eased in the last few months, although these remain well above the historic average and will therefore continue to impact on margins in coming quarters.

The Group is continuing to follow a strategy based on three principal elements: the strengthening of brands, in particular the United Colors of Benetton brand, continual product enhancement and improvement, and renewal of the store network. In this context, in the last few months in particular, the following have been introduced: a strengthening of skills in the communication, marketing and merchandising areas; a significant increase of visibility in digital media and the imminent return of Benetton to corporate communication committed to social themes of global relevance, which has always been a company tradition. On the business operations front, on the other hand, recent successes achieved by the special collections project, and by dedicated collections in Asiatic countries, are particularly auspicious for continued growth in those markets. At the same time, the Group resolutely pursues support programmes for strengthening the commercial network.

In the light of an increasingly difficult economic scenario, the results achieved testify to Group efforts to achieve medium-term improvement objectives. The fourth quarter has also opened in an environment of growing uncertainty in established markets, which are the countries of greatest importance in Group's portfolio. Margins remain under pressure, and robust control of costs is a priority in order to defend profitability, in line with what has been done in recent years. Operating profit for 2011 will be in line with forecasts, lower than in the last financial year. In particular, the Group is directed towards optimisation of cash management to support the numerous investment projects, while limiting growth of the financial position.

Consolidated Group results

Consolidated statement of income

Highlights from the Group's statements of income for first nine months 2011 and 2010 and for full year 2010 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)	Nine months 2011	%	Nine months 2010	%	Change	%	Full year 2010	%
Revenues	**1,481**	**100.0**	**1,498**	**100.0**	**(17)**	**(1.1)**	**2,053**	**100.0**
Materials and subcontracted work	742	50.1	706	47.1	36	5.1	977	47.6
Payroll and related costs	58	4.0	60	4.0	(2)	(1.8)	80	3.9
Industrial depreciation and amortization	11	0.7	11	0.7	-	(1.6)	14	0.7
Other manufacturing costs	25	1.7	25	1.7	-	(1.4)	34	1.6
Cost of sales	**836**	**56.5**	**802**	**53.5**	**34**	**4.3**	**1,105**	**53.8**
Gross operating profit	**645**	**43.5**	**696**	**46.5**	**(51)**	**(7.3)**	**948**	**46.2**
Distribution and transport	51	3.4	50	3.4	1	1.6	73	3.6
Sales commissions	64	4.3	63	4.2	1	1.0	86	4.2
Contribution margin	**530**	**35.8**	**583**	**38.9**	**(53)**	**(9.0)**	**789**	**38.4**
Payroll and related costs	132	8.9	129	8.6	3	2.9	175	8.5
Advertising and promotion	42	2.8	44	2.9	(2)	(4.3)	55	2.7
Depreciation and amortization	65	4.4	65	4.4	-	(0.2)	89	4.3
Other expenses and income	176	11.9	204	13.6	(28)	(13.9)	294	14.3
- of which non-recurring expenses/(income)	*4*	*0.3*	*18*	*1.2*	*(14)*	*(77.4)*	*32*	*1.6*
General and operating expenses	**415**	**28.0**	**442**	**29.5**	**(27)**	**(6.0)**	**613**	**29.8**
- of which non-recurring expenses/(income)	*4*	*0.3*	*18*	*1.2*	*(14)*	*(77.4)*	*32*	*1.6*
Operating profit (*)	**115**	**7.8**	**141**	**9.4**	**(26)**	**(18.4)**	**176**	**8.6**
Share of income/(losses) of associated companies	1	0.1	-	-	1	n.s.	(1)	(0.1)
Financial (expenses)/income	(14)	(1.0)	(15)	(1.0)	1	(0.9)	(19)	(0.9)
Net foreign currency hedging (losses)/gains and exchange differences	(11)	(0.8)	13	0.9	(24)	n.s.	12	0.6
Income before taxes	**91**	**6.1**	**139**	**9.3**	**(48)**	**(35.2)**	**168**	**8.2**
Income taxes	31	2.1	57	3.8	(26)	(46.1)	65	3.2
- of which non-recurring income taxes	-	-	-	-	-	-	*4*	*0.2*
Net income for the period	60	4.0	82	5.5	(22)	(27.5)	103	5.0
attributable to:								
- shareholders of the Parent Company	**60**	**4.1**	**85**	**5.7**	**(25)**	**(29.8)**	**102**	**5.0**
- minority shareholders	-	(0.1)	(3)	(0.2)	3	(86.3)	1	n.s.

(*) Trading profit was 119 million, representing 8.1% of revenues (159 million in first nine months 2010, representing 10.6% of revenues and 208 million in 2010 representing 10.1% of revenues).

The Group's net revenues in first nine months 2011 amounted to 1,481 million against 1,498 million in the comparative period, reporting a decrease of 1.1% (-0.5% net of exchange rate effects) mainly due to the combined effect of:

- a reduction in sales by directly operated stores, affected by the adverse economic environment;
- a negative collection mix featuring lower unit value product categories;
- negative exchange rate effects against the Euro (9 million), particularly relating to the Turkish lira, Indian rupee and US dollar.

The apparel segment reported 1,388 million in revenues from third parties, compared with 1,418 million in first nine months 2010.

The textile segment achieved 93 million in revenues from third parties, against 80 million in the comparative period, a change of 16.2% which was very positively impacted by commercial initiatives with third parties.

Cost of sales, which accounted for 56.5% of revenues against 53.5% in the comparative period, was as follows for the individual segments:

- apparel: 764 million (55% of revenues against 51.9% in the 2010 corresponding period), reflecting the negative effects of a significant increase in raw material costs, particularly cotton whose average price has more than doubled on the 2010 comparative period, although partly mitigated by positive exchange rate effects;
- textile: 140 million, representing 87.7% of revenues against 90.5% in first nine months 2010.

Gross operating profit came to 645 million, reporting a margin of 43.5% compared with 46.5% in the corresponding period of 2010.

The individual segments performed as follows:

- apparel: 626 million, with a margin of 45% against 48.1%, reflecting the negative effects of a different contribution to revenues by the collection mix and of inflation in raw material costs, as only partly mitigated by the positive effects of exchange rates (approximately 10 million);
- textile: 19 million, representing 12.3% of revenues against 9.5% in the comparative period.

Variable selling costs (distribution, transport and sales commissions), amounting to 115 million and representing 7.7% of revenues, were in line with the comparative period.

Contribution margin came to 530 million, representing 35.8% of revenues, against 38.9% in first nine months 2010, with the performance by segment as follows:

- apparel: 516 million, representing 37.1% of revenues, with a reduction of 10.1% on the corresponding period of 2010;
- textile: 14 million, representing 8.9% of revenues, an improvement from 6% in the comparative nine months.

General and operating expenses amounted to 415 million, compared with 442 million in first nine months 2010, and accounted for 28% of revenues against 29.5%. General and operating expenses in the individual segments were as follows:

- apparel: these expenses amounted to 409 million, reporting an improvement of 19 million on the comparative period, and accounting for 29.4% of revenues against 30.1%. In fact, the current period is characterized not only by fewer non-recurring expenses linked to the reorganization completed in 2010, but also by the Group's constant attention to cost containment;
- textile: these expenses decreased to 6 million from 14 million in first nine months 2010, accounting for 3.6% of revenues against 9.3% in the comparative period, having benefited both from the gain on disposal of some of the production machinery classified as assets held for sale and the lack of reorganization costs, which had had an impact of 5 million on first nine months 2010.

General and operating expenses are discussed in more detail below:

- Non-industrial payroll and related costs amounted to 132 million, representing 8.9% of revenues (129 million and 8.6% respectively in the comparative period), with the increase reflecting the recruitment of new professional figures to certain strategic company functions and to a lesser extent the higher incidence of the direct channel.

- Advertising and promotion costs amounted to 42 million against 44 million and accounted for 2.8% of revenues (2.9% in first nine months 2010) due to more focused Group brand campaigns.

- Non-industrial depreciation and amortization of 65 million, accounting for 4.4% of revenues, was broadly in line with the amount recognized in the comparative nine months.

- Other expenses and income came to 176 million, significantly down on 204 million in the comparative period and representing 11.9% of revenues against 13.6% in first nine months 2010. 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 decreased by 10 million to 74 million, accounting for 5% of revenues against 5.6%, and particularly reporting a reduction in service costs, travel costs, consulting and advisory fees, maintenance and rental and hire costs;
  - additions to provisions amounted to 16 million, of which 14 million for doubtful accounts (15 million in first nine months 2010);
  - net operating and other expenses came to 85 million versus 103 million in first nine months 2010, representing 5.8% of revenues against 6.9%, and mostly reflecting the combined effect of:
    - a decrease of 2 million in rental expense (net of rental income), particularly arising from redefinition of the business model in India and from the commercial reorganization completed in 2010, particularly in the United States;
    - capital gains of more than 3 million realized on the disposal certain commercial businesses, including an important one in Palermo, and of 2 million on the sale of textile segment production machinery;
    - a significant reduction of 14 million in non-recurring expenses, particularly reflecting the lack of reorganization costs and of recoverable value adjustments recognized in first nine months 2010 against two properties in Portugal and Kazakhstan;
    - commodity hedging activities, particularly involving the purchase of call options on cotton against future purchases of raw materials and finished products, whose premiums paid, net of period-end valuation, gave rise to a net expense of over 6 million.

Operating profit was 115 million compared with 141 million in first nine months 2010, with the margin at 7.8% against 9.4%. Operating profit in the individual segments was as follows:
- 107 million in the apparel segment against 146 million in the comparative period, with the margin at 7.7% compared with 10.3%;
- 8 million in the textile segment, with a margin of 5.3%; operating profit in first nine months 2010 had been impacted by more than 5 million in reorganization costs.

Net financial expenses came to 14 million, staying broadly in line with the comparative period due to slightly lower average indebtedness than in the corresponding period of 2010, as partly offset by the impact of an increase in interest rates after opening up a new line of credit from June 2010 at less favorable conditions than those applied up until then.
Net foreign currency hedging losses and exchange differences primarily reflect the negative impact of hedges taken out in second half 2010 against dollar purchases.

Income taxes of 31 million represent a tax rate of 34.1%, against 41.1% in first nine months 2010, reflecting a lower tax rate not only for certain foreign subsidiaries, after reducing their operating losses, but also for those in profit.

Net income for the period attributable to the Group was 60 million (4.1% of revenues), compared with 85 million in first nine months 2010 (5.7% of revenues).

The average number of employees in each segment during the period was as follows:
- apparel: 7,933 (of whom 3,893 in the retail channel), compared with 7,877 (of whom 3,873 in the retail channel) in first nine months 2010;
- textile: 1,480 compared with 1,567 in first nine months 2010.

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 nine months 2011 and 2010 and for full year 2010 are shown below, adopting the classification criteria described above.

Segment results - first nine months 2011

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	1,388	93	-	1,481
Inter-segment revenues	2	66	(68)	-
Total revenues	1,390	159	(68)	1,481
Cost of sales	764	140	(68)	836
Gross operating profit	626	19	-	645
Selling costs	110	5	-	115
Contribution margin	516	14	-	530
General and operating expenses	409	6	-	415
- of which non-recurring expenses/(income)	6	*(2)*	-	*4*
Operating profit	107	8	-	115
Depreciation and amortization	70	6	-	76
Other non-monetary costs (net impairment/(reversals))	2	-	-	2
EBITDA	179	14	-	193

Segment results - first nine months 2010

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	1,418	80	-	1,498
Inter-segment revenues	3	64	(67)	-
Total revenues	1,421	144	(67)	1,498
Cost of sales	738	130	(66)	802
Gross operating profit	683	14	(1)	696
Selling costs	109	5	(1)	113
Contribution margin	574	9	-	583
General and operating expenses	428	14	-	442
- of which non-recurring expenses	*13*	5	-	*18*
Operating profit	146	(5)	-	141
Depreciation and amortization	70	6	-	76
Other non-monetary costs (net impairment/(reversals))	7	-	-	7
EBITDA	223	1	-	224

Segment results – full year 2010

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	1,948	105	-	2,053
Inter-segment revenues	4	81	(85)	-
Total revenues	1,952	186	(85)	2,053
Cost of sales	1,018	171	(84)	1,105
Gross operating profit	934	15	(1)	948
Selling costs	153	7	(1)	159
Contribution margin	781	8	-	789
General and operating expenses	600	13	-	613
- of which non-recurring expenses/(income)	*29*	*3*	-	*32*
Operating profit	181	(5)	-	176
Depreciation and amortization	95	8	-	103
Other non-monetary costs (net impairment/(reversals))	24	-	-	24
EBITDA	300	3	-	303

Apparel segment result

(millions of Euro)	Nine months 2011	%	Nine months 2010	%	Change	%	Full year 2010	%
Revenues from third parties	1,388		1,418		(30)	(2.1)	1,948	
Inter-segment revenues	2		3		(1)	(29.7)	4	
Total revenues	1,390	100.0	1,421	100.0	(31)	(2.1)	1,952	100.0
Cost of sales	764	55.0	738	51.9	26	3.6	1,018	52.1
Gross operating profit	626	45.0	683	48.1	(57)	(8.3)	934	47.9
Selling costs	110	7.9	109	7.7	1	1.0	153	7.9
Contribution margin	516	37.1	574	40.4	(58)	(10.1)	781	40.0
General and operating expenses	409	29.4	428	30.1	(19)	(4.4)	600	30.7
- of which non-recurring expenses/(income)	6	0.5	*13*	0.9	*(7)*	*(52.5)*	*29*	*1.5*
Operating profit	107	7.7	146	10.3	(39)	(26.6)	181	9.3
EBITDA	179	12.9	223	15.7	(44)	(19.7)	300	15.4

Textile segment results

(millions of Euro)	Nine months 2011	%	Nine months 2010	%	Change	%	Full year 2010	%
Revenues from third parties	93		80		13	16.2	105	
Inter-segment revenues	66		64		2	3.3	81	
Total revenues	159	100.0	144	100.0	15	10.4	186	100.0
Cost of sales	140	87.7	130	90.5	10	7.1	171	91.8
Gross operating profit	19	12.3	14	9.5	5	42.0	15	8.2
Selling costs	5	3.4	5	3.5	-	3.7	7	3.7
Contribution margin	14	8.9	9	6.0	5	64.5	8	4.5
General and operating expenses	6	3.6	14	9.3	(8)	(56.5)	13	7.0
- of which non-recurring expenses/(income)	*(2)*	*(1.4)*	*5*	*3.5*	*(7)*	*n.s.*	*3*	*1.7*
Operating profit	8	5.3	(5)	(3.3)	13	n.s.	(5)	(2.5)
EBITDA	14	8.7	1	1.0	13	n.s.	3	1.8

Third quarter 2011

(millions of Euro)	3rd quarter 2011	%	3rd quarter 2010	%	Change	%
Revenues	**575**	**100.0**	**606**	**100.0**	**(31)**	**(5.2)**
Materials and subcontracted work	303	52.7	306	50.4	(3)	(0.9)
Payroll and related costs	18	3.1	18	3.0	-	(3.4)
Industrial depreciation and amortization	4	0.7	3	0.6	1	3.8
Other manufacturing costs	8	1.4	8	1.4	-	0.8
Cost of sales	**333**	**57.9**	**335**	**55.4**	**(2)**	**(1.0)**
Gross operating profit	**242**	**42.1**	**271**	**44.6**	**(29)**	**(10.4)**
Distribution and transport	18	3.1	18	2.9	-	4.4
Sales commissions	26	4.5	26	4.3	-	(3.1)
Contribution margin	**198**	**34.5**	**227**	**37.4**	**(29)**	**(12.4)**
Payroll and related costs	42	7.4	42	6.9	-	2.0
Advertising and promotion	15	2.6	14	2.3	1	9.1
Depreciation and amortization	21	3.6	22	3.7	(1)	(7.7)
Other expenses and income	63	11.0	71	11.6	(8)	(10.6)
- of which non-recurring expenses/(income)	*2*	*0.3*	*6*	*1.0*	*(4)*	*(71.4)*
General and operating expenses	**141**	**24.6**	**149**	**24.5**	**(8)**	**(4.8)**
- of which non-recurring expenses/(income)	*2*	*0.3*	*6*	*1.0*	*(4)*	*(71.4)*
Operating profit (*)	**57**	**9.9**	**78**	**12.9**	**(21)**	**(27.1)**
Financial (expenses)/income	(5)	(0.9)	(7)	(1.2)	2	(29.2)
Net foreign currency hedging (losses)/gains and exchange differences	(5)	(0.9)	4	0.6	(9)	n.s.
Income before taxes	**47**	**8.1**	**75**	**12.3**	**(28)**	**(37.5)**
Income taxes	16	2.8	28	4.5	(12)	(41.8)
Net income for the period	31	5.3	47	7.8	(16)	(34.9)
attributable to:						
- shareholders of the Parent Company	**31**	**5.3**	**46**	**7.6**	**(15)**	**(33.6)**
- minority shareholders	-	-	1	0.2	(1)	(84.7)

(*) Trading profit was 59 million, representing 10.2% of revenues (84 million in third quarter 2010, representing 13.9% of revenues).

Net revenues in third quarter 2011 of 575 million reported a reduction of 5.2% (-4.2% net of exchange rate effects), due to the combined effect of:

- a reduction in sales volumes;
- a positive collection mix, despite featuring higher unit value product categories;
- a reduction in sales by directly operated stores which were particularly affected in the quarter by weather conditions not conducive to the full start of winter collection sales;
- negative exchange rate effects against the Euro (6 million), particularly relating to the Turkish lira and

Indian rupee.
The apparel segment reported 545 million in revenues from third parties, a 5.9% reduction on the comparative period.
The textile segment reported 30 million in revenues from third parties, a 8.9% increase on the comparative period, reflecting, in the quarter as well, the benefits of commercial initiatives aimed at partially making up for lower sales volumes of wool yarn.

Cost of sales accounted for 57.9% of revenues against 55.4% in the comparative period, reflecting the negative effects of a significant increase in raw material costs, particularly cotton, although partly mitigated by positive exchange rate effects.

Gross operating profit reported a margin of 42.1% compared with 44.6% in the corresponding period of 2010; apparel segment gross operating profit was 236 million, with a margin of 43.1% against 46.2% in third quarter 2010.

Variable selling costs (distribution, transport and sales commissions) of 44 million, were basically consistent in absolute value with the comparative quarter, reporting a slight increase as a percentage of revenues.

Contribution margin came to 198 million, representing 34.5% of revenues, against 37.4%.

General and operating expenses amounted to 141 million, compared with 149 million in third quarter 2010, and accounted for 24.6% of revenues, in line with the corresponding comparative period. In detail, this change was due to:

- the higher proportion of advertising and promotion costs, due to the higher amount of sports sponsorship costs incurred in the quarter, despite ever more focused institutional campaigns in support of the Group's brands;
- lower non-recurring expenses relating to the strategic reorganization plan, particularly in the textile sector, and to recoverable value adjustments to certain commercial assets, which had affected third quarter 2010.

Operating profit was 57 million compared with 78 million, with the margin at 9.9% against 12.9%.

Hedges taken out against US dollar purchases, invoiced in third quarter 2011, had a positive effect on financial expenses through a reduction of 2 million in the time value component, while reporting a negative balance of 5 million arising from hedging of the economic risk of US dollar purchases.

Income taxes of 16 million represent a tax rate of 34.6%, against 37.2% in the comparative quarter, mainly as a result of the lower tax rate not only for certain foreign subsidiaries, after reducing their operating losses, but also for those in profit.

Net income for the quarter attributable to the Group was 31 million compared with 46 million in third quarter 2010, representing 5.3% of revenues (7.6% in the corresponding quarter of 2010).

Segment results – third quarter 2011

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	545	30	-	575
Inter-segment revenues	1	18	(19)	-
Total revenues	546	48	(19)	575
Cost of sales	310	42	(19)	333
Gross operating profit	236	6	-	242
Selling costs	43	1	-	44
Contribution margin	193	5	-	198
General and operating expenses	140	2	(1)	141
- of which non-recurring expenses/(income)	*2*	*-*	*-*	*2*
Operating profit	53	3	1	57

Segment results – third quarter 2010

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	579	27	-	606
Inter-segment revenues	2	15	(17)	-
Total revenues	581	42	(17)	606
Cost of sales	313	40	(18)	335
Gross operating profit	268	2	1	271
Selling costs	42	1	1	44
Contribution margin	226	1	-	227
General and operating expenses	145	5	(1)	149
- of which non-recurring expenses/(income)	*4*	*2*	*-*	*6*
Operating profit	81	(4)	1	78

Apparel segment result

(millions of Euro)	3rd quarter 2011	%	3rd quarter 2010	%	Change	%
Revenues from third parties	545		579		(34)	(5.9)
Inter-segment revenues	1		2		(1)	(50.9)
Total revenues	546	100.0	581	100.0	(35)	(6.0)
Cost of sales	310	56.9	313	53.8	(3)	(0.6)
Gross operating profit	236	43.1	268	46.2	(32)	(12.2)
Selling costs	43	7.8	42	7.4	1	(0.5)
Contribution margin	193	35.3	226	38.8	(33)	(14.4)
General and operating expenses	140	25.6	145	24.8	(5)	(3.0)
- of which non-recurring expenses/(income)	*2*	*0.4*	*4*	*0.7*	*(2)*	*(54.2)*
Operating profit	53	9.7	81	14.0	(28)	(34.6)

Textile segment results

(millions of Euro)	3rd quarter 2011	%	3rd quarter 2010	%	Change	%
Revenues from third parties	30		27		3	8.9
Inter-segment revenues	18		15		3	19.6
Total revenues	48	100.0	42	100.0	6	12.7
Cost of sales	42	87.0	40	95.2	2	3.0
Gross operating profit	6	13.0	2	4.8	4	n.s.
Selling costs	1	3.3	1	3.5	-	5.7
Contribution margin	5	9.7	1	1.3	4	n.s.
General and operating expenses	2	3.3	5	10.2	(3)	(63.4)
- of which non-recurring expenses/(income)	*-*	*(0.4)*	*2*	*4.5*	*(2)*	*n.s.*
Operating profit	3	6.4	(4)	(8.9)	7	n.s.

Balance sheet and financial position highlights

The most significant elements of the balance sheet and financial position, compared with those at December 31, 2010 and September 30, 2010, are presented in the following table.

(millions of Euro)	09.30.2011	12.31.2010	Change	09.30.2010	Change
Working capital	889	622	267	786	103
- trade receivables	950	804	146	879	71
- inventories	348	293	55	291	57
- trade payables	(391)	(442)	51	(371)	(20)
- other receivables/(payables) (A)	(18)	(33)	15	(13)	(5)
Assets held for sale	1	10	(9)	13	(12)
Property, plant and equipment and intangible assets (B)	1,306	1,314	(8)	1,317	(11)
Non-current financial assets (C)	21	25	(4)	24	(3)
Other assets/(liabilities) (D)	15	13	2	-	15
Net capital employed	**2,232**	**1,984**	**248**	**2,140**	**92**
Net debt (E)	749	486	263	645	104
Total shareholders' equity	**1,483**	**1,498**	**(15)**	**1,495**	**(12)**

(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 was103 million higher than at September 30, 2010, reflecting the combined effect of:

- an increase of 71 million in net trade receivables, due to a higher proportion of revenues in the wholesale channel following growth in business in fast developing countries, particularly Russia, to redefinition of the business model in India, and to a marginal worsening in receivables turnover resulting from the continued economic crisis more markedly affecting certain countries around the Mediterranean;

- an increase of 57 million in inventories, reflecting the rise in raw material costs as well as higher purchases in the quarter, particularly of raw materials, due to a different procurement timetable;
- an increase of 20 million in trade payables due to the different composition of purchases in the past four months of 2011 compared with the corresponding period of 2010, with a positive reflection on average supplier payment terms;
- an increase in net other payables, reflecting higher payables to the tax authorities for VAT, to social security institutions and to employees, as partly offset by fewer payables for the purchase of fixed assets.

In contrast with the growth in working capital was an overall reduction of 11 million in all the other components of net capital employed, mainly due to:

- a decrease of 11 million in property, plant and equipment and intangible assets due to amortization, depreciation and impairment, and disposals despite more than 116 million in gross investments in the past twelve months;
- an increase in net other assets resulting from the combined effect of:
  - a reduction in payables to the holding company Edizione S.r.l. in connection with the group tax filing for Italian companies and to the tax authorities for income taxes;
  - a decrease of some 7 million in provisions for future risks relating to the reorganization plan completed in 2010;
  - higher liabilities for put options held by certain minority shareholders;
  - an increase in the provision for tax risks following the recognition at the end of 2010 of an estimated liability for higher Italian corporate income tax and regional business tax as a result of items disputed by the tax authorities with the subsidiary Bencom S.r.l.

Net capital employed was 248 million higher than at December 31, 2010, mainly due to the growth of 267 million in working capital, reflecting:

- an increase in trade receivables and a decrease in trade payables due the cyclical nature of the business;
- an increase in inventories due to higher purchases in the past few months of the period because of a different procurement timetable;
- an overall reduction of 17 million in property, plant and equipment, intangible assets and assets held for sale, mainly reflecting the net effect of 81 million in investments, as more than counterbalanced by disposals and amortization and depreciation.

The Group's net debt (discussed in detail in the explanatory notes) came to 749 million compared with 645 million at September 30, 2010 (486 million at December 31, 2010), reporting an increase of 104 million due to lower cash generation.

Cash flows during first nine months 2011 are summarized below with comparative figures for the same period of last year:

(millions of Euro)	Nine months 2011	Nine months 2010
Cash flow from operating activities before changes in working capital	198	244
Cash flow used by changes in working capital	(275)	(146)
Interest paid and exchange differences	(26)	(2)
Payment of taxes	(28)	(18)
Cash flow provided/(used) by operating activities	**(131)**	**78**
Net operating investments/Capex	(86)	(94)
Non-current financial assets	4	(7)
Cash flow used by investing activities	**(82)**	**(101)**
Free cash flow	**(213)**	**(23)**
Cash flow provided/(used) by financing activities of which:		
- payment of dividends	(46)	(41)
- purchase of treasury shares	(18)	-
- net change in other sources of finance	155	31
Cash flow provided/(used) by financing activities	**91**	**(10)**
Net decrease in cash and cash equivalents	**(122)**	**(33)**

Cash flow from operating activities before changes in working capital amounted to 198 million in the period, compared with 244 million in first nine months 2010, largely reflecting the deterioration in EBITDA. Changes in working capital used 275 million in cash flow (146 million in first nine months 2010) and mostly reflect:

- an increase in inventories reflecting the growth in raw material costs as well as higher purchases in the period due to differences in the procurement timetable;
- an increase in trade receivables and a decrease in trade payables linked to the cyclical nature of the business.

Cash flow used to pay taxes amounted to 28 million.
Net financial expenses paid and the net results of currency management absorbed more than 26 million, compared with more than 2 million in the corresponding period of 2010.
Operating activities used a total of 131 million in cash flow, having provided 78 million in the comparative period.
Cash flow used by investing activities amounted to 82 million (101 million in first nine months 2010), of which:

- 53 million in the commercial network, mainly in markets such as Italy, France and Spain, as well as in developing countries like Kazakhstan and Russia; priority was given to refurbishing and expanding existing stores, while great selectivity was applied to the purchase of new buildings and commercial businesses;
- 14 million in investments in production, mostly relating to the acquisition of production machinery in Croatia, an industrial site in Serbia to start up a new production center in the city of Niš, and to completion of the logistics hub in Castrette (Italy);
- 14 million in other investments, most of which in information technology; the most important of these investments were in updating Oracle and SAP application software.

Disposals in the period amounted to a total of 12 million, most of which relating to the sale of certain commercial businesses in Italy and the sale of production machinery in both the textile and apparel segments.

Cash flow used by financing activities included the payment of 43 million in dividends to the shareholders of Benetton Group S.p.A., the payment of some 3 million in dividends to minority shareholders of two foreign subsidiaries, and the purchase of treasury shares for 18 million.

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)	Nine months 2011	Nine months 2010	Full year 2010	Notes
Revenues	**1,481,207**	**1,497,565**	**2,053,059**	*[1]*
Materials and subcontracted work	741,920	705,669	977,428	*[2]*
Payroll and related costs	58,566	59,642	79,536	*[3]*
Industrial depreciation and amortization	10,709	10,887	14,435	*[5]*
Other manufacturing costs	25,161	25,507	33,430	
Cost of sales	**836,356**	**801,705**	**1,104,829**	
Gross operating profit	**644,851**	**695,860**	**948,230**	
Distribution and transport	51,130	50,316	72,833	
Sales commissions	63,639	63,022	86,548	
Contribution margin	**530,082**	**582,522**	**788,849**	
Payroll and related costs	132,382	128,595	175,148	*[3]*
Advertising and promotion	41,462	43,306	55,011	*[4]*
Depreciation and amortization	65,190	65,341	88,498	*[5]*
Other expenses and income	175,894	204,181	293,890	*[6]*
- *of which non-recurring expenses/(income)*	*4,158*	*18,387*	*31,913*	
General and operating expenses	**414,928**	**441,423**	**612,547**	
- *of which non-recurring expenses/(income)*	*4,158*	*18,387*	*31,913*	
Operating profit	**115,154**	**141,099**	**176,302**	
Share of income/(losses) of associated companies	966	149	(1,428)	
Financial expenses	(23,890)	(20,509)	(26,310)	*[7]*
Financial income	9,427	5,914	6,948	*[7]*
Net foreign currency hedging (losses)/gains and exchange differences	(11,127)	13,002	12,055	*[8]*
Income before taxes	**90,530**	**139,655**	**167,567**	
Income taxes	30,906	57,358	64,757	*[9]*
- *of which non-recurring income taxes*	-	-	*3,661*	
Net income for the period	59,624	82,297	102,810	
attributable to:				
- shareholders of the Parent Company	**60,075**	**85,582**	**102,073**	
- minority shareholders	(451)	(3,285)	737	
Basic earnings per share (Euro)	0.35	0.50	0.59	
Diluted earnings per share (Euro)	0.35	0.50	0.59	

Statement of comprehensive income

(thousands of Euro)	Shareholders of the Parent Company	Minority shareholders	Nine months 2011	Shareholders of the Parent Company	Minority shareholders	Nine months 2010
Net income for the period (A)	**60,075**	**(451)**	**59,624**	**85,582**	**(3,285)**	**82,297**
Gains/(Losses) recognized in cash flow hedge reserve	8,565	-	8,565	(4,560)	-	(4,560)
Gains/(Losses) recognized in currency translation reserve	(16,030)	(1,204)	(17,234)	2,037	1,026	3,063
Tax effect relating to other gains/(losses)	(2,336)	-	(2,336)	1,013	-	1,013
Total other comprehensive income, net of tax (B)	**(9,801)**	**(1,204)**	**(11,005)**	**(1,510)**	**1,026**	**(484)**
Total comprehensive income for the period (A)+(B)	**50,274**	**(1,655)**	**48,619**	**84,072**	**(2,259)**	**81,813**

Consolidated balance sheet - Assets

(thousands of Euro)	09.30.2011	12.31.2010	09.30.2010	*Notes*
Non-current assets				
Property, plant and equipment				*[10]*
Land and buildings	775,446	780,343	764,183	
Plant, machinery and equipment	118,454	120,863	109,174	
Furniture, fittings and electronic devices	66,189	72,637	73,321	
Vehicles and aircraft	26,606	27,336	30,837	
Assets under construction and advances	45,229	33,599	47,541	
Leased assets	349	514	577	
Leasehold improvements	40,100	42,097	44,207	
	1,072,373	**1,077,389**	**1,069,840**	
Intangible assets				*[11]*
Goodwill and other intangible assets of indefinite useful life	43,366	43,346	43,237	
Intangible assets of finite useful life	190,337	192,811	204,339	
	233,703	**236,157**	**247,576**	
Other non-current assets				
Investments	1,954	2,024	1,945	*[12]*
Guarantee deposits	23,980	27,050	25,793	*[13]*
Medium/long-term financial receivables	3,295	4,090	4,259	*[14]*
Other medium/long-term receivables	9,739	8,353	8,473	*[15]*
Deferred tax assets	150,785	156,413	154,204	*[16]*
	189,753	**197,930**	**194,674**	
Total non-current assets	**1,495,829**	**1,511,476**	**1,512,090**	
Current assets				
Inventories	348,111	293,153	290,891	*[17]*
Trade receivables	944,124	798,320	873,775	*[18]*
Tax receivables	36,535	35,900	33,976	*[19]*
Other receivables, accrued income and prepaid expenses	60,974	52,144	58,620	*[20]*
Financial receivables	39,803	29,502	39,617	*[21]*
Cash and banks	69,976	194,916	102,889	*[22]*
Total current assets	**1,499,523**	**1,403,935**	**1,399,768**	
Assets held for sale	1,458	9,993	12,807	*[23]*
TOTAL ASSETS	**2,996,810**	**2,925,404**	**2,924,665**	

Consolidated balance sheet - Shareholders' equity and liabilities

(thousands of Euro)	09.30.2011	12.31.2010	09.30.2010	*Notes*
Shareholders' equity				
Shareholders' equity attributable to the Group				*[24]*
Share capital	237,483	237,483	237,483	
Treasury shares	(89,679)	(71,734)	(71,734)	
Additional paid-in capital	65,182	65,182	65,182	
Fair value and hedging reserve	5,118	(1,111)	(3,827)	
Other reserves and retained earnings	1,190,955	1,147,995	1,168,793	
Net income for the period	60,075	102,073	85,582	
	1,469,134	**1,479,888**	**1,481,479**	
Minority shareholders	**14,558**	**18,758**	**14,426**	
Total shareholders' equity	**1,483,692**	**1,498,646**	**1,495,905**	
Liabilities				
Non-current liabilities				
Medium/long-term loans	298,372	649,877	649,842	*[25]*
Other medium/long-term payables	37,567	39,354	17,306	*[26]*
Lease financing	296	463	516	
Retirement benefit obligations	43,055	45,225	45,517	*[27]*
Other medium/long-term provisions and liabilities	37,861	39,682	35,339	*[28]*
	417,151	**774,601**	**748,520**	
Current liabilities				
Trade payables	391,346	441,659	370,959	*[29]*
Other payables, accrued expenses and deferred income	126,466	132,655	144,647	*[30]*
Current income tax liabilities	6,824	5,035	11,784	*[31]*
Other current provisions and liabilities	8,161	8,888	11,922	*[32]*
Current portion of lease financing	110	266	340	
Current portion of medium/long-term loans	400,207	283	234	*[33]*
Financial payables and bank loans	162,853	63,371	140,354	*[34]*
	1,095,967	**652,157**	**680,240**	
Total liabilities	**1,513,118**	**1,426,758**	**1,428,760**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**2,996,810**	**2,925,404**	**2,924,665**	

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 01.01.2010	**237,483**	**(71,734)**	**65,182**	**(280)**	**1,126,065**	**(41,540)**	**121,650**	**18,693**	**1,455,519**
Carryforward of 2009 net income	-	-	-	-	121,650	-	(121,650)	-	-
Dividends distributed as approved by Ordinary Shareholders' Meeting of 04.22.2010	-	-	-	-	(39,637)	-	-	-	(39,637)
Formation of new subsidiaries and business combination	-	-	-	-	218	-	-	(218)	-
Dividends distributed to minority shareholders	-	-	-	-	-	-	-	(1,790)	(1,790)
Total comprehensive income for the period	-	-	-	(3,547)	-	2,037	85,582	(2,259)	81,813
Balances as of 09.30.2010	**237,483**	**(71,734)**	**65,182**	**(3,827)**	**1,208,296**	**(39,503)**	**85,582**	**14,426**	**1,495,905**
Formation of new subsidiaries and business combination	-	-	-	-	1	-	-	-	1
Valuation of put option held by minority shareholders	-	-	-	-	(23,479)	-	-	-	(23,479)
Total comprehensive income for the period	-	-	-	2,716	-	2,680	16,491	4,332	26,219
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 as approved by Ordinary Shareholders' Meeting of 04.28.2011	-	-	-	-	(43,083)	-	-	-	(43,083)
Purchase of treasury shares	-	(17,945)	-	-	-	-	-	-	(17,945)
Dividends distributed to minority shareholders	-	-	-	-	-	-	-	(2,545)	(2,545)
Total comprehensive income for the period	-	-	-	6,229	-	(16,030)	60,075	(1,655)	48,619
Balances as of 09.30.2011	**237,483**	**(89,679)**	**65,182**	**5,118**	**1,243,808**	**(52,853)**	**60,075**	**14,558**	**1,483,692**

Consolidated statement of cash flows

(thousands of Euro)	Nine months 2011	Nine months 2010
Operating activities		
Net income for the period attributable to the Group and minority shareholders	59,624	82,297
Income taxes expense	30,906	57,358
Income before taxes	**90,530**	**139,655**
Adjustments for:		
- depreciation and amortization	75,899	76,228
- net capital (gains)/losses and non-monetary items	(2,665)	5,092
- net provisions charged to statement of income	17,032	29,696
- use of provisions	(7,821)	(7,643)
- share of (income)/losses of associated companies	(966)	(149)
- net financial expenses/(income) and exchange differences	25,590	1,593
Cash flow from operating activities before changes in working capital	**197,599**	**244,472**
Cash flow used by changes in working capital	(274,633)	(146,323)
Payment of taxes	(27,595)	(17,602)
Net interest paid and exchange differences	(26,157)	(2,672)
Cash flow provided/(used) by operating activities	**(130,786)**	**77,875**
Investing activities		
Operating investments	(95,334)	(119,693)
Operating divestments	9,787	25,356
Purchases of investments and business combinations	(50)	(9,542)
Disposal of investments	10	-
Operations in non-current financial assets	3,628	2,797
Cash flow used by investing activities	**(81,959)**	**(101,082)**
Financing activities		
Payment of dividends	(45,628)	(41,427)
Purchase of treasury shares	(17,945)	-
Net change in other sources of finance	154,145	31,292
Cash flow provided/(used) by financing activities	**90,572**	**(10,135)**
Net decrease in cash and cash equivalents	**(122,173)**	**(33,342)**
Cash and cash equivalents at the beginning of the period	191,716	133,839
Translation differences and other movements	(650)	1,477
Cash and cash equivalents at the end of the period (*)	68,893	101,974

(*) Includes Euro 1,083 thousand in current account overdrafts (Euro 915 thousand in first nine months 2010).

The explanatory notes (pages 30 through 53) 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 September 30 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, in this case too, 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 nine months 2011 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 2011 and are material in this period.
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)	Nine months 2011	Nine months 2010
Sales of core products	1,445,844	1,460,095
Miscellaneous sales	19,427	21,698
Royalty income	7,520	8,015
Other revenues	8,416	7,757
Total	**1,481,207**	**1,497,565**

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 has been primarily affected by:
- a reduction in sales by directly operated stores, affected by the adverse economic environment;
- a negative collection mix featuring lower unit value product categories;
- negative exchange rate effects against the Euro (9 million), particularly relating to the Turkish lira, Indian rupee and US dollar.

Sales of core products, by brand

(thousands of Euro)	Nine months 2011	Nine months 2010
United Colors of Benetton	698,621	717,102
United Colors of Benetton Kids and Sisley Young	422,908	422,724
Sisley	212,858	220,555
Playlife	23,040	25,003
Killer Loop	192	538
Other sales	88,225	74,173
Total	**1,445,844**	**1,460,095**

The United Colors of Benetton brand also includes Euro 54,386 thousand in sales by the Undercolors brand (Euro 57,323 thousand in first nine months 2010). "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 741,920 thousand (Euro 705,669 thousand in first nine months 2010), have been particularly affected by inflation in the cost of raw materials, particularly cotton whose average price has more than doubled since the comparative period.

[3-6] General and operating expenses

[3] Payroll and related costs

An analysis of the Group's payroll and related costs is presented below, comprising industrial costs, classified in cost of sales, and non-industrial costs, including those relating to directly operated stores which are classified in general and operating expenses.

Nine months 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	42,352	102,238	732	145,322
Social security contributions	14,149	27,047	222	41,418
Provision for retirement benefit obligations	822	1,500	39	2,361
Other payroll and related costs	1,243	1,597	-	2,840
Total	**58,566**	**132,382**	**993**	**191,941**

Nine months 2010

(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	42,840	98,739	858	142,437
Social security contributions	14,567	26,208	246	41,021
Provision for retirement benefit obligations	851	1,374	48	2,273
Other payroll and related costs	1,384	2,274	-	3,658
Total	**59,642**	**128,595**	**1,152**	**189,389**

The increase in payroll costs primarily reflects the recruitment of new professional figures to certain strategic company functions and to a lesser extent the higher incidence of the direct channel.

The number of employees is analyzed by category below:

	09.30.2011	09.30.2010	Period average
Management	94	89	92
White collar	5,158	5,162	5,160
Workers	2,608	2,657	2,632
Part-timers	1,496	1,470	1,483
Total	**9,356**	**9,378**	**9,367**

[4] Advertising and promotion

Advertising and promotion costs amount to Euro 41,462 thousand (Euro 43,306 thousand in first nine months 2010) and reflect the costs incurred for developing advertising campaigns for the Group's brands. The reduction on the comparative period is due to ever more focused Group brand advertising campaigns.

[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:

Nine months 2011

(thousands of Euro)	Industrial depreciation and amortization	Non-industrial depreciation and amortization	Total
Depreciation of property, plant and equipment	10,538	42,650	53,188
Amortization of intangible assets	171	22,540	22,711
Total	**10,709**	**65,190**	**75,899**

Nine months 2010

(thousands of Euro)	Industrial depreciation and amortization	Non-industrial depreciation and amortization	Total
Depreciation of property, plant and equipment	10,737	40,497	51,234
Amortization of intangible assets	150	24,844	24,994
Total	**10,887**	**65,341**	**76,228**

[6] Other expenses and income

(thousands of Euro)	Nine months 2011	Nine months 2010
Non-industrial general costs	74,340	83,830
Other operating expenses/(income)	88,828	83,459
Additions to provisions	16,382	17,402
Other expenses/(income)	(3,656)	19,490
Total	**175,894**	**204,181**

Details of these amounts are provided in the following tables.

Non-industrial general costs

(thousands of Euro)	Nine months 2011	Nine months 2010
Other services	16,702	18,971
Consulting and advisory fees	7,799	10,063
Electricity and gas	7,613	7,957
Maintenance and cleaning	7,026	8,217
Rental and hire costs	6,847	8,089
Travel and entertainment costs	5,894	7,332
Sundry purchases	4,816	4,700
Directors and Statutory Auditors	4,552	4,809
Telephone and postage expenses	4,478	4,402
Insurance	2,943	3,388
Banking services	2,291	2,536
Surveillance and security	2,262	1,441
Other	1,117	1,925
Total	**74,340**	**83,830**

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.

Other operating expenses/(income)

(thousands of Euro)	Nine months 2011	Nine months 2010
Operating income:		
- rental income	(56,702)	(55,528)
- reimbursements and compensation payments	(940)	(1,156)
- other operating income	(7,031)	(8,603)
Total operating income	**(64,673)**	**(65,287)**
Operating expenses:		
- rental expense	123,677	124,939
- indirect taxes and duties	7,938	7,642
- other operating expenses	21,886	16,165
Total operating expenses	**153,501**	**148,746**
Total	**88,828**	**83,459**

Further to a resolution adopted by the Board of Directors at the end of January, in February 2011 the Group started to hedge commodities risk, particularly by buying call options on cotton against future purchases of raw materials and finished products, whose premiums paid, net of period-end valuation, have had a negative impact of Euro 6,385 thousand on the statement of income.

Additions to provisions

(thousands of Euro)	Nine months 2011	Nine months 2010
Addition to provision for doubtful accounts	14,104	15,173
Addition to provision for legal and tax risks	1,088	729
Addition to provision for sales agent indemnities	1,190	1,500
Total	**16,382**	**17,402**

Other expenses/(income)

(thousands of Euro)	Nine months 2011	Nine months 2010
Other expenses:		
- impairment of property, plant and equipment and intangible assets	2,357	6,905
- losses on disposal	2,140	2,225
- donations	1,562	2,304
- costs for expected obligations	1,272	3,771
- out-of-period expenses	650	626
- other sundry expenses	5,203	11,589
Total other expenses	**13,184**	**27,420**
Other income:		
- gains on disposals of property, plant and equipment and intangible assets	(6,420)	(4,033)
- out-of-period income	(4,639)	(2,838)
- release of provisions	(2,984)	(593)
- reversal of impairment of property, plant and equipment and intangible assets	(819)	-
- other sundry income	(1,978)	(466)
Total other income	**(16,840)**	**(7,930)**
Total	**(3,656)**	**19,490**

Costs for expected obligations mostly refer to costs that the Group expects to incur for voluntary redundancy.
Other sundry expenses primarily refer to indemnities paid to terminate lease agreements early as well as voluntary redundancy incentives paid in the period; the change in these expenses relative to the comparative period is due to the reduction in non-recurring corporate reorganization costs significantly impacting 2010.
The change in gains on disposals of property, plant and equipment and intangible assets primarily reflects the disposal of certain commercial businesses in Italy, including an important one in Palermo, as well as the sale of textile segment production machinery classified as assets held for sale.
The release of provisions includes the gain on discounting the provision for sales agent indemnities to present value.
Non-recurring expenses of Euro 4,158 thousand, classified in other sundry expenses and income, have decreased by more than Euro 14 million with respect to the first nine months of 2010; the section entitled "Other information - Non-recurring events and significant transactions" discusses the composition of this amount.

[7] Financial (expenses)/income

Financial expenses, net of Euro 9,427 thousand in financial income, amount to Euro 14,463 thousand; this is broadly in line with those in the corresponding period of 2010, due to lower average indebtedness than in the corresponding period of 2010, as partly offset by the impact of an increase in interest rates after opening up a new line of credit from June 2010 at less favorable conditions than those applied up until then.

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

Net foreign currency hedging losses and exchange differences amount to Euro 11,127 thousand; this figure primarily reflects the negative impact of hedges taken out in the second half of 2010 against dollar purchases.

[9] Income taxes

The tax charge amounts to Euro 30,906 thousand compared with Euro 57,358 thousand in the corresponding period of 2010; the tax rate is 34.1%, down from 41.1% in first nine months 2010, as a result of a lower tax rate not only for certain foreign subsidiaries, after a reduction in operating losses, but also for those in profit.

Statement of comprehensive income

Other components of consolidated comprehensive income are analyzed as follows:

(thousands of Euro)	Shareholders of the Parent Company	Minority shareholders	Nine months 2011	Shareholders of the Parent Company	Minority shareholders	Nine months 2010
Gains/(Losses) recognized directly in cash flow hedge reserve	6,432	-	6,432	(4,990)	-	(4,990)
Transfers from cash flow hedge reserve	2,133	-	2,133	430	-	430
Gains/(Losses) recognized in cash flow hedge reserve	**8,565**	**-**	**8,565**	**(4,560)**	**-**	**(4,560)**
Gains/(Losses) recognized directly in currency translation reserve	(16,025)	(1,204)	(17,229)	1,944	1,026	2,970
Transfers from currency translation reserve	(5)	-	(5)	93	-	93
Gains/(Losses) recognized in currency translation reserve	**(16,030)**	**(1,204)**	**(17,234)**	**2,037**	**1,026**	**3,063**
Tax effect relating to other gains/(losses)	(2,336)	-	(2,336)	1,013	-	1,013
Total other comprehensive income, net of tax	**(9,801)**	**(1,204)**	**(11,005)**	**(1,510)**	**1,026**	**(484)**

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:

	09.30.2011			12.31.2010		
(thousands of Euro)	Gross	Accumulated depreciation and impairment	Net	Gross	Accumulated depreciation and impairment	Net
Land and buildings	963,795	188,349	775,446	951,400	171,057	780,343
Plant, machinery and equipment	344,895	226,441	118,454	337,579	216,716	120,863
Furniture, fittings and electronic devices	254,899	188,710	66,189	248,908	176,271	72,637
Vehicles and aircraft	42,758	16,152	26,606	42,976	15,640	27,336
Assets under construction and advances	45,229	-	45,229	33,599	-	33,599
Leased assets	3,552	3,203	349	3,819	3,305	514
Leasehold improvements	149,878	109,778	40,100	158,849	116,752	42,097
Total	**1,805,006**	**732,633**	**1,072,373**	**1,777,130**	**699,741**	**1,077,389**

Investments in property, plant and equipment in the period amount to Euro 60,437 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 in Italy, Spain, Kazakhstan, Russia and Belgium;
- investments to increase production capacity, mostly relating to the acquisition of production machinery in Croatia, an industrial site in Serbia to start up a new production center in the city of Niš, and to complete the logistics hub in Castrette (Italy).

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

Disposals in the period amount to Euro 7,787 thousand and mainly refer to the sale of production machinery, as well as commercial network furniture, fittings and leasehold improvements.

In addition, Euro 2,189 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 September 30, 2011.

[11] Intangible assets

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

	09.30.2011			12.31.2010		
(thousands of Euro)	Gross	Accumulated amortization and impairment	Net	Gross	Accumulated amortization and impairment	Net
Goodwill and other intangible assets of indefinite useful life	60,409	17,043	43,366	60,434	17,088	43,346
Industrial patents and intellectual property rights	5,903	4,193	1,710	6,312	4,098	2,214
Concessions, licenses, trademarks and similar rights	73,066	62,887	10,179	72,101	60,974	11,127
Deferred charges	310,419	163,142	147,277	302,319	155,456	146,863
Other	114,269	83,098	31,171	107,450	74,843	32,607
Total	**564,066**	**330,363**	**233,703**	**548,616**	**312,459**	**236,157**

Investments in intangible assets in the period amount to Euro 21,189 thousand and mainly relate to:

- the acquisition of deferred commercial charges, for developing the commercial network, particularly in Italy and France;
- investments in information technology, of which the most significant were those for updating Oracle and SAP application software.

Disposals in the period amount to Euro 3,926 thousand and mostly refer to the sale of certain commercial businesses in Italy to third parties, the most important of which is located in Palermo.
"Goodwill and other intangible assets of indefinite useful life" consist of consolidation differences and 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 (with the exception of "fonds de commerce" which are amortized over 20 years).
During the period Euro 651 thousand in impairment reversals, net of impairment losses, have also been recognized to adjust certain commercial fixed assets to their recoverable amount and in particular two "fonds de commerce" in France; apart from this, no other signs have been detected that would indicate a possible decrease in the value of the intangible assets; for this reason, in compliance with IAS 36, no impairment testing has been carried out at September 30, 2011.

Other non-current assets

[12] Investments

Investments in subsidiary and associated companies relate mainly to commercial companies not included in the consolidation because they were not yet operational or were in liquidation at the balance sheet date.
Investments in other companies are stated at cost and refer to minority stakes in certain companies in Switzerland, Japan and Italy.

[13] Guarantee deposits

The guarantee deposits reported at September 30, 2011 primarily relate to lease contracts entered into by Japanese, Korean, Indian and Spanish 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 9,739 thousand, includes:

- Euro 5,816 thousand in customer trade receivables (stated net of Euro 1,621 thousand in provisions for doubtful accounts);
- Euro 2,205 thousand in receivables for fixed asset disposals;
- Euro 1,686 thousand in recoverable VAT;
- sundry other receivables of immaterial amount.

[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 348,111 thousand (Euro 293,153 thousand at December 31, 2010), are shown net of the related write-down provision. The increase in inventories reflects the rise in raw material costs as well as more purchases in the quarter, particularly of raw materials, due to a different procurement timetable.

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)	09.30.2011	12.31.2010
Current trade receivables	1,013,085	866,262
(Provision for current doubtful accounts)	(68,961)	(67,942)
Current trade receivables	**944,124**	**798,320**
Non-current trade receivables	7,437	7,512
(Provision for non-current doubtful accounts)	(1,621)	(1,429)
Non-current trade receivables	**5,816**	**6,083**
Total	**949,940**	**804,403**

Trade receivables also include Euro 134 thousand in amounts due from the holding company Edizione S.r.l.
At September 30, 2011 there were no receivables factored without recourse that were not yet due.

[19] Tax receivable

This balance includes:

(thousands of Euro)	09.30.2011	12.31.2010
VAT recoverable	27,192	27,524
Tax credits	2,417	3,928
Other tax receivables	6,926	4,448
Total	**36,535**	**35,900**

[20] Other receivables, accrued income and prepaid expenses

This balance includes:

(thousands of Euro)	09.30.2011	12.31.2010
Other receivables:		
- other	24,098	20,992
- receivables from holding and related companies	12,830	11,090
Total other receivables	**36,928**	**32,082**
Accrued income and prepaid expenses:		
- accrued income and prepaid expenses on operating leasing	14,332	13,045
- other accrued income and prepaid expenses	9,714	7,017
Total accrued income and prepaid expenses	**24,046**	**20,062**
Total	**60,974**	**52,144**

Other receivables, which amount to Euro 36,928 thousand (Euro 32,082 thousand at December 31, 2010), mainly refer to advances given to various suppliers and employees, 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.

[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)	09.30.2011	12.31.2010
Checks	30,986	81,384
Bank and post office current accounts in Euro	19,628	23,435
Bank current accounts in other currencies	17,548	25,092
Time deposits	1,319	64,607
Cash in hand	495	398
Total	**69,976**	**194,916**

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

This balance reports, at the lower of net book value and fair value less costs to sell, the production machinery of the factories in Piobesi Torinese, Grumolo delle Abbadesse and Follina. The change since December 31, 2010 is mostly the result of reclassifying to "Land and buildings" the value of the buildings of the above factories for which the conditions were no longer satisfied to carry on classifying them as assets held for sale.

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 28, 2011 to pay a dividend per share of Euro 0.25, for a total of Euro 43,083 thousand; the dividend was paid on May 26, 2011, with the shares going ex-div on May 23, 2011. 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 September 30, 2011 and consists of 182,679,012 shares with a par value of Euro 1.30 each.

Treasury shares

The Shareholders' Meeting of April 28, 2011 granted the Board of Directors the authority to buy back and dispose of the Company's ordinary shares with a par value of Euro 1.30 each, up to a maximum amount that, together with the shares already held, represents no more than 10% of share capital. At the same time, the shareholders revoked the previous authority relating to the buy back and disposal of shares granted on April 22, 2010. The new authority was granted for a period of 18 months commencing April 28, 2011. The minimum purchase price may not be 30% below the official share price reported in the trading session prior to each individual transaction, while the maximum purchase price may not be 20% above such official share price; the disposal price may not be less than 90% of the official share price reported in the trading session prior to each individual transaction. Between July 28, 2011, the date the Board of Directors adopted a resolution to commence a new share buy-back program, and September 30, 2011, Benetton Group S.p.A. purchased 3,855,672 treasury shares, corresponding to 2.111% of share capital, at a cost of around Euro 17.9 million (excluding commissions). 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 89.7 million (inclusive of commissions).

Liabilities

Non-current liabilities

[25] Medium/long-term loans

This balance mostly refers to:

- a loan (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;
- a loan for Japanese Yen 5 billion, equivalent to Euro 48 million at September 30, 2011, agreed on July 15, 2011 with the Development Bank of Japan and maturing on July 25, 2014. The interest cost of this loan is 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.

[26] Other medium/long-term payables

(thousands of Euro)	09.30.2011	12.31.2010
Other payables due to third parties	30,065	30,399
Non-current liabilities for the purchase of fixed assets	2,926	4,992
Guarantee deposits received	4,576	3,963
Total	**37,567**	**39,354**

"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 38,553 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 23,564 thousand for sales agent indemnities, provisions of Euro 13,086 thousand for legal risks and tax risks, as well as provisions of Euro 1,211 thousand against the expected closure costs of certain directly operated stores.

In particular, provisions for tax risks include Euro 10,201 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. In November 2010, the Venice Regional Tax Commission rejected the appeal presented by Benetton Group S.p.A, which has since lodged an appeal with Italy's highest Court of Appeal against this ruling;
- 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 assessments (currently limited to 2004 and 2006), which are awaiting judgment before the competent provincial tax tribunals. The decision to recognize the above provision is based on a prudent assessment that the company's appeals might not be accepted.

Current liabilities

[29] Trade payables

These represent the Group's liabilities for the purchase of goods and services amounting to Euro 391,346 thousand (Euro 441,659 thousand at December 31, 2010).

[30] Other payables, accrued expenses and deferred income

(thousands of Euro)	09.30.2011	12.31.2010
Other payables:		
- payables for the purchase of fixed assets	28,327	38,316
- other payables due to employees	25,092	21,971
- other payables due to third parties	17,915	20,263
- other payables due to holding and related companies	16,265	19,257
- VAT	10,923	5,182
- payables due to social security and welfare institutions	6,510	9,375
- other payables due to tax authorities	5,343	7,556
Total other payables	**110,375**	**121,920**
Accrued expenses and deferred income:		
- accrued expenses and deferred income on operating leasing	7,505	8,241
- other accrued expenses and deferred income	8,586	2,494
Total accrued expenses and deferred income	**16,091**	**10,735**
Total	**126,466**	**132,655**

"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 September.
"Other payables due to third parties" include non-trade related payables, amongst which: remuneration owed to Directors, payables due to insurance companies, guarantee deposits received, and the liability representing the valuation of put options held by minority shareholders in some of the Group subsidiaries.
"Other payables due to holding and related companies" entirely refer to amounts owed to Edizione S.r.l. under the group tax election.
"Payables due to social security and welfare institutions" relate to amounts owed to these institutions by Group companies and their employees.
"Accrued expenses and deferred income" include Euro 4,362 thousand in deferred income relating to the first installment of the Serbian government grant received to realize the new production center in the city of Niš.

[31] Current income tax liabilities

These liabilities amount to Euro 6,824 thousand (Euro 5,035 thousand at December 31, 2010) 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, amounting to Euro 8,161 thousand, 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 reorganization costs against which the Group provided in 2010 and liabilities for legal disputes in the process of being settled, as well as costs that the Group expects to incur for voluntary redundancies.

[33] Current portion of medium/long-term loans

This balance mostly refers to three loans repayable by 2012 totaling Euro 400 million, of which Euro 150 million from Intesa Sanpaolo S.p.A., Euro 150 million from UniCredit Banca d'Impresa S.p.A. and Euro 100 million from BNL S.p.A. (BNP Paribas group). These loans carry interest of one, two, three or six-month Euribor plus a spread ranging between 20 and 50 basis points depending on the ratio between net financial position and EBITDA.

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.

[34] 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 197,599 thousand in the period, compared with 244,472 thousand in first nine months 2010, largely reflecting the deterioration in EBITDA.
Changes in working capital used Euro 274,633 thousand in cash flow (Euro 146,323 thousand in first nine months 2010) and mostly reflect:
- an increase in inventories reflecting the growth in raw material costs as well as higher purchases in the period due to differences in the procurement timetable;
- an increase in trade receivables and a decrease in trade payables linked to the cyclical nature of the business.

Cash flow used to pay taxes amounted to Euro 27,595 thousand.
Net financial expenses paid and the net results of currency management absorbed Euro 26,157 thousand, compared with Euro 2,672 thousand in the corresponding period of 2010.
Operating activities used a total of Euro 130,786 thousand in cash flow, having provided 77,875 thousand in the comparative period.
Cash flow used by investing activities amounted to Euro 81,959 thousand (Euro 101,082 thousand in first nine months 2010), of which:
- Euro 52,874 thousand in the commercial network, mainly in markets such as Italy, France and Spain, as well as in developing countries like Kazakhstan and Russia; priority was given to refurbishing and expanding existing stores, while great selectivity was applied to the purchase of new buildings and commercial businesses;
- Euro 14,259 thousand in investments in production, mostly relating to the acquisition of production machinery in Croatia, an industrial site in Serbia to start up a new production center in the city of Niš, and to completion of the logistics hub in Castrette (Italy);
- Euro 14,493 thousand in other investments, most of which in information technology; the most important of these investments were in updating Oracle and SAP application software.

Disposals in the period amounted to a total of Euro 11,713 thousand, most of which relating to the sale of certain commercial businesses in Italy and the sale of production machinery in both the textile and apparel segments.
Cash flow used by financing activities included the payment of Euro 43,083 thousand in dividends to the shareholders of Benetton Group S.p.A., the payment of some Euro 2,545 thousand in dividends to minority shareholders of two foreign subsidiaries, and the purchase of treasury shares for Euro 17,945 thousand.

Supplementary information

Financial position

Net debt amounts to Euro 748,764 thousand at September 30, 2011, compared with Euro 644,521 thousand a year earlier, and has increased by Euro 263,012 thousand since December 31, 2010. It is analyzed as follows:

(thousands of Euro)	09.30.2011	12.31.2010	Change	09.30.2010
Cash and banks	69,976	194,916	(124,940)	102,889
A Liquid assets	69,976	194,916	(124,940)	102,889
B Current financial receivables	39,803	29,502	10,301	39,617
Current portion of medium/long-term loans	(400,207)	(283)	(399,924)	(234)
Financial payables, bank loans and lease financing	(162,963)	(63,637)	(99,326)	(140,694)
C Current financial payables	(563,170)	(63,920)	(499,250)	(140,928)
D = A+B+C Current financial indebtedness	(453,391)	160,498	(613,889)	1,578
E Non-current financial receivables	3,295	4,090	(795)	4,259
Medium/long-term loans	(298,372)	(649,877)	351,505	(649,842)
Lease financing	(296)	(463)	167	(516)
F Non-current financial payables	(298,668)	(650,340)	351,672	(650,358)
G = E+F Non-current financial indebtedness	(295,373)	(646,250)	350,877	(646,099)
H = D+G Net debt	(748,764)	(485,752)	(263,012)	(644,521)

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

Cash and banks

Most of this balance refers to ordinary current accounts and short-term or overnight bank deposits, with Euro 30,986 thousand relating to checks received from customers at the end of September 2011.

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.

	Amount (millions of Euro)			Dates		
Credit facility/Bank	Granted	Drawn down at reporting date	Undrawn	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)	48	48	-	07.15.2011	07.25.2014	65 (on 6M JPY Libor)
Total term - committed	**698**	**698**	**-**			
Revolving - committed (B)						
Banca Popolare di Vicenza	60	40	20	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	446	83	363	evergreen		Interbank (or prime) rate + spread
Total revolving	**656**	**123**	**533**			
Total	**1,354**	**821**	**533**			

(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 September 30, 2011.

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 nine months 2011

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	1,388	93	-	1,481
Inter-segment revenues	2	66	(68)	-
Total revenues	1,390	159	(68)	1,481
Cost of sales	764	140	(68)	836
Gross operating profit	626	19	-	645
Selling costs	110	5	-	115
Contribution margin	516	14	-	530
General and operating expenses	409	6	-	415
- of which non-recurring expenses/(income)	*6*	*(2)*	-	*4*
Operating profit	107	8	-	115

Segment results – first nine months 2010

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	1,418	80	-	1,498
Inter-segment revenues	3	64	(67)	-
Total revenues	1,421	144	(67)	1,498
Cost of sales	738	130	(66)	802
Gross operating profit	683	14	(1)	696
Selling costs	109	5	(1)	113
Contribution margin	574	9	-	583
General and operating expenses	428	14	-	442
- of which non-recurring expenses	*13*	*5*	-	*18*
Operating profit	146	(5)	-	141

Apparel segment results

(millions of Euro)	Nine months 2011	%	Nine months 2010	%	Change	%	Full year 2010	%
Revenues from third parties	1,388		1,418		(30)	(2.1)	1,948	
Inter-segment revenues	2		3		(1)	(29.7)	4	
Total revenues	1,390	100.0	1,421	100.0	(31)	(2.1)	1,952	100.0
Cost of sales	764	55.0	738	51.9	26	3.6	1,018	52.1
Gross operating profit	626	45.0	683	48.1	(57)	(8.3)	934	47.9
Selling costs	110	7.9	109	7.7	1	1.0	153	7.9
Contribution margin	516	37.1	574	40.4	(58)	(10.1)	781	40.0
General and operating expenses	409	29.4	428	30.1	(19)	(4.4)	600	30.7
- of which non-recurring expenses/(income)	6	0.5	*13*	*0.9*	*(7)*	*(52.5)*	*29*	*1.5*
Operating profit	107	7.7	146	10.3	(39)	(26.6)	181	9.3

Textile segment results

(millions of Euro)	Nine months 2011	%	Nine months 2010	%	Change	%	Full year 2010	%
Revenues from third parties	93		80		13	16.2	105	
Inter-segment revenues	66		64		2	3.3	81	
Total revenues	159	100.0	144	100.0	15	10.4	186	100.0
Cost of sales	140	87.7	130	90.5	10	7.1	171	91.8
Gross operating profit	19	12.3	14	9.5	5	42.0	15	8.2
Selling costs	5	3.4	5	3.5	-	3.7	7	3.7
Contribution margin	14	8.9	9	6.0	5	64.5	8	4.5
General and operating expenses	6	3.6	14	9.3	(8)	(56.5)	13	7.0
- of which non-recurring expenses/(income)	*(2)*	*(1.4)*	*5*	*3.5*	*(7)*	*n.s.*	*3*	*1.7*
Operating profit	8	5.3	(5)	(3.3)	13	n.s.	(5)	(2.5)

The number of employees in each segment is detailed below:

	09.30.2011	12.31.2010	Period average
Apparel	7,887	7,978	7,933
Textile	1,469	1,491	1,480
Total	**9,356**	**9,469**	**9,413**

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	611,366	90.9	486,759	95.9	52,423	97.6	230,972	97.2	7,070	69.1	1,388,590
Textile	60,874	9.1	20,557	4.1	1,280	2.4	6,751	2.8	3,155	30.9	92,617
Total revenues nine months 2011	**672,240**	**100.0**	**507,316**	**100.0**	**53,703**	**100.0**	**237,723**	**100.0**	**10,225**	**100.0**	**1,481,207**
Total revenues nine months 2010	**690,578**		**506,219**		**53,582**		**236,196**		**10,990**		**1,497,565**
Change	(18,338)		1,097		121		1,527		(765)		(16,358)

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 4,158 thousand in first nine months 2011 (Euro 18,387 thousand in first nine months 2010), mostly represented by the gain on disposal of textile segment machinery, impairment losses net of impairment reversals to adjust certain commercial assets to their recoverable amount, an early termination indemnity paid in respect of two property leases in the United States and voluntary redundancy incentives for the period.

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 September 30, 2011

As part of the ongoing simplification of the Group's corporate structure, the merger of Bentec S.p.A. and Benair S.p.A. into Benind S.p.A. came into effect on October 1, 2011.

Contingent liabilities

The Group has not recognized any provisions against an estimated amount of Euro 14.1 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. The company has obtained four rulings in its favor from the Treviso Provincial Tax Commission, involving the total cancellation of the extra customs duties and penalties applied.
On April 27, 2010 the Venice Regional Tax Commission accepted the appeal by the Treviso Customs Agency, overturning the first of the above four first-level rulings. The total amount of customs duties disputed in this ruling is approximately Euro 2.6 million plus penalties and interest. In view of the incompleteness and insufficiency of the reasons expressed by the panel of judges in this ruling, the company has lodged an appeal with the highest Court of Appeal.
On November 25, 2010 the Venice Regional Tax Commission passed sentence on the other three rulings by the Treviso Provincial Tax Commission, partially accepting the appeal by the Treviso Customs Agency and recognizing its right to recover the extra duties, while declaring the penalties as invalid. The total amount of customs duties disputed in this ruling is approximately Euro 4.9 million. The company has lodged an appeal with Italy's highest Court of Appeal against the above three rulings handed down by the Regional Tax Commission.

The Board of Directors of Benind S.p.A. are of the opinion, also of the basis of authoritative outside professional advice, that the matters raised by the tax inspectors concerning the customs duties are unsubstantiated and that the reasons behind the above second-level rulings are insufficient and inadequate, and so it has decided not to make any provisions for the related disputes since they qualify as only "possible" risks, in compliance with definitions under the accounting standards.

During the first half of 2011 the subsidiary Benind S.p.A. underwent a partial tax audit by the Veneto Regional Revenue Office for tax periods 2006-2007-2008 in relation to IRES (Italian corporate income tax) and IRAP (Italian regional business tax). The notice of findings, received on May 31, 2011, focused on transfer prices.
The contested items correspond to an estimated Euro 7 million in additional tax.
The company has already submitted its defense to the tax authorities in order to justify the rationale behind its actions, and is awaiting a hearing. The company nonetheless reserves the right to appeal any subsequent notices of assessment through the competent tax commissions.

During the first half of 2011 Benetton Group S.p.A. underwent a partial tax audit by the Treviso Provincial Revenue Office for tax period 2008 in relation to IRES, IRAP and VAT. The notice of findings, received on June 27, 2011, focused on the deductibility of certain entertaining expenses and the non-deductibility of VAT on certain costs.
The contested items correspond to an estimated Euro 200 thousand in additional tax.
The company has submitted its defense to the tax authorities in order to justify the rationale behind its actions, and is awaiting a hearing. The company nonetheless reserves the right to appeal any subsequent notices of assessment through the competent tax commissions.

During the second half of 2011 the subsidiary Bencom S.r.l. underwent a partial tax audit by the Veneto Regional Revenue Office for tax periods 2006-2007-2008 in relation to IRES (Italian corporate income tax) and IRAP (Italian regional business tax). The notice of findings, received on October 28, 2011 and limited to 2006, raised some transfer pricing issues.
The contested items correspond to an estimated Euro 0.6 million in additional tax. The company reserves the right to present its defense to the tax authorities within the legal term in order to justify the rationale behind its actions, and nonetheless reserves the right to appeal any subsequent notices of assessment through the competent tax commissions.

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

Headquarters
Benetton Group S.p.A.
Villa Minelli
31050 Ponzano Veneto (Treviso) - Italy
Tel. +39 0422 519111

Legal data
Share capital: Euro 237,482,715.60 fully paid-in
R.E.A. (Register of Commerce) no. 84146
Tax ID/Treviso Company register: 00193320264

Media & communications department
E-mail: info@benetton.it
Tel. +39 0422 519036
Fax +39 0422 519930

Investor relations
E-mail: ir@benetton.it
Tel. +39 0422 517773
Fax +39 0422 517701

www.benettongroup.com