Benetton Group
Annual Report 2010

UNITED COLORS
OF BENETTON.

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

Contents

The Benetton Group

Directors and other officers

Board of Directors

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

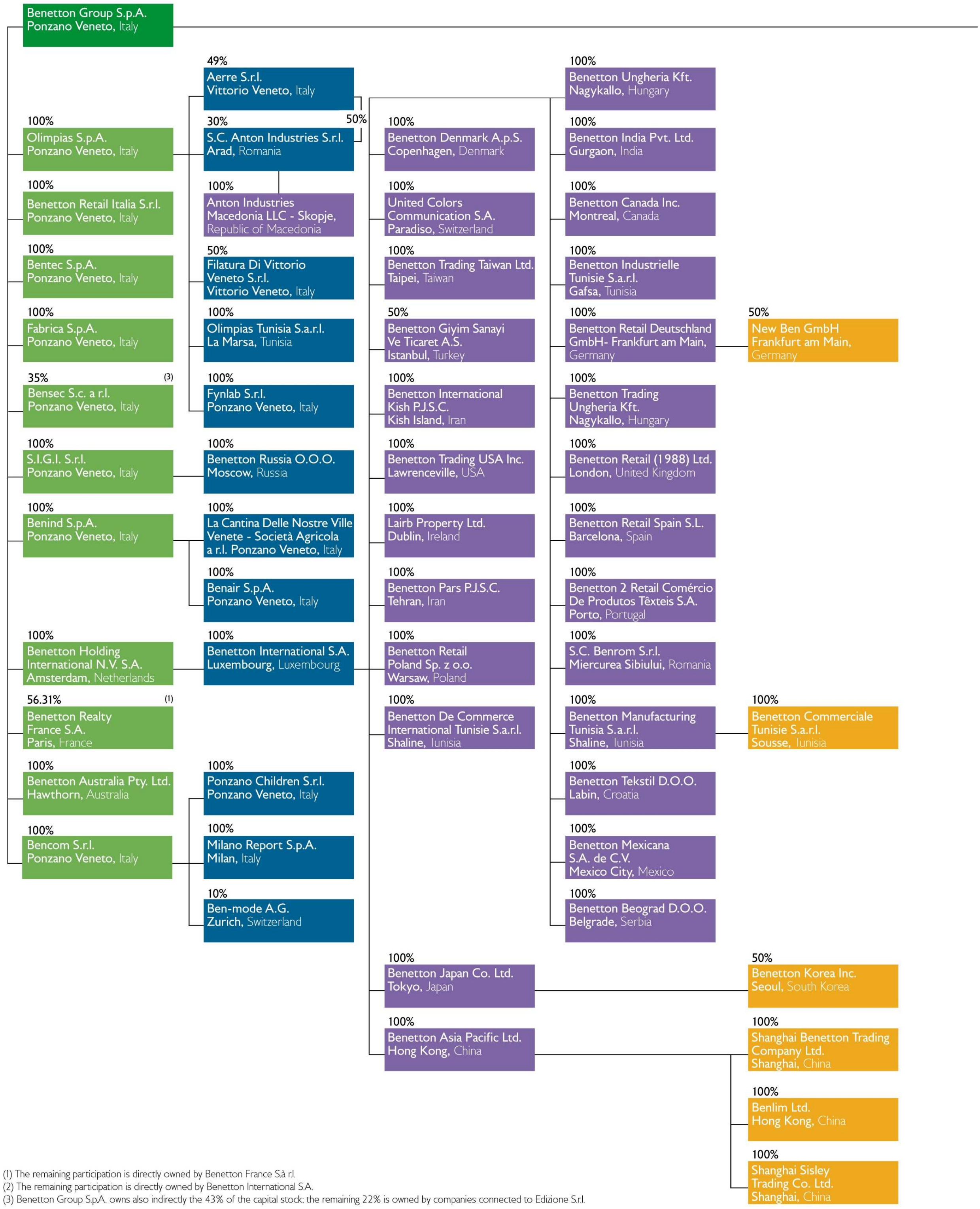
Board of Statutory Auditors

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

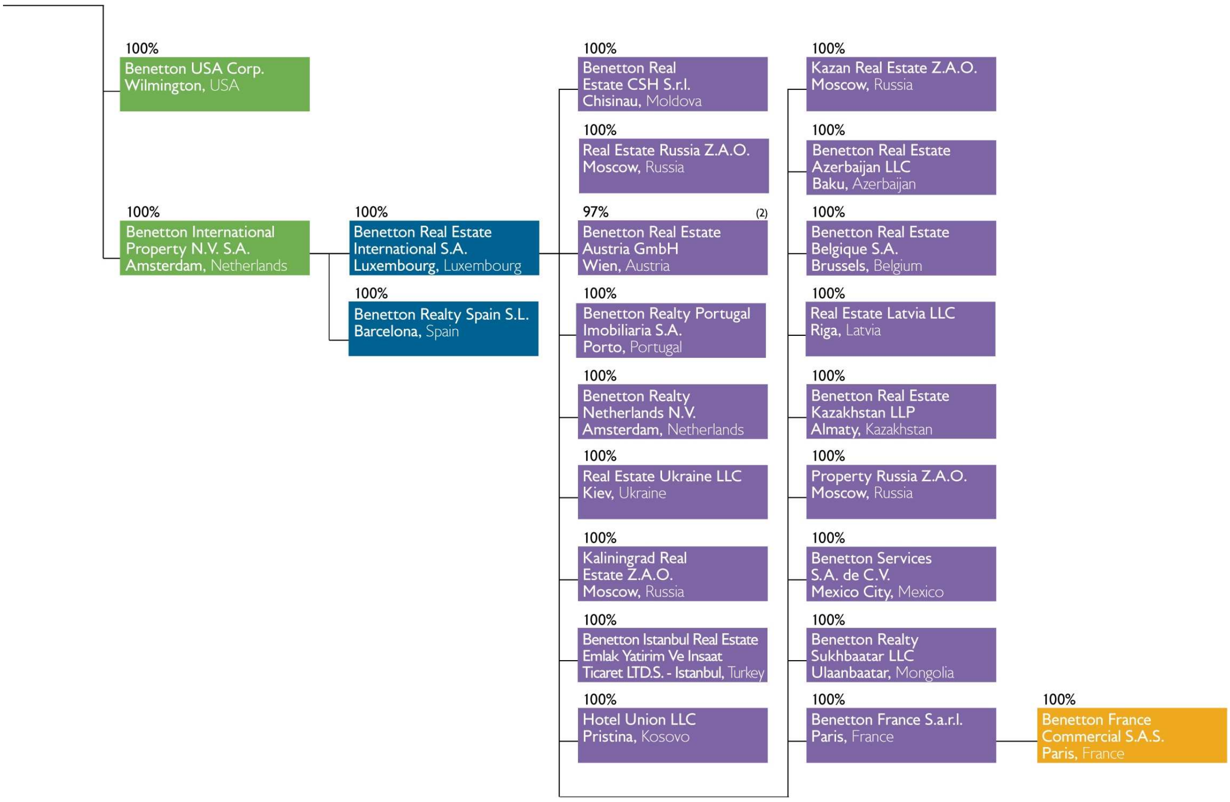
Independent Auditors

PricewaterhouseCoopers S.p.A.

Group structure at December 31, 2010



(1) The remaining participation is directly owned by Benetton France S.à r.l.
(2) The remaining participation is directly owned by Benetton International S.A.
(3) Benetton Group S.p.A. owns also indirectly the 43% of the capital stock; the remaining 22% is owned by companies connected to Edizione S.r.l.


100% Benetton USA Corp. Wilmington, USA
100% Benetton International Property N.V. S.A. Amsterdam, Netherlands
100% Benetton Real Estate International S.A. Luxembourg, Luxembourg
100% Benetton Realty Spain S.L. Barcelona, Spain
100% Benetton Real Estate CSH S.r.l. Chisinau, Moldova
100% Real Estate Russia Z.A.O. Moscow, Russia
97% (2) Benetton Real Estate Austria GmbH Wien, Austria
100% Benetton Realty Portugal Imobiliaria S.A. Porto, Portugal
100% Benetton Realty Netherlands N.V. Amsterdam, Netherlands
100% Real Estate Ukraine LLC Kiev, Ukraine
100% Kaliningrad Real Estate Z.A.O. Moscow, Russia
100% Benetton Istanbul Real Estate Emlak Yatirim Ve Insaat Ticaret LTD.S. - Istanbul, Turkey
100% Hotel Union LLC Pristina, Kosovo
100% Kazan Real Estate Z.A.O. Moscow, Russia
100% Benetton Real Estate Azerbaijan LLC Baku, Azerbaijan
100% Benetton Real Estate Belgique S.A. Brussels, Belgium
100% Real Estate Latvia LLC Riga, Latvia
100% Benetton Real Estate Kazakhstan LLP Almaty, Kazakhstan
100% Property Russia Z.A.O. Moscow, Russia
100% Benetton Services S.A. de C.V. Mexico City, Mexico
100% Benetton Realty Sukhbaatar LLC Ulaanbaatar, Mongolia
100% Benetton France S.a.r.l. Paris, France
100% Benetton France Commercial S.A.S. Paris, France

Notice of ordinary general meeting

Shareholders are called to the Ordinary General Meeting to be held in first calling at 11.00 a.m. on April 28, 2011, at Via Villa Minelli 1, Ponzano Veneto (TV), Italy, or in second calling, if needed, on April 29, 2011, same time and place.

AGENDA

1. To examine the Annual Report as of December 31, 2010. Pertinent and related resolutions;
2. To determine the annual Directors' emolument;
3. To appoint the Board of Statutory Auditors and its President;
4. To determine the annual remuneration due to the members of the Board of Statutory Auditors;
5. To authorise the Board of Directors to the purchase and sale of own shares.

Given the Company's shareholder composition, it is expected that the General Meeting will be duly convened and may validly vote in first calling.

The issued and fully paid share capital of the Company is of Euro 237,482,715.60=, divided into No. 182,679,012= ordinary shares with par value of Euro 1.30. Each ordinary share into circulation has one right to vote during the General Meeting. As of today the Company owns No. 10,345,910 ordinary shares for which the right to vote is suspended.

TITLE TO PARTICIPATE

Legitimate authorisation to participate in shareholders' meetings and to exercise voting rights is certified by a communication to the Company, performed by the intermediary, in compliance with its accounting entries, certifying the party entitled to vote, on the basis of information relating to the end of the accounting day of the seventh trading day prior to the date set for the shareholders' meeting in first call, that is 15th April 2011. Those who become owners of the shares subsequent to that time limit shall have no right to attend and vote in the General Meeting. The aforementioned communication from the intermediary must be received by the Company by the end of the third trading day prior to the date set for the Shareholders' Meeting in first call, that is by 21st April 2011. Nevertheless the legitimate right to participate and vote remains, should the communications be received by the Company later than the aforementioned time limit, provided they are received before the commencement of the proceedings of the Shareholders' Meeting. Those holding the right to vote may be represented by a proxy given in writing pursuant to the legislation and regulations in force; the proxy may be released (i) by subscribing the relevant formula that is placed at the bottom of the above mentioned communication issued to the Company by the intermediary; (ii) by signing the proxy form available at the Company's registered office as well as on the Company website at www.benettongroup.com/investor section "Shareholders' Meeting". The proxy may be sent to the Company by registered letter to the following address: Benetton Group S.p.A. – Attn. Corporate Affairs Dep. – Via Villa Minelli 1, 31050 Ponzano Veneto (TV), Italy or via email to the address affari.societari@benetton.it. Anyway, the delegate who will attend the Shareholders' Meeting will have to certify the conformity of the notified proxy with the original document.

The proxy may be granted, with voting instructions, free of charge to the delegating person, to Servizio Titoli S.p.A., specially designated by the Company as Representative in accordance with Art. 135-undecies of Legislative Decree No. 58/1998. Any proxy given to the Representative shall not have effect with regard to those proposals for which no voting instructions have been given. The proxy and the voting instructions may be revoked within April 26th 2011. The proxy form is available starting from April 7th 2011 at the Company's registered office as well as on the Company website www.benettongroup.com/investor, section "Shareholders' Meeting"; the original proxy must be sent by registered letter and must be received within April 26th 2011 at the following address: Servizio Titoli S.p.A., Via Mantegna 6, 20154 Milano – Italy, possibly anticipating a copy of it, together with a declaration of the conformity to the original proxy, at the following fax nr.: +39 2 46776850 or as an attachment to an email sent to the following address: ufficiomilano@serviziotitoli.it.

RIGHT TO ASK QUESTIONS

Shareholders may submit questions on the items on the agenda even before the Shareholders' Meeting, by sending a registered letter to the registered offices of the Company at the following address: Benetton Group S.p.A. - Attn. Corporate Affairs Dep.- Via Villa Minelli, 1 31050 Ponzano Veneto (TV) - Italy, or via email to the address affari.societari@benetton.it. Those who ask questions relating to the items on the agenda shall give information about their identity. Questions asked before the General Meeting shall be answered at the latest during the Meeting itself.

ADDITIONS TO THE AGENDA

Shareholders who, either alone or jointly, represent at least one fortieth of the share capital may ask for items to be added to the agenda of the matters to be dealt with, by making the request within at least 10 days of the publication of this notice and indicating the additional matters to be added to the agenda. Additions to agenda of the items to be dealt with must be received in writing and sent by registered letter to the following address: Benetton Group S.p.A. - Attn. Corporate Affairs Dep.- Via Villa Minelli, 1 31050 Ponzano Veneto (TV) – Italy or via email to the address affari.societari@benetton.it.

APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

Regarding the appointment of the Board of Statutory Auditors reference is made to the Company's Articles of Association as specifically stated in Art. 19 also available in the website of the Company www.benettongroup.com/investors, section "Governance – Articles of Association".

It is pointed out that the appointment of the Board of Statutory Auditors is done on the basis of lists presented by the shareholders containing the names and numbering of the standing member candidates (3) separately from the alternate member candidates (2). The candidates shall be in possession of the qualifications required by prevailing statutory and regulatory provisions in force, including the provision of the Articles of Association above mentioned.

Lists may be presented by only those shareholders who own, alone or together with others, at least 2% of share capital. The lists, signed by those presenting them, shall be filed at the Company's registered office or sent via email to the address affari.societari@benetton.it. at least 25 days in advance of the date set for the first calling of the Shareholders' Meeting convened to vote on the appointment of statutory auditors, accompanied by (i) information about the shareholders who have filed the lists, specifying their overall percentage interest in share capital, and (ii) comprehensive details on the personal characteristics and experience of the candidates; (iii) a statement by the candidates themselves confirming that they are in possession of the requirements envisaged by prevailing statutory or regulatory requirements and the absence of any reasons for incompatibility and/or ineligibility; (iv) statements by the candidates in which they accept their candidacy and provide details of their appointments as directors or statutory auditors in other companies; (v) any other information required by prevailing statutory and regulatory provisions. The documentation confirming them as shareholders and the percentage of share capital they own, if not submitted with the list, shall have to be filed at least 21 days in advance of the date set for the first calling of the Shareholders' Meeting. Furthermore a statement shall be submitted together with the list by the shareholders other than the relative majority shareholder (Edizione S.r.l.) attesting the absence of any affiliation with this latter, in the meaning of Art. 144-quinquies of the Issuers' Regulation. No shareholder may present or be involved in presenting more than one list, including through a third party or trust company. No candidate may appear in more than one list, otherwise they will be disqualified. Lists not observing the above provisions shall be treated as if they had not been presented.The list shall be made available to the public at the Company's registered office, Borsa Italiana S.p.A and on the Company's website www.benettongroup.com/investor, section "Shareholders' Meeting", at least 21 days in advance of the date set for the first calling of the Shareholders' Meeting.

DOCUMENTATION

Relevant documents to the Meeting, including illustrative reports by the Board of Directors and proposals of resolutions regarding the issues on the agenda, shall be made available to the public at the Company's registered office, Borsa Italiana S.p.A. and on the Company's website www.benettongroup.com/investor, section "Shareholders' Meeting", in accordance with the terms and manner set out by the applicable law. In detail on April 7th 2011 the following documents shall be made available: (i) the Financial Annual Report containing the relevant documentation pursuant to Art. 154-ter, paragraph 1, of the Legislative Decree no. 58/98; (ii) the Directors' Report relating to the purchase and disposal of Company's own shares; (iii) the Directors' Report on corporate governance and ownership structure; (iv) the list of candidates for the appointment of the Board of Statutory Auditors. The Directors' report on the item of the agenda is made available together with this notice.

Letter to the shareholders

To the shareholders,
in a volatile international economic our Group confirmed its solidity, commitment, consistent results, and future-oriented vision, while continuing in 2010 to make progress as a leading player in the new economic geography that will characterize coming decades.
Our attention is particularly focused on faster developing markets, towards which the economic center of gravity and growth is shifting, with the aim of having local presence, production and sales that reconcile the identity of Italian style with a cosmopolitan spirit and international competitiveness.
Thanks to this approach, which is testimony to the Benetton Group's desire to invest in the future by moving apace with the world, we were able to respond to the albeit modest reduction in revenues in Europe with progress in all other areas, with the Americas growing by 5%, Asia by 3.5% and the Rest of the world by 4.5%.

Revenues in India, in particular, climbed by more than 13%, thanks to collaboration with new partners and our ability to work together, under a special unique partnership model, that has allowed a major expansion in the store network, in the major cities and smaller centers.

We are also working with interest and commitment in Iran, Turkey and China, where business accelerated significantly in the second part of the year, and in South Korea, with very positive results.

In the East, we have invested in an innovative forward-looking policy of commercial development in Russia and Asia for an energetic, dynamic reaping of new growth opportunities. In Russia, we are present with a total of 130 stores; we have opened stores in several new regions, like Mongolia where we made our debut with a double opening in the shopping district of the capital city Ulaanbaatar.

The store network development program gives priority to architecture and design, which have always been an integral part of the Benetton business culture, to mark our international presence with our identity of style, tradition and innovation.

In the world's small and large cities Benetton wants to be a vital symbol of beauty, openness, optimism and recovery. We can do this thanks to our dynamic, responsible business model that looks beyond obstacles and borders, to be global while being ever closer to tastes, customs and peculiarities of the different markets.
Our history is built on the spirit of travel, on the meeting of different societies, cultures and peoples, on being attentive observers of what it means to be global, and on our ability to interpret change. Today, including through the use of new media and technology, we want to continue to grow and move forward at an even faster pace, continuing to work as seriously as possible, making intelligent investments and courageous choices that are one step ahead of the future.

Luciano Benetton, Chairman, Benetton Group

Disclaimer

This document contains forward-looking statements, specifically in the paragraph entitled "Outlook for 2011", 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, as described in the section on "Benetton risk factors".

Key performance indicators

The consolidated financial statements for 2010 and comparative year 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)	2010	%	2009	%	Change	%
Revenues	2,053	100.0	2,049	100.0	4	0.2
Gross operating profit	948	46.2	943	46.0	5	0.6
Contribution margin	789	38.4	793	38.7	(4)	(0.5)
EBITDA (*)	303	14.8	330	16.1	(27)	(8.2)
Ordinary EBITDA (*)	311	15.2	332	16.2	(21)	(6.3)
Operating profit	176	8.6	206	10.0	(30)	(14.3)
Net income for the year attributable to the Group	102	5.0	122	5.9	(20)	(16.1)

Key financial data (millions of Euro)	12.31.2010	12.31.2009
Working capital	622	658
Net capital employed	1,984	2,012
Assets held for sale	10	5
Net debt	486	556
Total shareholders' equity	1,498	1,456
Free cash flow	133	183
Net investments	122	113

Financial ratios (%)	12.31.2010	12.31.2009
ROE (Net income/Shareholders' equity)	6.90	8.47
ROI (Operating profit/Net capital employed)	8.88	10.23
ROS (Operating profit/Revenues)	8.59	10.04
Income/Revenues	4.97	5.94

Share and market data	12.31.2010	12.31.2009
Basic earnings per share (Euro)	0.59	0.71
Shareholders' equity per share (Euro)	8.10	8.34
Dividend per share (Euro)	0.25	0.23
Pay out ratio (%)	0.42	0.33
Dividend yield	5.08	3.69
Price at year end (Euro)	4.92	6.24
Screen traded price: high (Euro)	6.70	7.56
Screen traded price: low (Euro)	4.50	4.42
Price per share/earnings per share	8.34	8.79
Price per share/shareholders' equity per share	0.61	0.75
Market capitalization (thousands of Euro)	848,310	1,075,489
Average no. of shares outstanding	172,333,102	172,353,974
No. of shares outstanding	182,679,012	182,679,012

Number of personnel	12.31.2010	12.31.2009
Total employees	9,469	9,511

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

Directors' report

2010 in overview

The year 2010 was a difficult but stimulating one. The international economy displayed a hesitant, albeit uneven recovery, which was accompanied by the risk of further uncertainty in a few mature markets, particularly in certain areas of Europe, with a particularly weak apparel sector.

Total revenues for 2010 were stable at 2,053 million, benefiting from currency effects in the second half of the year. Direct sales were up 3.8%, with a positive like-for-like performance in emerging markets and satisfactory results in Italy, while wholesale sales eased (-1.1%), absorbing the residual effects of the market crisis.

In this complex scenario, the Group's traditional strengths combined with actions taken in the recent past have served to overcome the crisis and program future growth. Product positioning, singular for its offer of quality at an affordable price, and the network and partner structure have provided a solid base for pursuing actions already started to improve supply chain efficiency and to renegotiate supply contracts following pressure on raw material prices. Costs have continued to be optimized with a view to simplifying and making processes more efficient, while management of working capital has carried on improving. These are all key factors behind the improvement of some 200 million in net debt in the past two years.

The resources released made it possible in the year just ended to devote great attention to investment in the distribution network and in technology: total investment in 2009-2010 amounted to almost 240 million. The new city-center spacious concept stores developed in partnership with renowned architects as part of the "Opening Soon..." project, have become a reality. Store openings in new countries and the judicious policy operated with local partners have allowed the Group to further strengthen its position in emerging markets, which most benefited from the 2010 upturn and will continue to grow in the future. New ideas and technological solutions have been adopted for stores and order placement. On-line social networks have been used to stimulate ever greater involvement of young consumers.

Positive vital energy has returned following the uncertainties of the great crisis. There are many projects in progress that will soon become operational, safe in the knowledge that the Group has launched a positive trend based on investments in growth and earnings.

Brands

Simplicity and freedom were the two concepts behind the Benetton collections proposed in 2010. A clear, consistent response for the customer who changes, who like choices that go beyond the standard offer, who accepts suggestions but hates impositions, and who wants to have complete freedom in choosing his/her everyday look.

The collections continuously offered this customer new and appealing products with the "right" quality and price. These were concepts with which the Group set out to best overcome the crisis affecting the entire global textile and apparel sector. Simplicity also means presenting smaller collections, under a policy that the Group adopted several years ago which even in 2010 led to a further reduction in the number of items of about 10%.

Freedom also means giving more emphasis to the identity of individual markets. This signifies locally developed collections that best intercept customer demands, which, however, are still part of a global creative style. This has been done in India, where a rapidly growing middle class has shown its appreciation of the Group's offer, and in Korea and China. These examples all display the Group's ability to adapt, by making the most of certain conditions, while retaining its unmistakable basic characteristics.

This has helped ease the effects of the persistent economic crisis, reflected in a 4% drop in orders for the Fall/Winter 2010 collection that was basically in line with performance by previous collections. Orders for the Spring/Summer 2011 collection have provided signs of improvement against this trend.

An effective program of interior renovation was conducted targeting the higher impact, more popular stores. The flagship stores in Frankfurt (Zeilgalerie), Milan (Corso Buenos Aires), London (Oxford Circus), and Paris (Place de l'Opéra) were renovated according to the concept and designs of Piero Lissoni. These formed part of the "Opening Soon......" project, a program of investments in the distribution network that applies new concepts of architecture and design to stores in certain cities symbolizing the world's transformation: a genuine international journey of style and modernity, launched in Istanbul in 2009. Some of the new stores opened by Luciano Benetton in September in Russia, Mongolia and Azerbaijan also fell under this program. The Kaliningrad facade was designed by the Studio Cino Zucchi Architetti in Milan, while the store interior presents the Benetton and Sisley collections in a space of 4,000 square meters. The new double store in Irkutsk, downtown in one of Siberia's most important cities, has a facade designed by the Studio Arassociati in Milan and presents the complete collections for UCB (Woman, Man, Kids and Undercolors) and Sisley glamour (Woman and Man).

Other stores experimented with innovative technology for the apparel sector. In Milan (Piazza Duomo and Central Station stores), in Munich and Barcelona, the storefronts no longer display the physical product but instead screens projecting digitalized product images. In Moscow digital storefronts are scheduled to arrive soon. They will be installed in other stores around the world in 2011.

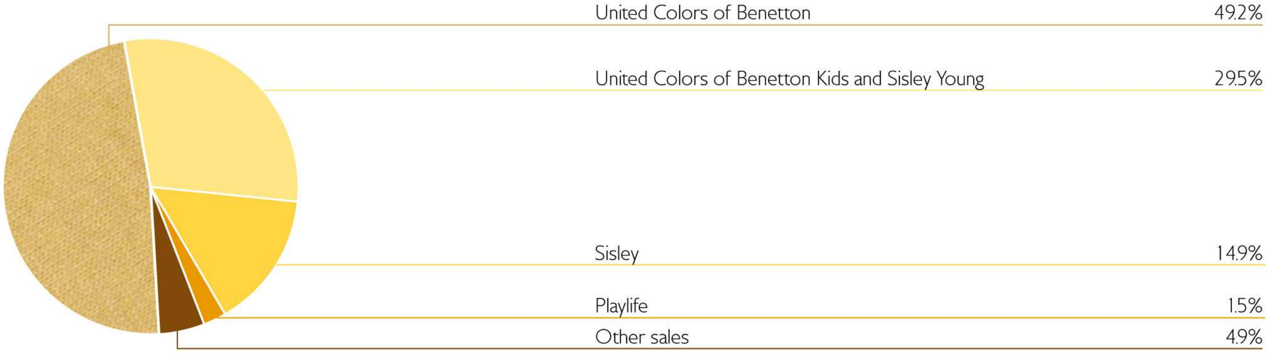
Such investment and the policies implemented in support of the network have produced positive results in the shape of higher sales volumes. Great attention, however, has been given to the product. Thus for the United Colors of Benetton adult fashion brand (accounting for 52% of the Group's apparel revenues in 2010) the focus was on treated denim and on wool, an essential part of the Group's DNA. The UCB 2010 Woman was dressed in denim, the outstanding casual fabric, interpreted in several versions and combined with other materials to achieve senses of irony, aggression or freedom. The protagonist for outerwear and knitwear was wool, interpreted in a way that enhanced its warmth and softness. For UCB Man, wool signified thick, voluminous fabrics for single color or classic patterned jackets, and a formal but creative look for knitwear and jersey products. Denim was proposed as the fabric suited to more than one occasion, returning to its original wear for moments of freedom from social obligations.

UCB Kids carried on its development in 2010, confirming the strength of a specialty brand recognized as a strong competitor internationally that accounts for 30% of the Group's revenues. The brand continued to differentiate its offer by age group: Kid & Tween (6-12 years), Toddler (1-5 years), Baby (0-1 year). The Kid & Tween line, targeting preadolescents, significantly increased its store presence, and achieved a very positive reception in Italy and foreign markets. Sisley Young has continued to grow, with a heavily fashion-oriented line for children aged 8 to 12. Performance was good in Italy and accelerating in international markets.

The photographer Terry Richardson once again signed the Sisley advertising campaign for the Fall/Winter 2010/2011 collection for men and women. The campaign's distinctive feature is to recall the brand's original style: an alluringly sexy one that captivates and seduces. While communication is an important factor for Sisley, which accounted for 16% of the Group's apparel revenues, the brand's development strategy has also involved revisiting price and position, with a positive impact on sales results.

Playlife, a genuine "multibrand" laboratory, has carried on seeking out and developing new ideas for casual and leisurewear. A mix of collections that offers different products and lifestyles to combine at will: from an American preppy look to vintage jeans and the comfort and practicality of jersey. The focus was on cotton (in various forms) and denim, with positive results.

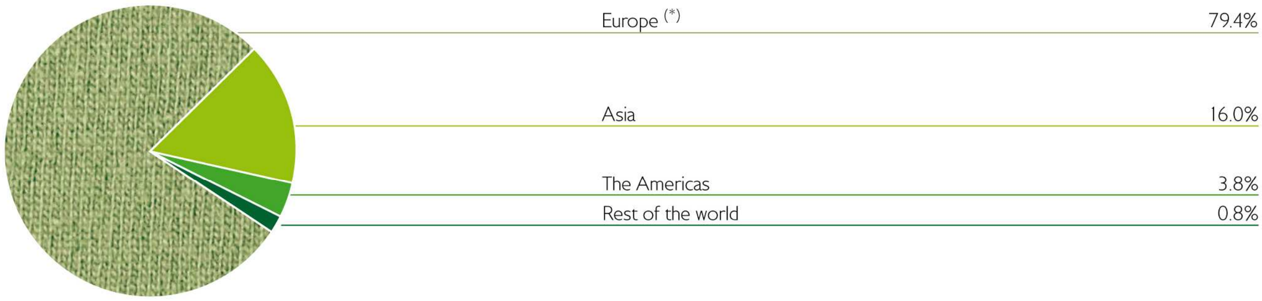
2010 sales of core products by brand (%)



Markets

The Group's geographical diversification allowed it to overcome the difficulties still encountered in 2010 on certain markets. Total revenues reached Euro 2,053 million (+0.2% at current exchange rates and -1.9% at constant exchange rates): the limited decline in European revenues (3.2%) was matched by growth in all other areas, with the Americas growing by 5%, Asia by 3.5% and the Rest of the world by 4.5%.

2010 revenues from third parties by geographical area (%)



(*) Included Italy.

It was a very positive year for rapidly developing markets and the Group knew well how to leverage this expansion. In fact, these markets now account for 24% of the Group's revenues, having grown by 14% at current exchange rates and by 7% at constant exchange rates. This is a source of confidence.

The economic crisis hurt performance in Greece, while the rest of the Mediterranean area, notably Italy and Spain, generally defended itself better. The difficulties emerging primarily in the first part of the year were overcome, thanks also to continuous collaboration with agents and customers. Positive signs came from Germany and other East European countries, while Russia and the former Soviet Union countries showed promising acceleration in the second half of the year. A number of real estate investments made in the past reached maturity, allowing for the opening of important new stores. In Russia, where Benetton has more than 120 points of sale, new stores were opened in Kaliningrad, one of the largest ports on the Baltic Sea; in Irkutsk, Yakutsk and Bratsk, in Siberia; and in Khabarovsk, on the Trans-Siberian railway and just a few kilometers from the Chinese border. Developed under the "Opening soon..." project, these are large stores located in historic downtown buildings able to show collections off in the best possible light.

Revenues in India climbed by 13.1%. The Benetton offer stimulated new openings by existing partners, while attracting the interest of new ones, fostered by the Group's policy of transferring directly operated stores to third parties and by the presence of local sourcing. The store network expansion took place in the major cities and minor centers, with a keen eye on geographical penetration.

In Mexico, new openings and good results by the existing network produced an impressive performance (+33.2%). The network is now wider, with four new openings in regional capital cities and further development of corners under the strategic partnership with the Axo group. Overall presence in South America also increased, while network restructuring in the United States caused a general revenue erosion (-1%), although like-for-like revenues actually grew. The network has achieved a good equilibrium and the focus can now be on growth.

The new flagship store in Istanbul and stores owned in Ankara and Izmir set the tone for business in Turkey, which also benefited from a careful strategy of repositioning certain product categories thanks to local sourcing. The result was an increase in sales volumes and revenues. Wholesale results in the rest of the country were positive.

The refocusing started in China in 2009, with a concentration on strategic cities and improvement in the offer mix, produced a positive performance, which accelerated further in the second half of the year. Sales of high-end products benefited most. In addition, the Fall/Winter 2010 collection, developed using local designers, was well received by the public. In Korea, the Group's stable presence through a commercial partnership with a Korean partner and the locally developed collection produced a significant growth in results.

It's My Time

"It's My Time" is the first global on-line casting that allowed 20 young people from around the world to be protagonists of the United Colors of Benetton product campaign for Fall/Winter 2010/2011. Shot by the photographer Josh Olins, the campaign has appeared in the press, on the internet and on billboards around the world.

The casting, conducted between February and March 2010, attracted more than 65,000 participants from all over the globe who were voted on the It's My Time website, visited by almost 4 million people who viewed some 60 million pages. The casting drew interest from 217 countries: from Ethiopia to Zimbabwe, from Nepal to Uzbekistan, from Guatemala to Cambodia to Iceland. Over 40,000 women took part, almost twice as many as the men. There were more than 17,000 teenagers, and over 35,000 participants in the 20 to 30 age range.

It's My Time, with its global, multiethnic character, perfectly matched the Benetton brand's international identity and vocation. But it was not just an idea for a casting: for a time it created a genuine virtual community where millions of young people from around the world expressed opinions, talked about themselves and shared ideas and enthusiasms in total freedom. Benetton hosted the participant profiles (photos, videos, words, visual creations, messages from visitors) and their opinions on Facebook and Twitter and their videos on YouTube. A collective blog served to collect and launch ideas that arrived every day from countries such as Japan, the Philippines, China, France, the United Kingdom, Spain, Italy, Portugal, Germany, the Netherlands, Norway, Mexico, the United States and Colombia, with 180 posts and 5 million comments.

Benetton on the stock market

Most of the trading in Benetton ordinary shares during 2010 took place on the Italian Stock Exchange, run by Borsa Italiana S.p.A.; Benetton also quotes and trades its American Depositary Receipts (ADR) in the international OTCQX system, allowing American investors to have constant access to the Group's latest news and information.

The Group capitalized at Euro 848 million at December 31, 2010.

Between the end of 2009 and end of 2010, the Benetton stock had an average price of Euro 5.68, reporting a high of Euro 6.70 on Janaury 20 and a low of Euro 4.50 on November 30.
An average of approximately 365,000 shares were traded each day.

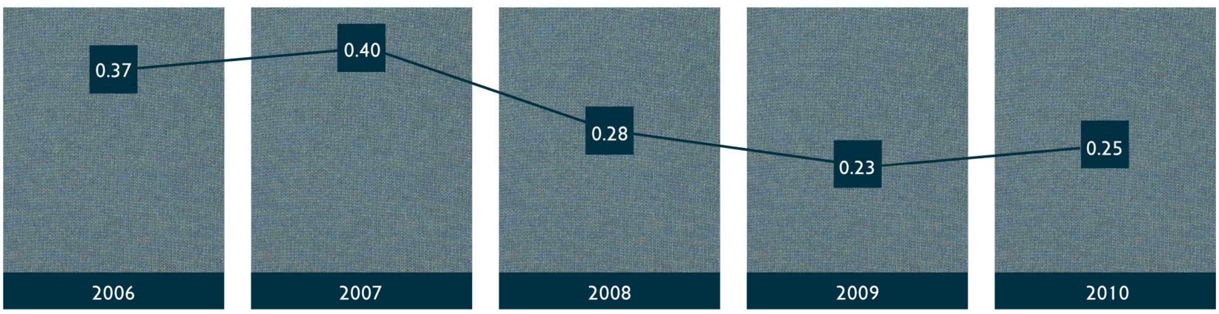
The Investor Relations office ensured constant and timely flow of communication, direct interaction with the financial market and the Group's various investors and stakeholders, and carried on developing a proactive approach that fostered understanding of the business's dynamics and overall purpose of the actions taken over the year.

The financial results, announced each quarter, were presented both through public conference calls and meetings and discussions with the financial community in the principal financial centers.
The carefully organized communication events helped to maintain an ongoing dialog with the financial community, through conference calls, video conference calls, one-to-one meetings, presentations at industry conferences and participation in roadshows in the major financial markets; new potential areas of interest with investment profiles matching the Group's structural characteristics were also explored. Visits to the Group's various production and logistics sites, presentation of new collections and in-store visits all strengthened the financial community's familiarity with the Group's commercial offer and focus on stores.

A new way of presenting and using the Digital Annual Report was also introduced in 2010, offering not only a different structure and new interactive options, but also an innovative on-line communication application. This system provides a new way of presenting the Annual Report, where printing is an optional, reflecting with environmental sustainability goals and eco-sustainable business plans that have always been an important part of the Group's identity.
Apart from the new Digital Annual Report, a number of sections in the Group's website have been enhanced with new material and content, particularly in the Governance section.

Additional services and information are available at www.benettongroup.com/investors.

2006-2010 dividend per share performance (euro)

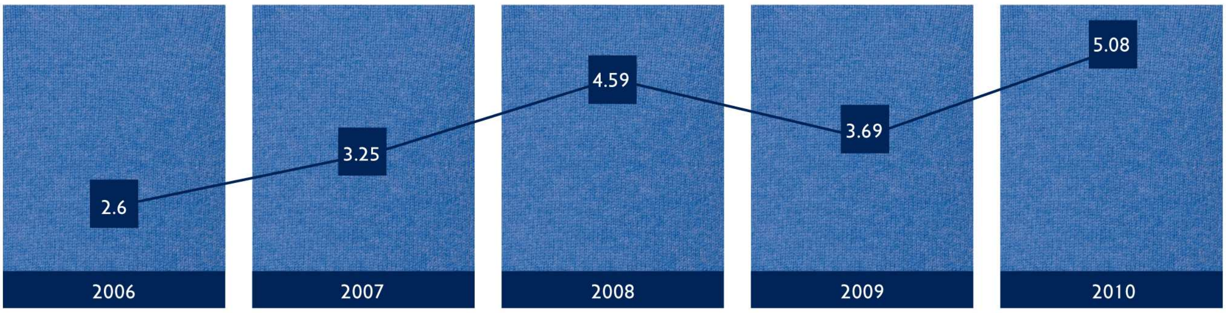


Financial calendar

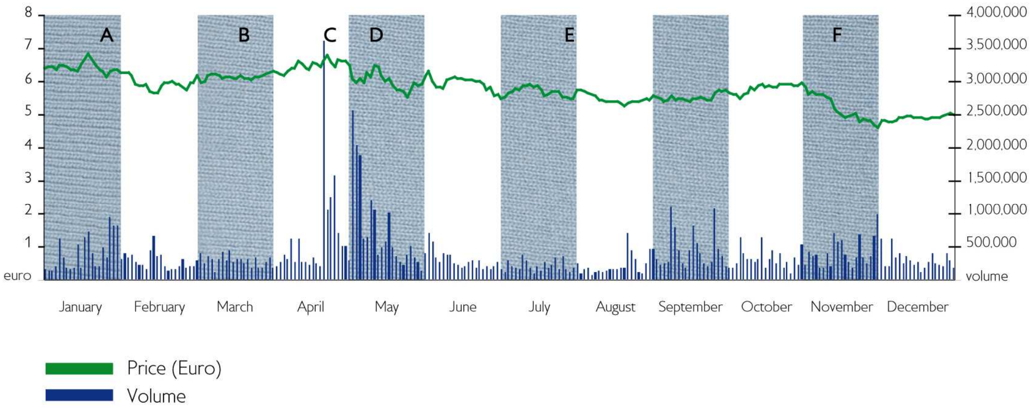
Meetings of the Board of Directors scheduled in 2011:

January	Monday 31	preliminary results for 2010
March	Tuesday 15	2010 draft annual report
May	Thursday 12	2011 first-quarter report
July	Thursday 28	2011 half-year report
November	Monday 14	2011 third-quarter report

2006-2010 dividend yield performance



Benetton Group share performance in 2010



A. 01.28
2009 preliminary results

B. 03.18
2009 results
and 2010 forecasts

C. 04.22
Shareholders' meeting

D. 05.12
1Q2010 results

E. 07.30
1H2010 results

F. 11.12
3Q and 9M2010 results

Supplementary information

Corporate governance report and ownership structure

The information about corporate governance and ownership structure required by Italy's Consolidated Law on Finance can be found in the "Corporate governance report" appended to this document.

Benetton shares and shareholders

Treasury shares

The Shareholders' Meeting of April 22, 2010 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 20, 2009. This authority was granted for a period of 18 months commencing April 22, 2010. 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. At the current date, the Board of Directors had not yet commenced the new buy-back program permitted under the above authority. At the date of March 15, 2011, the Company held 10,345,910 treasury shares, corresponding to 5.663% of share capital and purchased at a cost of Euro 71.7 million (excluding commissions).

Shares held by directors, statutory auditors and key management personnel

The directors Luciano, Gilberto, Giuliana and Carlo Benetton directly and indirectly control, in equal shares, the entire share capital of Edizione S.r.l., the company which controls Benetton Group S.p.A. with an interest of 67.08%.

Except as specified in the following table, none of the directors, statutory auditors or managers with key positions in Benetton Group S.p.A., their spouses, unless legally separated, or their minor children, has held shares during 2010 in Benetton Group S.p.A. or its subsidiaries, either directly or through companies under their control, trust companies or other intermediaries.

Name and surname	No. of shares held as of 12.31.2009	Company held	No. of shares purchased	No. of shares sold	No. of shares held as of 12.31.2010	Type of ownership
Alessandro Benetton	49,500	Benetton Group S.p.A.	-	-	49,500	Owned
Gerolamo Caccia Dominioni (*)	50,000	Benetton Group S.p.A.	-	50,000	-	Owned
Antonio Cortellazzo	1,000	Benetton Group S.p.A.	5,000	-	6,000	Owned
Alberto Nathansohn	-	Benetton Group S.p.A.	2,000	-	2,000	Owned

(*) Updated at 04.22.2010, the date the mandate of the Chief Executive Officer Gerolamo Caccia Dominioni expired.

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 December 31, 2010 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 01.01.2010	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 12.31.2010	of which exercisable as of 12.31.2010
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)	6.240					4.922	4.922

[*] Granted to Biagio Chiarolanza.

Controlling interest

The Company's majority shareholder at December 31, 2010 was Edizione S.r.l., an investment holding company with registered office in Treviso (Italy) and wholly owned by the Benetton family. It owned 122,540,000 ordinary shares in the Company at that date, representing a controlling interest of 67.08%.

Shareholders	%
Edizione S.r.l.	67.08
Institutional investors and banks	15.98
Other investors [1]	16.94

[1] Of which 5.663% is represented by treasury shares held by Benetton Group S.p.A.

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.

Compliance with personal data protection laws

The Company has fulfilled its obligations under current legislation regarding personal data protection, including sensitive or legal data.

In particular, with reference to computerized data management, the Company has used the Benetton Group's information systems to adopt the minimum security measures required by Italian Legislative Decree no. 196 of June 30, 2003 (Consolidated personal data protection act). All Group companies have complied with the data security model adopted by the Parent Company, as described in the annual Privacy Protection Plan.

Articles 36 and 39 of the Market Regulations

With reference to the regulatory requirements regarding the conditions for the listing of shares in companies with control over companies established and regulated under the law of non-EU countries which are materially significant for consolidation purposes, it is reported as follows:

a. Benetton Group S.p.A. has direct or indirect control over 20 companies based in 12 non-EU countries to which the above rules apply;
b. the Group has suitable procedures for complying with the above rules:
   1. the above companies prepare accounts for the purposes of drawing up the consolidated financial statements; the balance sheets and statements of income of these companies are made available to shareholders in the manner and terms required by the related regulations;
   2. under its internal procedures, Benetton Group S.p.A. keeps the articles of association of all Group companies, and details of the composition and powers of their directors and other officers;

3. all consolidated Group companies provide the independent auditors of Benetton Group S.p.A. with the information needed for correctly performing the audit of the Parent Company's annual and interim accounts. These companies have suitable accounting and administrative systems for providing the Company's Accounting, Finance and Control office and the independent auditors with statements of income, balance sheets and financial information needed to prepare the consolidated financial statements.

Principal organizational and corporate changes

On May 5, 2010 the subsidiary Olimpias S.p.A. signed a two-year agreement, expiring on December 13, 2011, with the trade unions at the Ministry of Labor and Social Affairs in Rome; this agreement relates to the factory in Grumolo delle Abbadesse (Vicenza) and entails converting the current procedure for accessing the State's special unemployment benefits from the "unexpected and unforeseeable event" to "termination of business" category. A procedure has therefore been started under which employees can be placed in "mobility" for as long as the special unemployment benefits apply.
On May 18, 2010 Bencom S.r.l. acquired 50% of the share capital in Milano Report S.p.A., thus becoming owner of all this Milan-based company's shares.
As part of the process of simplifying corporate structure in China, Benlim Ltd. sold its 100% interest in Shanghai Sisley Trading Co. Ltd. to Benetton Asia Pacific Ltd. on May 28, 2010.
A company under the name of Benetton Industrielle Tunisie S.à r.l. was formed on June 1, 2010 as part of the strategy for developing the Tunisian production center. The new company is a subsidiary of Benetton International S.A. and has its registered office in Gafsa (Tunisia).
As part of the ongoing simplification of the Group's corporate structure, the mergers of Benetton Croatia D.O.O. into Benetton Tekstil D.O.O. (formerly Benetton Istria D.O.O.) and of Benetton Manufacturing Holding N.V. into Benetton International S.A. came into effect on July 1, 2010 and August 12, 2010 respectively.
The partial spin-off of Olimpias S.p.A., under which the entire interest held by Olimpias S.p.A. in Benair S.p.A. was transferred to Benind S.p.A., came into effect on August 1, 2010, while Anton Industries Macedonia L.L.C., a Macedonian-registered company based in Skopje, was incorporated as an indirect subsidiary of Olimpias S.p.A. on September 14, 2010.
Benetton de Commerce International Tunisie S.à r.l. was formed on December 3, 2010 in Sahline (Tunisia) as a subsidiary of Benetton International S.A. The new company is active in the international trade of the Group's brandname products.
Lastly, Benetton International Emirates L.L.C. completed its winding-up on December 7, 2010.

Significant events after December 31, 2010

On January 31, 2011 Benetton Group S.p.A. signed with the Republic of Serbia and the city of Niš a memorandum of intent for possible cooperation in developing a new production center in the city of Niš. This would involve acquiring an industrial site comprising around 80,000 square meters in land and some 60,000 square meters in buildings.
The project will require that the Group invest some Euro 32 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.

Outlook for 2011

2011 opened with positives and negatives: on the one hand, collection of Spring/Summer orders is drawing to a close with the expectation of a slight improvement compared with recent collection performances (-4%) and there are signs of growth from the Fall/Winter 2011 collection. Again this year, the contribution of the more recently developed countries will be fundamental to maintain Group revenues, with continued uncertainty of demand in western economies.

On the other hand, the strong growth in costs, especially of raw materials, will lead to a significant and progressive erosion of margins during the year. The Group has identified further actions, also of an extraordinary nature, to contain the effect on operating profit, the percentage of which on revenues is under strong pressure in these circumstances.

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

The objective of the Group is to increase store profitability, by revitalizing the commercial offer of all product lines, strengthening brand attractiveness and reducing time to market, as well as continued improvement of the network where most of the large investment programme for the year is directed. These actions will have a return in the medium-term.

The Group intends to act vigorously in order to counter the increase in raw material costs and the expected erosion of margins. Actions have been put in place to improve efficiency in all areas and functions with particular emphasis on the production chain and direct sales activities in some countries within and outside Europe. The recent agreement for construction of a new production facility in Serbia also falls within this context. These measures as a whole will already generate benefits in the short-term, further increasing in the future. Actions carried out to date, others being planned and the financial strength of the Group allow the continuation of a sustained investment policy, an increase in dividend pay-out, while also permitting further reduction of the financial position.

Consolidated Group results

Consolidated statement of income

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

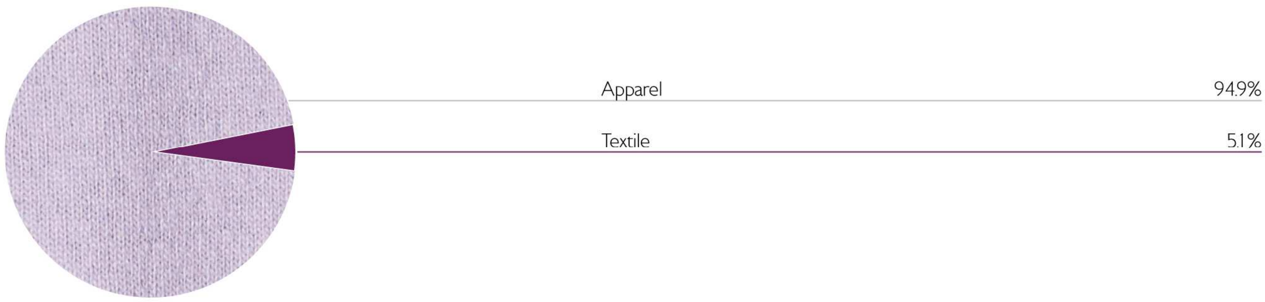
(A) Of which 11 million invoiced by holding and related companies in 2010 (11 million in 2009).
(*) Trading profit was 208 million, representing 10.1% of revenues (229 million in 2009 representing 11.1% of revenues).

The Group's revenues in 2010 amounted to 2,053 million compared with 2,049 million in 2009 (+0.2% at current exchange rates and -1.9% at constant exchange rates) reflecting, on one hand, the difficult economic situation in some of the Group's more important markets, on the other, the drive to develop in geographical areas offering better opportunities for growth. In particular, this result reflects the combined effect of:

- a positive contribution by the collection mix, featuring higher unit value product categories;
- 43 million in positive exchange rate movements against the Euro, particularly by the Korean won, Indian rupee, Japanese yen and Turkish lira, which especially benefited the results of directly operated stores;
- the commercial policies adopted in support of the sales network.

The apparel segment reported 1,948 million in revenues from third parties, basically in line with those reported in 2009.
The textile segment achieved 105 million in revenues from third parties, up 2.8% on 102 million in the comparative year.

2010 revenues from third parties by activity (%)



Cost of sales, which accounted for 53.8% of revenues against 54% in the comparative year, was as follows for the individual segments:

- apparel: cost of sales amounted to 1,018 million (52.1% of revenues versus 52.6% in the comparative year), continuing to benefit in 2010 from savings resulting from reorganization of production and product sourcing for a total of 25 million, which were negatively impacted by 10 million for raw material price inflation and by 25 million for exchange rate effects;
- textile: cost of sales amounted to 171 million, representing a similar proportion of revenues as in the prior year.

Gross operating profit came to 948 million, reporting a margin of 46.2% compared with 46% in 2009; adjusting for positive exchange rate effects, constant currency gross operating profit margin would have been 46.4%.
The individual segments performed as follows:

- apparel: gross operating profit amounted to 934 million, with a margin of 47.9% against 47.4% in 2009, reflecting the benefits of production efficiencies, the collection mix and exchange rate trends, as partly offset by the commercial policies in support of the sales network;
- textile: gross operating profit was 15 million, representing 8.2% of revenues against 9.4% in the comparative year.

Variable selling costs (distribution, transport and sales commissions) increased by 9 million to 159 million, representing 7.8% of revenues against 7.3% in the comparative year, and reflecting a higher incidence by certain foreign subsidiaries, whose distribution costs vary with sales, as well as an increase in tariffs.

Contribution margin came to 789 million, representing 38.4% of revenues, against 38.7% in 2009, with the performance by segment as follows:
- apparel: contribution margin was 781 million, representing 40% of revenues, in line with the prior year;
- textile: contribution margin was 8 million, representing 4.5% of revenues against 5.9% in the comparative year.

General and operating expenses amounted to 613 million in 2010, compared with 587 million in the prior year, and rose as a proportion of revenues from 28.7% to 29.8%, particularly due to negative exchange rate effects; general and operating expenses in the individual segments were as follows:
- apparel: these expenses amounted to 600 million compared with 572 million in 2009, and accounted for 30.7% of revenues (29.3% in 2009). The increase is attributable to the greater impact not only of advertising and promotion costs but also of payroll costs and additions to provisions, as well as 9 million in non-recurring items (discussed later), as partially mitigated by a decrease in rental expense;
- textile: these expenses amounted to 13 million compared with 15 million in 2009, accounting for 7% of revenues against 7.5% in the comparative year, despite recognizing, like the previous year, 3 million in non-recurring expenses for this segment's strategic reorganization.

General and operating expenses are discussed in more detail below:

- Non-industrial payroll and related costs of 175 million were 6 million more than in the comparative year, and represented 8.5% of revenues versus 8.2% in the prior year, reflecting renegotiation of the national and company payroll agreement for the Group's Italian subsidiaries, as well as the higher incidence of the direct channel following new store openings.

- Advertising and promotion costs amounted to 55 million, up 2 million on the comparative year, accounting for 2.7% of revenues, largely in line with 2009; these costs included those for the "It's My Time" campaign realized for the Benetton brand in 2010; this worldwide communication campaign used the web as a place for active, global participation in order to conduct the first global on-line casting for selecting from around the world the faces for the United Colors of Benetton product campaign.

- Non-industrial depreciation and amortization amounted to 89 million, accounting for 4.3% of revenues, like in 2009.

- Other expenses and income came to 294 million, versus 277 million in the comparative year, and represented 14.3% of revenues, up from 13.6% in 2009. 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 amounted to 110 million, basically in line with the comparative year, and accounted for 5.4% of revenues;
  - additions to provisions amounted to 38 million, compared with 29 million in 2009, and accounted for 1.8% of revenues, up from 1.4%; they included:
    - 26 million for doubtful accounts, an increase of 5 million on the prior year, reflecting the difficulties in 2010 on some of the Group's traditional markets, particularly Greece and Spain, and to a lesser extent certain East European countries and Italy;

   - about 7 million for the estimated amount of extra taxes arising from matters raised by the Italian tax authorities concerning the subsidiary Bencom S.r.l. and relating to the disallowance of certain commissions paid to agents resident in low-tax jurisdictions;
- net operating and other expenses came to 146 million (140 million in 2009), representing 7.1% of revenues against 6.8%, and mostly reflecting the combined effect of:
   - a decrease of 6 million in rental expense (net of rental income), due to the strategic refocusing of commercial locations, particularly in Asia, and to redefinition of the business model in India;
   - an increase of 9 million in non-recurring expenses, details of which are as follows:
      - net non-recurring expenses of 32 million in 2010 included:
         - 11 million in expenses for strategic reorganization focused on greater excellence in sourcing and the supply chain, on optimization of costs, and on continued improvement in the sales network;
         - 24 million in impairment losses for recoverable value adjustments against certain commercial assets, particularly in Great Britain and France, against two properties in Portugal and Kazakhstan, as well as impairment of the Killer Loop brand to reflect a medium-term plan for its strategic repositioning and market relaunch;
         - 1 million in penalties for the extra tax paid in 2010 by the subsidiary Bencom S.r.l. in partial settlement of matters raised in connection with the formation of permanent establishments abroad, and for the extra tax recognized for an assessment mainly concerning transfer prices;
         - about 5 million in gains mainly realized on the disposal of an aircraft.
      - net non-recurring expenses of 23 million in 2009 reflected:
         - 16 million in expenses for the strategic reorganization plan, involving actions to support the commercial structure, to achieve greater excellence in the operations area and to optimize costs;
         - around 16 million in impairment losses for recoverable value adjustments against certain commercial assets;
         - over 6 million in net gains realized on the disposal of four commercial properties in Italy;
         - 3 million in compensation received for a legal dispute relating to costs incurred in 2008 for the early termination of a property lease in Great Britain.

Operating profit was 176 million, compared with 206 million in 2009, with the margin at 8.6% against 10% in the comparative year. Excluding the extraordinary items that negatively affected 2010, trading profit would have been 208 million (10.1% of revenues) compared with 229 million in 2009 (11.1% of revenues).

Operating profit in the individual segments was as follows:
- a profit of 181 million in the apparel segment against 208 million in the comparative year, with the margin at 9.3% compared with 10.7%;
- a loss of 5 million in the textile segment, 2 million more than in 2009.

The positive change of about 1 million in net financial expenses was due to lower average debt over the period, the benefits of which were almost entirely offset by an increase in interest rates, primarily because of different economic conditions applying to new loans entered into by Benetton Group S.p.A.
Net foreign currency hedging gains and exchange differences mainly reflected the positive contribution of hedges taken out against purchases in US dollars, as partly offset by hedges against sales in other currencies (particularly Russian roubles and Swiss francs) and by the effect in some of the Group's subsidiaries of local currency trends against the Euro.

Income taxes amounted to 65 million, representing a tax rate of 38.7%, compared with 36.5% in 2009. As already mentioned when discussing non-recurring expenses, income taxes include around 4 million in extra tax agreed upon partial court settlement and assessment with acceptance agreed with the Italian tax authorities in December 2010. The increase in tax rate also reflects the extinguishment of tax benefits arising from corporate reorganization in 2003.

Net income for the year attributable to the Group was 102 million (5% of revenues), compared with 122 million in 2009 (5.9% of revenues).

The average number of employees in each segment during the year was as follows:
- apparel: 7,937 (of whom 3,971 in the retail channel), compared with 8,051 (of whom 4,134 in the retail channel) in 2009, with the decrease due to the lower incidence of the directly operated commercial network;
- textile: 1,553 compared with 1,588 in 2009.

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 2010 and 2009 are shown below, adopting the classification criteria described above.

Segment results - 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

Segment results - 2009

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	1,947	102	-	2,049
Inter-segment revenues	3	105	(108)	-
Total revenues	1,950	207	(108)	2,049
Cost of sales	1,027	188	(109)	1,106
Gross operating profit	923	19	1	943
Selling costs	143	7	-	150
Contribution margin	780	12	1	793
General and operating expenses	572	15	-	587
- of which non-recurring expenses/(income)	*20*	*3*	-	*23*
Operating profit	208	(3)	1	206
Depreciation and amortization	94	9	-	103
Other non-monetary costs (net impairment/(reversals))	21	-	-	21
EBITDA	323	6	1	330

Apparel segment result

(millions of Euro)	2010	%	2009	%	Change	%
Revenues from third parties	1,948		1,947		1	-
Inter-segment revenues	4		3		1	28.6
Total revenues	1,952	100.0	1,950	100.0	2	0.1
Cost of sales	1,018	52.1	1,027	52.6	(9)	(0.9)
Gross operating profit	934	47.9	923	47.4	11	1.2
Selling costs	153	7.9	143	7.4	10	6.7
Contribution margin	781	40.0	780	40.0	1	0.1
General and operating expenses	600	30.7	572	29.3	28	4.9
- of which non-recurring expenses/(income)	*29*	*1.5*	*20*	*1.0*	*9*	*48.4*
Operating profit	181	9.3	208	10.7	(27)	(12.9)

Textile segment results

(millions of Euro)	2010	%	2009	%	Change	%
Revenues from third parties	105		102		3	2.8
Inter-segment revenues	81		105		(24)	(23.2)
Total revenues	186	100.0	207	100.0	(21)	(10.4)
Cost of sales	171	91.8	188	90.6	(17)	(9.2)
Gross operating profit	15	8.2	19	9.4	(4)	(22.0)
Selling costs	7	3.7	7	3.5	-	(6.4)
Contribution margin	8	4.5	12	5.9	(4)	(31.3)
General and operating expenses	13	7.0	15	7.5	(2)	(15.5)
- of which non-recurring expenses/(income)	*3*	*1.7*	*3*	*1.5*	*-*	*(0.2)*
Operating profit	(5)	(2.5)	(3)	(1.6)	(2)	(43.7)

Balance sheet and financial position highlights

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

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

[(A)] Other receivables/(payables) include VAT receivables and payables, sundry receivables and payables, non-trade receivables and payables from/to Group companies, accruals and deferrals, payables to social security institutions and employees, receivables and payables for fixed asset purchases etc.

[(B)] Property, plant and equipment and intangible assets include all categories of assets net of the related accumulated depreciation, amortization, and impairment losses.

[(C)] Non-current financial assets include unconsolidated investments and guarantee deposits paid and received.

[(D)] Other assets/(liabilities) include retirement benefit obligations, provisions for legal and tax risks, the provision for sales agent indemnities, other provisions, current tax receivables and liabilities, receivables and payables due from/to holding companies in relation to the group tax election, deferred tax assets also in relation to the company reorganization carried out in 2003, deferred tax liabilities and payables for put options.

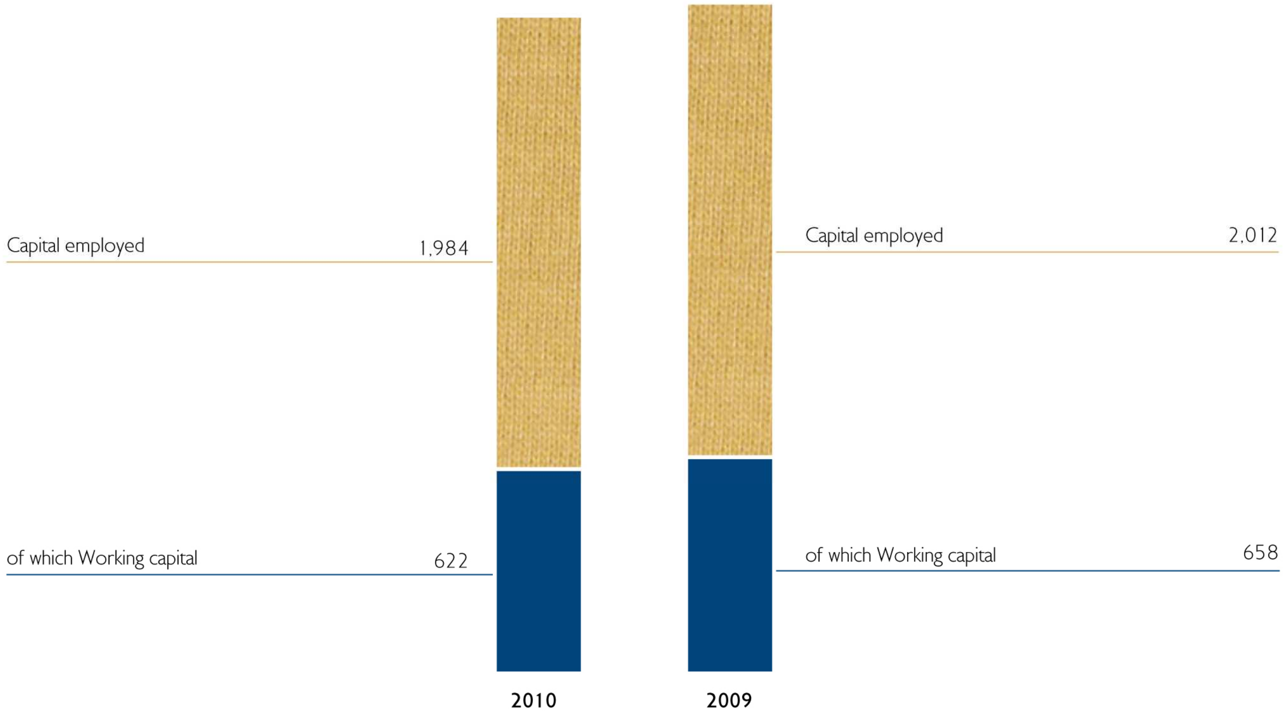
[(E)] Net debt includes cash and cash equivalents and all short and medium/long-term financial assets and liabilities, as reported in the detailed statement discussed in the explanatory notes.

Working capital was 36 million lower than at December 31, 2009, reflecting the combined effect of:
- an increase of 13 million in net trade receivables, despite lower revenues in the wholesale channel, due to growth in sales in fast developing countries and particularly redefinition of the business model in India, combined with a marginal worsening of receivables turnover due to continued tough credit conditions for certain customers, and the severe economic crisis affecting some countries around the Mediterranean;
- a decrease of 8 million in inventories, reflecting shorter time-to-market due to differences in production planning as a result of reorganizing production sources and the supply chain;
- an increase of 38 million in trade payables as a result of higher purchases in fourth quarter 2010 than in the same period of 2009, as well as exchange rate movements; the Group also carried on its efforts in 2010 to improve average supplier payment terms;
- an increase in net other payables, mainly because of higher balances owed for fixed asset purchases relating to investments made in 2010, as partly offset by a reduction in payables to the tax authorities.

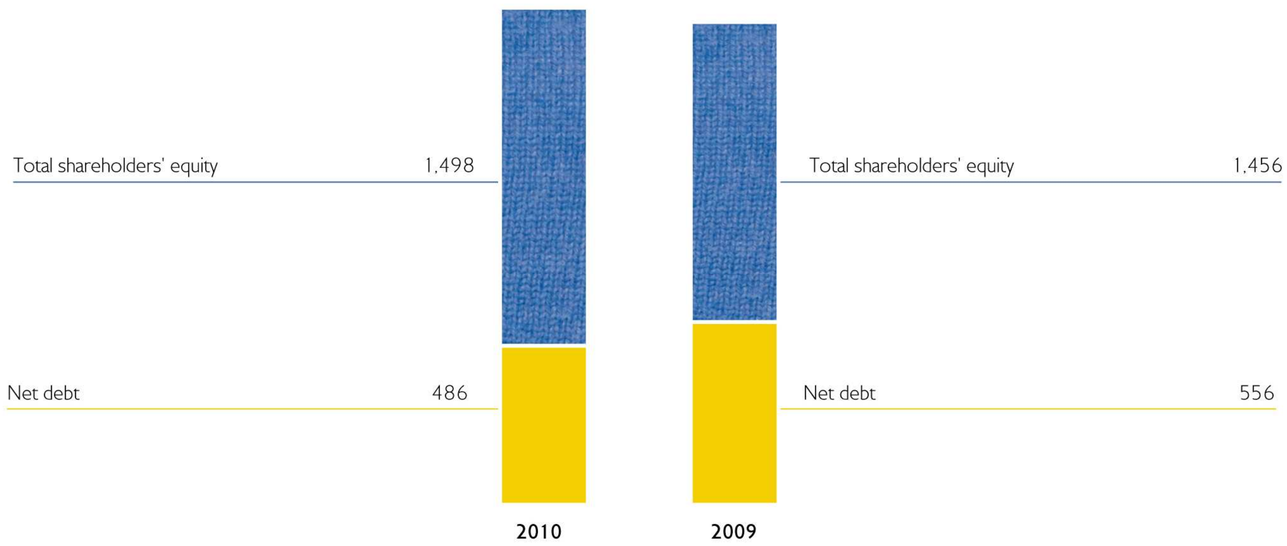
Apart from the changes in working capital discussed above, net capital employed reported a positive change of 8 million, mainly reflecting:
- an increase in assets held for sale relating to the current reorganization process, particularly in the textile segment;
- a net increase in property, plant and equipment and intangible assets due to:
  - 161 million in gross operating investments during the year;
  - 26 million in divestments at net book value;
  - 103 million in depreciation and amortization;
  - 24 million in impairment of property, plant and equipment and intangible assets;
- a reduction in net other assets, mainly due to:
  - valuation of higher liabilities for put options held by certain minority shareholders;
  - a provision for extra Italian tax (IRES and IRAP) arising from matters raised in a report notified by the tax authorities to the subsidiary Bencom S.r.l., relating to the disallowance of certain commissions paid to agents resident in low-tax jurisdictions.

The Group's net debt (discussed in detail in the explanatory notes) came to 486 million compared with 556 million at December 31, 2009.

2010 and 2009 balance sheet structure (millions of Euro) – Assets



2010 and 2009 balance sheet structure (millions of Euro) – Liabilities



Cash flows during 2010 are summarized below with comparative figures for the last year:

(millions of Euro)	2010	2009
Cash flow from operating activities before changes in working capital	331	349
Cash flow provided/(used) by changes in working capital	(3)	54
Interest (paid)/received and exchange differences	(9)	(23)
Payment of taxes	(64)	(84)
Cash flow provided by operating activities	**255**	**296**
Net operating investments/Capex	(115)	(101)
Non-current financial assets	(7)	(12)
Cash flow used by investing activities	**(122)**	**(113)**
Free cash flow	**133**	**183**
Cash flow provided/(used) by financing activities of which:		
- payment of dividends	(41)	(50)
- purchase of treasury shares	-	(3)
- net change in other sources of finance	(36)	(108)
Cash flow used by financing activities	**(77)**	**(161)**
Net increase in cash and cash equivalents	**56**	**22**

Cash flow from operating activities before changes in working capital amounted to 331 million in the year, compared with 349 million in 2009, partly reflecting the deterioration in EBITDA.
Changes in working capital used 3 million in cash flow, having provided 54 million in cash flow in 2009, and mostly reflect:
- an increase in trade receivables due to growth in sales in fast developing countries and particularly redefinition of the business model in India, combined with a marginal worsening of receivables turnover due to the continued tough credit conditions faced by certain customers, and the severe economic crisis affecting some countries around the Mediterranean;
- a decrease in inventories, reflecting the benefits of reorganizing production sources and the supply chain;
- an increase in trade payables as a result of higher purchases in fourth quarter 2010 than in the same period of 2009, and the benefits of actions to improve average supplier payment terms;
- an increase in other receivables and a decrease in other payables, particularly for sales taxes (VAT).

Cash flow used to pay taxes amounted to 64 million (84 million in 2009).
Operating activities provided a total of 255 million in cash flow versus 296 million in the comparative year.
Cash flow used by investing activities amounted to 122 million, compared with 113 million in 2009, reflecting the more focused nature of the Group's investments, of which:
- 97 million in the commercial network, mainly in markets such as Italy, the United States, Russia, Spain, Germany, Kazakhstan and Mongolia; priority was given to refurbishing and expanding existing stores, while the purchase of new buildings and commercial operations was pursued more selectively;
- 18 million in investments in production, mostly relating to the logistics hub in Castrette (Italy), and to the replacement of specific production machinery;
- 46 million in other investments, most of which for the purchase of a new aircraft after selling another for 17 million. Of the investments in information technology, the most important were those for implementing the Unix system (Rehosting project), for developing certain modules of the SAP software and for purchasing Microsoft licenses;

- 18 million in increases in payables for fixed assets.

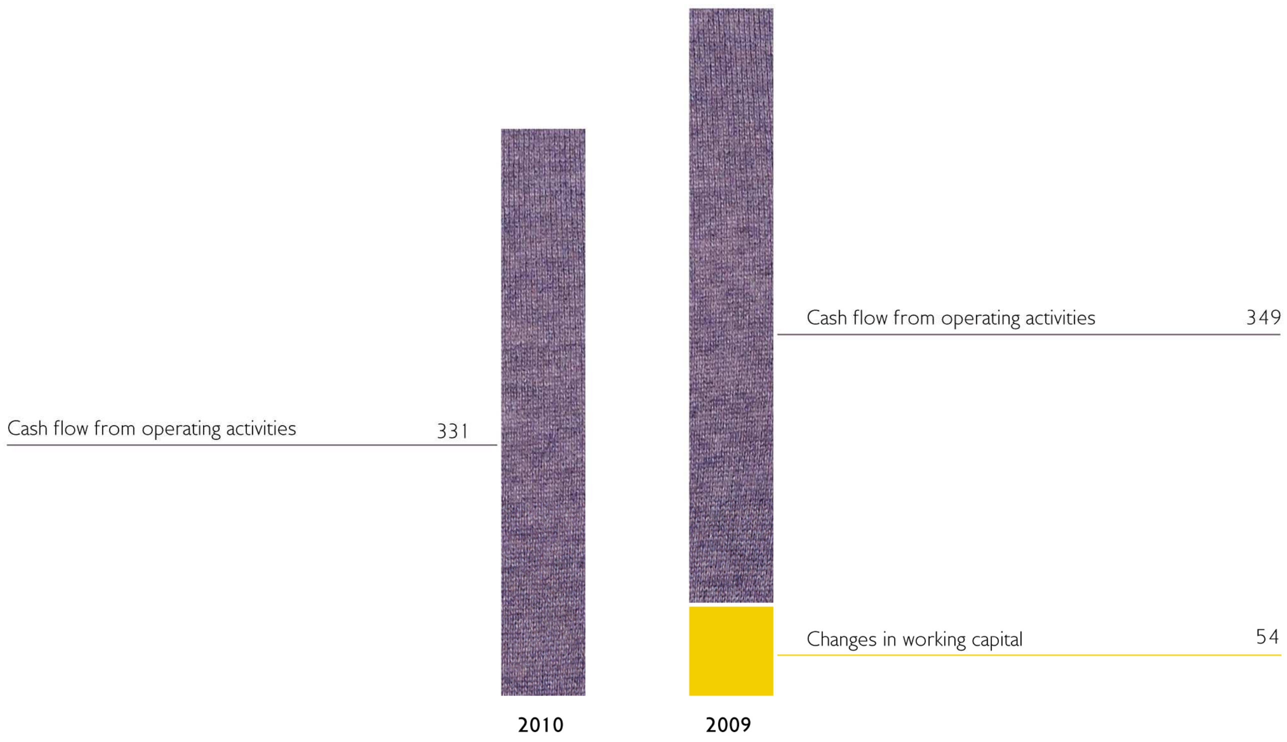
Apart from the disposal of an aircraft for 17 million, a total of 11 million in commercial and production assets were also sold during the year.

Cash flow used by non-current financial assets mostly refers to the consideration paid to acquire the remaining 50% of Milano Report S.p.A. in May 2010.

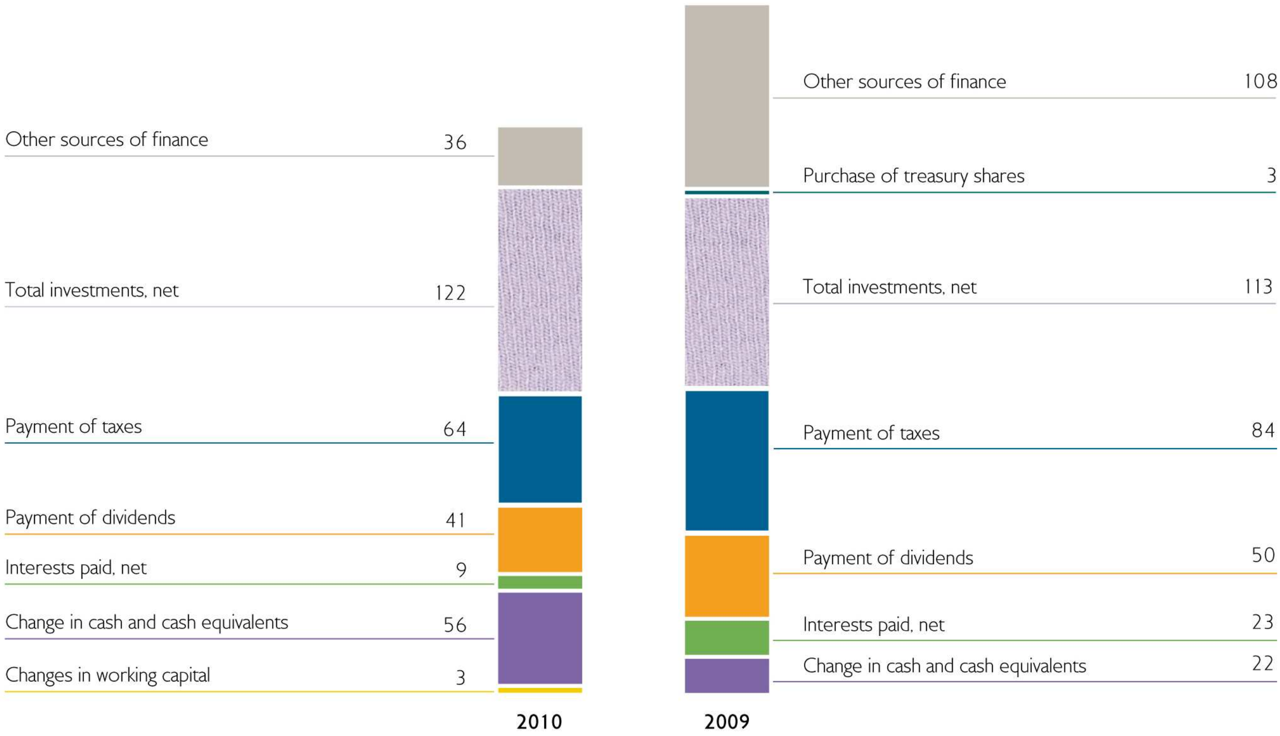
Cash flow used by financing activities included the payment of 40 million in dividends to the shareholders of Benetton Group S.p.A. and the payment of some 2 million in dividends to minority shareholders of two foreign subsidiaries.

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

2010 and 2009 sources and applications of funds (millions of Euro) - Sources



2010 and 2009 sources and applications of funds (millions of Euro) – Applications



Financials by quarter

(millions of Euro)	1st quarter	2nd quarter	1st half-year	3rd quarter	Nine months	4th quarter
2010 quarters						
Revenues	457	434	891	607	1,498	555
Gross operating profit	216	209	425	271	696	252
Contribution margin	180	176	356	227	583	206
Operating profit	35	28	63	78	141	35
Net income attributable to the Group	20	20	40	45	85	17
Earnings per share (Euro)						
- basic earnings per share	0.12	0.11	0.23	0.27	0.50	0.09
2009 quarters						
Revenues	449	433	882	609	1,491	558
Gross operating profit	205	196	401	279	680	263
Contribution margin	171	165	336	235	571	222
Operating profit	25	18	43	91	134	72
Net income attributable to the Group	18	11	29	53	82	40
Earnings per share (Euro)						
- basic earnings per share	0.11	0.04	0.15	0.33	0.48	0.23

Benetton risk factors

The year 2010 continued to be affected by the subprime loans crisis, which had started in the second half of 2007 and swiftly spread worldwide, hitting the financial markets first and then the real economy, with effects on the major world economies and consumption. All this has resulted in large downward revisions in the global economic growth forecasts.
This situation has also affected the fashion industry and consequently our Group, which is now exposed to larger risks and uncertainties because of the events which continue to affect the performance of the global economy and financial markets.
However, taking on risks is an integral part of doing business and our Group, which has long had procedures for managing risks in the areas most exposed, has not found itself totally unprepared for the changes in the global economic environment; rather, it is facing the particularly difficult situation by implementing existing procedures and also by taking strategic corrective actions, aimed at mitigating the impact of the crisis both on sales and profits.
The more important risks identified are strategic, market, operational, financial and legal/compliance risks, as described below.

Strategic risks

Strategic risks include the factors which influence the strategic opportunities and pose a threat to our Group. More specifically, the Group must guarantee its ability:

- to take advantage of business opportunities that may develop in new geographical areas and operating segments;
- to evaluate market potential correctly;
- to allocate resources generated on more profitable markets to potential growth areas;
- to seek out the world over specific skills and industrial areas in which to invest its know-how in order to ensure quality products and processes;
- to protect its brands, which are essential for succeeding and competing on the market;
- in a global, complex market featuring international players, to choose and integrate the models best suited to a presence in each local market (license vs. partnership; wholesale vs. retail).

Market risks

Market risks include the possible effects on our business arising from changes in the market.

- On the distribution front, competition could increase also because of the low barriers to entry. Benetton competes with local, national and global department stores, with specialist retailers, independent retailers and manufacturers, as well as with e-commerce companies. The Group's principal focus is on product quality, assortment and presentation, store ambiance, customer service and sales and marketing plans. It also competes for the most attractive commercial sites and terms of store rental and purchase.
- Our business is sensitive to changes in consumer spending decisions. It may also be influenced by the business environment, interest rates, tax rules and rates, local economic conditions, uncertainty over the future economic outlook and shifts in spending towards other goods and services. Consumer preferences and economic conditions may change from one market to the next.
- Our business is to some extent sensitive to the weather. An excessively mild winter, for example, may have consequences in terms of lower sales of higher margin products, with a negative impact on our results and financial position.
- We must be able to combat deflationary price pressure associated with increased competition and changes in consumer preferences, which could have negative effects on our results and financial position.

- In terms of production, the significant growth in raw material costs, especially for cotton and wool, could cause an absolute and percentage reduction in earnings, to the extent that the Group is unable to immediately recover this disadvantage through the price/mix mechanism commercially and through cost reductions internally.
- The market for prime-location properties is very competitive. Our ability and that of our partners to find sites for new stores depends on the availability of properties that meet our criteria, and the ability to negotiate terms that meet our financial targets. In addition, we must be able to renew lease agreements for existing stores under the best terms possible, to enhance the value of the property portfolio used in the business, and to monitor any investment opportunities that might arise on international markets.

Operational risks

Operational risks refer to possible adverse consequences associated with processes, internal organization or systems and external events relating to the current management of the business.

- The success of our strategies is influenced by the commercial network's response. The policy of incentivizing our network of partners, in keeping with the Benetton business model, had the goal of fostering greater investment capacity, in order to open new stores, renovate existing ones and boost price competitiveness for the end customer. The success of this strategy depends on the ability to involve and guide our network, establishing specific objectives and regularly checking the results achieved. It should be stressed that our business model carries a risk of late customer payment and trouble in collecting credit in general.
- We are exposed to risks associated with commercial expansion and brand extension. Our actions are designed to develop the existing commercial network and to strengthen our brands. Conversely, our growth could be negatively affected if we were not capable of: identifying appropriate markets and locations for new stores; maintaining expected levels of customer service; preventing a drop in sales and profits by stores selling Benetton products when we open directly operated megastores in the same regions or shopping areas; managing inventories on the basis of effective needs; delivering goods in due time. Our Group's systems, procedures and controls must be capable of supporting expansion. If not, the success of these strategies would not be guaranteed.
- Our success also depends on the Group's ability to offer products that meet with consumer tastes. Our level of sales and profits also depends on the ability to anticipate and respond quickly to changes in fashion trends and consumer tastes. If our collections should fail to meet with customer approval, this would result in lower-than-planned sales, higher discounts, lower margins, higher inventories and higher unrecoverable receivables.
- The Group's strategy of growth and expansion has caused fixed and operating costs to rise. In order to enhance our image and market share, we have also invested in selling our products through retail stores, even though our Group has traditionally distributed its products through an extensive worldwide customer network. However, these retail activities have resulted in an increase in fixed and operating costs. These investments also expose us to the risk that some of the chosen locations may prove to be unsuitable, due to demographic changes or location of shopping areas.
- We must be able to organize and coordinate integrated production/logistics and commercial processes in order to meet the needs of a commercial calendar that satisfies the demands of ever-more sophisticated consumers.
- Our future performance depends on our ability to develop the business in emerging markets. We are committed to taking forward the new commercial strategies. We are devoting particular attention to emerging markets like China and India, also involving agreements with large-scale retailers for the opening of "stores in store" in large shopping centers in the major cities. Our initiatives include the creation of new partnerships to manage and develop commercial activity.

- We are making several changes to our information systems the very nature of which involves the risk of temporary business interruption. The modifications involve replacing current company systems with the latest versions, implementing changes and buying more integrated systems with new functions. We are aware of the risks associated with these activities, involving possible business interruption and inaccuracy of the data transferred. We nonetheless consider that we have taken all the necessary steps to limit these risks through testing, training and preparatory work, as well as through due commercial contact with suppliers of the replacement technology.

Financial risks

We include in financial risks those associated with exchange rates, interest rates and credit.

Exchange rate risks

Our Group's assets, liabilities, sales, costs and hence operating profit are and will continue to be affected by exchange rate fluctuations in selling currencies and so in the price of products sold, the cost of sales and operating profit. Fluctuations in foreign currency exchange rates against the Euro may negatively impact assets, liabilities, sales, costs, operating profit and the international competitiveness of production by our different factories. Although we take out hedges to manage this exposure, there is a risk that the strategies adopted could fail to protect the results from negative effects arising from future fluctuations.

Interest rate risks

We hold assets and liabilities that are sensitive to changes in interest rates and which are needed to manage liquidity and financial requirements. These assets and liabilities are exposed to interest rate risk, which is sometimes hedged through the use of derivatives.

Credit risk and country risk

Our Group is exposed to risks associated with the internationalization of its business, including risks associated with late payment by customers in certain countries or with trouble in collecting credit in general. Our business is also exposed to political and economic instability in certain countries where we operate, to changes in laws, to language or cultural barriers, and to price or exchange rate controls.

Legal/compliance risks

Legal/compliance risks include:

- the possible inadequacy of company procedures designed to guarantee the observance of the principal laws in Italy and abroad affecting the Group, such as those governing the activities of listed companies and their related groups (Italy's Consolidated Law on Finance, Italy's CONSOB Regulations, Regulations of Borsa Italiana S.p.A., etc.). Issues associated with security, anti-trust and privacy regulations are also of particular importance;
- the possible occurrence of events that negatively affect the credibility of our financial reporting (annual and interim financial reports), the accuracy of market disclosures and the safeguarding of assets;
- the risk that an unexpected event interferes with the process of adopting Italian Law no. 262/2005 containing provisions to protect investors and regulate financial markets, forcing management to revise priorities to ensure prompt compliance;
- the risks associated with the problems of keeping abreast of developments in the various sets of accounting standards adopted by our Group (IFRS and local accounting principles);
- its international presence exposes the Group to different tax regimes. Changes in the related rules could expose the Group to risks of non-compliance.

Consolidated financial statements

Consolidated statement of income

(thousands of Euro)	2010	2009	Notes
Revenues	**2,053,059**	**2,049,259**	*[1]*
Materials and subcontracted work	977,428	969,282	*[2]*
Payroll and related costs	79,536	84,154	*[5]*
Industrial depreciation and amortization	14,435	15,727	*[7]*
Other manufacturing costs	33,430	37,476	*[3]*
Cost of sales	**1,104,829**	**1,106,639**	
Gross operating profit	**948,230**	**942,620**	
Distribution and transport	72,833	63,173	*[4]*
Sales commissions	86,548	86,706	
Contribution margin	**788,849**	**792,741**	
Payroll and related costs	175,148	169,051	*[5]*
Advertising and promotion (A)	55,011	52,585	*[6]*
Depreciation and amortization	88,498	87,944	*[7]*
Other expenses and income	293,890	277,359	*[8]*
- of which non-recurring expenses	*31,913*	*22,523*	
General and operating expenses	**612,547**	**586,939**	
- of which non-recurring expenses	*31,913*	*22,523*	
Operating profit	**176,302**	**205,802**	
Share of income/(losses) of associated companies	(1,428)	2,262	*[9]*
Financial expenses	(26,310)	(34,694)	*[10]*
Financial income	6,948	14,746	*[10]*
Net foreign currency hedging (losses)/gains and exchange differences	12,055	(2,549)	*[11]*
Income before taxes	**167,567**	**185,567**	
Income taxes	64,757	67,715	*[12]*
- of which non-recurring income taxes	*3,661*	-	
Net income for the year	**102,810**	**117,852**	
attributable to:			
- shareholders of the Parent Company	**102,073**	**121,650**	
- minority shareholders	737	(3,798)	
Basic earnings per share (Euro)	0.59	0.71	
Diluted earnings per share (Euro)	0.59	0.71	

(A) Of which Euro 11,271 thousand charged by holding and related companies in 2010 (Euro 10,768 thousand in 2009).

Statement of comprehensive income

(thousands of Euro)	Shareholders of the Parent Company	Minority shareholders	2010	Shareholders of the Parent Company	Minority shareholders	2009
Net income for the year (A)	**102,073**	**737**	**102,810**	**121,650**	**(3,798)**	**117,852**
Gains/(Losses) recognized in cash flow hedge reserve	(1,254)	-	(1,254)	845	-	845
Tax effect relating to other gains/(losses)	423	-	423	(315)	-	(315)
Gains/(Losses) recognized in currency translation reserve	4,717	1,335	6,052	(2,769)	798	(1,971)
Total other comprehensive income, net of tax (B)	**3,886**	**1,335**	**5,221**	**(2,239)**	**798**	**(1,441)**
Total comprehensive income for the year (A)+(B)	**105,959**	**2,072**	**108,031**	**119,411**	**(3,000)**	**116,411**

Consolidated balance sheet - Assets

(thousands of Euro)	12.31.2010	12.31.2009	*Notes*
Non-current assets			
Property, plant and equipment			*[13]*
Land and buildings	780,343	736,885	
Plant, machinery and equipment	120,863	106,349	
Furniture, fittings and electronic devices	72,637	72,869	
Vehicles and aircraft	27,336	22,479	
Assets under construction and advances	33,599	49,853	
Leased assets	514	773	
Leasehold improvements	42,097	45,569	
	1,077,389	**1,034,777**	
Intangible assets			*[14]*
Goodwill and other intangible assets of indefinite useful life	43,346	43,063	
Intangible assets of finite useful life	192,811	210,114	
	236,157	**253,177**	
Other non-current assets			
Investments	2,024	1,981	*[15]*
Guarantee deposits	27,050	26,223	*[16]*
Medium/long-term financial receivables	4,090	4,711	*[17]*
Other medium/long-term receivables	8,353	9,413	*[18]*
Deferred tax assets	156,413	156,869	*[19]*
	197,930	**199,197**	
Total non-current assets	**1,511,476**	**1,487,151**	
Current assets			
Inventories	293,153	300,629	*[20]*
Trade receivables	798,320	786,476	*[21]*
Tax receivables	35,900	31,231	*[22]*
Other receivables, accrued income and prepaid expenses (B)	52,144	63,423	*[23]*
Financial receivables	29,502	18,267	*[24]*
Cash and banks	194,916	134,783	*[25]*
Total current assets	**1,403,935**	**1,334,809**	
Assets held for sale	9,993	5,526	*[26]*
TOTAL ASSETS	**2,925,404**	**2,827,486**	

(B) Of which Euro 11,090 thousand due from holding and related companies at 12.31.2010 (Euro 18,065 thousand at 12.31.2009).

Consolidated balance sheet - Shareholders' equity and liabilities

(thousands of Euro)	12.31.2010	12.31.2009	Notes
Shareholders' equity			
Shareholders' equity attributable to the Group			*[27]*
Share capital	237,483	237,483	
Treasury shares	(71,734)	(71,734)	
Additional paid-in capital	65,182	65,182	
Fair value and hedging reserve	(1,111)	(280)	
Other reserves and retained earnings	1,147,995	1,084,525	
Net income for the year	102,073	121,650	
	1,479,888	**1,436,826**	
Minority shareholders	**18,758**	**18,693**	
Total shareholders' equity	**1,498,646**	**1,455,519**	
Liabilities			
Non-current liabilities			
Medium/long-term loans	649,877	401,095	*[28]*
Other medium/long-term payables	39,354	21,597	*[29]*
Lease financing	463	668	*[30]*
Retirement benefit obligations	45,225	47,357	*[31]*
Other medium/long-term provisions and liabilities	39,682	31,386	*[32]*
	774,601	**502,103**	
Current liabilities			
Trade payables	441,659	403,911	*[33]*
Other payables, accrued expenses and deferred income [C]	132,655	137,639	*[34]*
Current income tax liabilities	5,035	9,570	*[35]*
Other current provisions and liabilities	8,888	6,474	*[36]*
Current portion of lease financing	266	411	*[37]*
Current portion of medium/long-term loans	283	238	*[38]*
Financial payables and bank loans	63,371	311,621	*[39]*
	652,157	**869,864**	
Total liabilities	**1,426,758**	**1,371,967**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**2,925,404**	**2,827,486**	

[C] Of which Euro 19,257 thousand due to holding and related companies at 12.31.2010 (Euro 25,828 thousand at 12.31.2009).

Shareholders' equity - Statement of changes

(thousands of Euro)	Share capital	Treasury shares	Additional paid-in capital	Fair value and hedging reserve	Other reserves and retained earnings	Currency translation reserve	Net income/ (loss)	Minority shareholders	Total
Balances as of 12.31.2008	**237,483**	**(69,108)**	**65,182**	**(810)**	**1,018,840**	**(38,771)**	**155,478**	**23,459**	**1,391,753**
Carryforward of 2008 net income	-	-	-	-	155,478	-	(155,478)	-	-
Dividends distributed as approved by Ordinary Shareholders' Meeting of 04.20.2009	-	-	-	-	(48,253)	-	-	-	(48,253)
Purchase of treasury shares	-	(2,626)	-	-	-	-	-	-	(2,626)
Formation of new subsidiaries and business combination	-	-	-	-	-	-	-	(257)	(257)
Dividends distributed to minority shareholders	-	-	-	-	-	-	-	(1,509)	(1,509)
Total comprehensive income for the year	-	-	-	530	-	(2,769)	121,650	(3,000)	116,411
Balances as of 12.31.2009	**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)
Valuation of put option held by minority shareholders	-	-	-	-	(23,479)	-	-	-	(23,479)
Formation of new subsidiaries and business combination	-	-	-	-	219	-	-	(219)	-
Dividends distributed to minority shareholders	-	-	-	-	-	-	-	(1,788)	(1,788)
Total comprehensive income for the year	-	-	-	(831)	-	4,717	102,073	2,072	108,031
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**

Consolidated statement of cash flows

(thousands of Euro)	2010	2009
Operating activities		
Net income for the year attributable to the Group and minority shareholders	102,810	117,852
Income taxes expense	64,757	67,715
Income before taxes	**167,567**	**185,567**
Adjustments for:		
- depreciation and amortization	102,933	103,671
- net capital (gains)/losses and non-monetary items	18,363	16,729
- net provisions charged to statement of income	43,415	32,792
- use of provisions	(9,477)	(9,664)
- share of (income)/losses of associated companies	1,428	(2,262)
- net financial expenses/(income) and exchange differences	7,307	22,497
Cash flow from operating activities before changes in working capital	**331,536**	**349,330**
Cash flow provided/(used) by changes in working capital	(3,271)	53,405
Payment of taxes	(64,226)	(84,084)
Net interest paid and exchange differences	(8,450)	(23,136)
Cash flow provided by operating activities	**255,589**	**295,515**
Investing activities		
Operating investments (D)	(143,575)	(124,667)
Operating divestments	28,875	23,968
Purchases of investments and business combinations	(9,615)	(12,553)
Disposal of investments	-	136
Operations in non-current financial assets	2,133	861
Cash flow used by investing activities	**(122,182)**	**(112,255)**
Financing activities		
Payment of dividends	(41,425)	(49,762)
Purchase of treasury shares	-	(2,626)
Net change in other sources of finance	(36,119)	(108,972)
Cash flow used by financing activities	**(77,544)**	**(161,360)**
Net increase in cash and cash equivalents	**55,863**	**21,900**
Cash and cash equivalents at the beginning of the year	133,839	122,019
Cash in companies acquired	-	(9,907)
Translation differences and other movements	2,014	(173)
Cash and cash equivalents at the end of the year (*)	191,716	133,839

(D) Of which Euro 16,377 thousand due to holding and related companies in 2010.
(*) Includes Euro 3,200 thousand in current account overdrafts (Euro 943 thousand in 2009).

The explanatory notes (pages 46 through 107) 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.

These consolidated financial statements were approved by the Board of Directors of Benetton Group S.p.A. in a resolution dated March 15, 2011.

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 December 31 of Benetton Group S.p.A. and all Italian and foreign companies in which the Parent Company holds, directly or indirectly, the majority of the voting rights. The consolidated financial statements also include the accounts of certain companies in which the Group's interest is 50%, or less, and over which it exercises a significant influence such that it has control over their financial and operating policies. In particular, the following companies have been consolidated:

a. Benetton Korea Inc., since the effective voting rights held by Benetton total 51% of all voting rights;
b. Benetton Giyim Sanayi ve Ticaret A.S. (a Turkish company), since the licensing and distribution agreements grant Benetton a dominant influence over the company, as well as the majority of risks and rewards linked to its business activities;
c. New Ben GmbH, a German company, which manages stores selling Benetton-branded products, insofar as the shareholder agreement gives Benetton the right to appoint the majority of the company's Directors. In addition, most of the risks and rewards of the business are attributable to Benetton;
d. Ben-Mode A.G., because the Group has the power to appoint the majority of Directors as well as a majority of effective voting rights at Shareholders' Meetings. In addition, most of the risks and rewards of the business are attributable to Benetton itself by virtue, amongst others, of the margins earned on sales;
e. Aerre S.r.l., an Italian company, and S.C. Anton Industries S.r.l., a Romanian company, for which the Group has the majority of Directors and of voting rights in Shareholders' Meetings, as well as a reciprocal call and put option in Benetton's favor over 11% of Aerre S.r.l.

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 year 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 year and accumulated in an equity reserve.

Accounting standards and policies

Application of IFRS

The Group's financial statements for 2010 and the comparative year 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.

There are no new IFRSs or material amendments applicable to the Group that have come into effect as from 2010, except for the amendment to IAS 27 (adopted prospectively by the Group from January 1, 2010). This establishes that any changes in equity interests that do not involve a loss of control must be accounted for through shareholders' equity. The new IAS 27 also requires that all losses attributable to minority shareholders are allocated to minority shareholder interests in a subsidiary's equity, even when such losses exceed minority shareholder interests.

Accounting policies

The financial statements have been prepared on a historical cost basis, with the exception of the valuation of certain financial instruments. The more important accounting policies adopted by the Group for valuing the contents of its financial statements are detailed below:

Revenues

Revenues arise from ordinary company operations and include sales revenues and service revenues. Revenues from product sales, net of any discounts and returns, are recognized when the company transfers the main risks and rewards associated with ownership of the goods and when collection of the relevant receivables is reasonably certain. Revenues from sales by directly operated stores are recognized when the customer pays. The Group's policy regarding returns by customers is quite restrictive, allowing these only in very specific circumstances (eg. defective goods, late shipment). At the end of each year the Group considers past trends to estimate the overall amount of returns expected in the following year relating to sales in the year just ended. This amount is then deducted from revenues reported in that year. Revenues from services are recorded with reference to the stage of completion of the transaction as of the balance sheet date. Revenues are recorded in the period in which the service is provided, based on the percentage of completion method. If revenues from the services cannot be estimated reliably, they are only recognized to the extent that the relative costs are recoverable. Recognizing revenues using this method makes it possible to provide suitable information about the service provided and the economic results achieved during the financial period. Royalties are recognized on an accruals basis in accordance with the substance of the contractual agreements.

Financial income

Interest income is recorded on a time-proportion basis, taking account of the effective yield of the asset to which it relates.

Dividends

Dividends from third parties are recorded when the shareholders' right to receive payment becomes exercisable, following a resolution of the shareholders of the company in which the shares are held.

Expense recognition

Expenses are recorded on an accruals basis.

Income and costs relating to lease contracts

Income and costs from operating lease contracts are recognized on a straight-line basis over the duration of the contract to which they refer.

Income taxes

Current income taxes are calculated on the basis of taxable income, in accordance with applicable local regulations in each individual country.

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. This participation enables the companies to record, and then transfer current taxes even when the taxable result is negative, recognizing a corresponding receivable due from Edizione S.r.l.; conversely, if the taxable result is positive, the current taxes transferred are recorded as a payable to Edizione S.r.l. by such companies.

The relationship between the parties, governed by contract, provides for the transfer of the full amount of tax calculated on the taxable losses or income at current IRES (corporation tax) rates.
Deferred tax assets are recorded for all temporary differences to the extent it is probable that taxable income will be available against which the deductible temporary difference can be utilized.
The same principle is applied to the recognition of deferred tax assets on the carryforward of unused tax losses.
The carrying value of deferred tax assets is reviewed at every balance sheet date and, if necessary, reduced to the extent that it is no longer probable that sufficient taxable income will be available to recover all or part of the asset. The general rule provides that, with specific exceptions, deferred tax liabilities are always recognized.
Deferred tax assets and liabilities are calculated using tax rates which are expected to apply in the period when the asset is realized or the liability settled, using the tax rates and tax regulations which are in force at the balance sheet date.
Tax assets and liabilities for current taxes are only offset if there is a legally enforceable right to set off the recognized amounts and if it is intended to settle or pay on a net basis or to realize the asset and settle the liability simultaneously. It is possible to offset deferred tax assets and liabilities only if it is possible to offset the current tax balances and if the deferred tax balances refer to income taxes levied by the same tax authority.

Earnings per share

Basic earnings per share are calculated by dividing income attributable to Parent Company shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are calculated by dividing the income or loss attributable to Parent Company shareholders by the weighted average number of outstanding shares, taking account of all potential ordinary shares with a dilutive effect (for example employee stock option plans).

Property, plant and equipment

These are recorded at purchase or production cost, including the price paid to buy the asset (net of discounts and rebates) and any costs directly attributable to the purchase and commissioning of the asset. The cost of a commercial property purchased is the purchase price or equivalent of the price in cash including all other directly attributable expenses such as legal costs, registration taxes and other transaction costs. Investments that enhance the value of capitalized assets are allocated to the assets to which they refer and depreciated over the remaining useful economic lives of those assets. Borrowing costs attributable to assets that require a substantial period of time to get ready for their intended use or sale are capitalized in the year incurred and cease to be capitalized when the asset is ready for its intended use of sale. The cost of internally produced assets is the cost at the date of completion of work. Property, plant and equipment are shown at cost less accumulated depreciation and impairment losses, plus any recovery of asset value. Plant and machinery may have components with different useful lives.
Depreciation is calculated on the useful life of each individual component. In the event of replacement, new components are capitalized to the extent that they satisfy the criteria for recognition as an asset, and the carrying value of the replaced component is eliminated from the balance sheet. The residual value and useful life of an asset is reviewed at least at every financial year-end and if, regardless of depreciation already recorded, an impairment loss occurs determined under the criteria contained in IAS 36, the asset is correspondingly written down in value; if, in future years, the reasons for the write-down no longer apply, its value is restored. Ordinary maintenance costs are expensed in full to the statement of income as incurred.

The value of an asset is systematically depreciated over its useful life, on a straight-line basis, indicatively as shown below:

	Useful life (years)
Buildings	33 - 50
Plant and machinery	4 - 12
Industrial and commercial equipment	4 - 10
Other assets:	
- office and store furniture, fittings and electronic devices	4 - 10
- vehicles	4 - 5
- aircraft	20

Land is not depreciated.
The commercial properties are depreciated over 50 years.
Leasehold improvement costs are depreciated over the shorter of the period during which the improvement may be used and the residual duration of the lease contract.
Assets acquired under finance leases are recognized in the consolidated financial statements at their fair value at the commencement of the lease term, with the financial payable due to the leasing companies recognized as a liability; these assets are depreciated at the normal depreciation rate used for similar assets.
In the case of sale and leaseback transactions resulting in a finance lease, any gain resulting from the sale and leaseback is deferred and released to income over the lease term. Leases for which the lessor effectively maintains all risks and rewards incidental to asset ownership are classified as operating leases.
Costs pertaining to operating leases are expensed to income on a straight-line basis over the length of the related agreement.
Acquisitions of companies, carried out solely for the purpose of obtaining the ownership of properties, are not treated like business combinations.

Intangible assets
Intangible assets are measured initially at cost, normally defined as their purchase price, inclusive of any non-refundable purchase taxes and less any trade discounts and rebates; also included is any directly attributable expenditure on preparing the asset for its intended use, up until the asset is capable of operating. The cost of an internally generated intangible asset includes only those expenses which can be directly attributed or allocated to it as from the date on which it satisfies the criteria for recognition as an asset. After initial recognition, intangible assets are carried at cost, less accumulated amortization and any accumulated impairment losses calculated in accordance with IAS 36.
Goodwill is recognized initially by capitalizing, in intangible assets, the excess of the purchase cost over the fair value of the net assets of the newly acquired. As required by IAS 38, at the time of recognition, any intangible assets that have been generated internally by the acquired entity are eliminated from goodwill.
Goodwill is not amortized, but is submitted to an impairment test annually to identify any reductions in value, or more often whenever there is any evidence of impairment loss (see impairment of non-financial assets).
Research costs are charged to the statement of income in the period in which they are incurred.
Items which meet the definition of "assets acquired as part of a business combination" are only recognized separately if their fair value can be measured reliably.
Intangible assets are amortized unless they have indefinite useful lives.

Amortization is applied systematically over the intangible asset's useful life, which reflects the period it is expected to benefit. The residual value at the end of the useful life is assumed to be zero, unless there is a commitment by third parties to buy the asset at the end of its useful life or there is an active market for the asset. Management reviews the estimated useful lives of intangible assets at every financial year end. Normally, the amortization period for main brands ranges from 15 to 25 years; patent rights are amortized over the duration of their rights of use, while deferred and commercial expenses are amortized over the remaining term of the lease contracts, with the exception of "fonds de commerce" of French companies, which are amortized over 20 years.

Impairment losses of non-financial assets

The Group's activities are divided into two segments which, apart from being the basis for making strategic decisions, provide representative, accurate and significant information about its business performance. The two segments identified are as follows:

- apparel;
- textile.

The Benetton Group has identified assets and CGU's within each segment (for example: stores operated directly and by third parties, and textile segment factories) to be submitted to impairment testing as well as its method of implementation: for real estate and some categories of asset (for example: "fonds de commerce") fair value is used, while value in use is adopted for most of the other assets. The carrying amounts of the Benetton Group's property, plant and equipment and intangible assets are submitted to impairment testing whenever there are obvious internal or external signs indicating that the asset or group of assets (defined as Cash-Generating Units or CGUs) may be impaired.
In the case of goodwill, other intangible assets with indefinite lives and intangible assets not in use, the impairment test must be carried out at least annually and, anyway, whenever there is evidence of possible impairment.
The impairment test is carried out by comparing the carrying amount of the asset or CGU with the recoverable value of the same, defined as the higher of fair value (net of any costs to sell) and its value in use. Value in use is determined by calculating the present value of future net cash flows expected to be generated by the asset or CGU. If the carrying amount is higher than the recoverable amount, the asset or CGU is written down by the difference.
The conditions and methods applied by the Group for reversing impairment losses, excluding in any case those relating to goodwill that may not be reversed, are as set out in IAS 36.

Financial assets

All financial assets are measured initially at cost, which corresponds to the consideration paid including transaction costs (such as advisory fees, stamp duties and payment of amounts required by regulatory authorities).
Classification of financial assets determines their subsequent valuation, which is as follows:

- held-to-maturity investments, loans receivable and other financial receivables: these are recorded at amortized cost, less any write-downs carried out to reflect impairment losses. Gains and losses associated with this type of asset are recognized in the statement of income when the investment is removed from the balance sheet on maturity or if it becomes impaired;
- available for sale financial assets: these are accounted for at fair value, and gains and losses deriving from subsequent measurement are recognized in comprehensive income for the year and accumulated in an equity reserve. If the fair value of these assets cannot be determined reliably, they are measured at cost, as adjusted for any impairment.

Each type of financial asset referred to above, outstanding at the reporting date, is specifically reported in the balance sheet or in the explanatory notes.

If it is no longer appropriate to classify an investment as "held-to-maturity" following a change of intent or ability to hold it until maturity, it must be reclassified as "available for sale" and remeasured to fair value. The difference between its carrying amount and fair value is recognized in comprehensive income for the year and accumulated in an equity reserve until the financial asset is sold or otherwise transferred, in which case it is reclassified to the statement of income.
Investments in subsidiaries that are not consolidated on a line-by-line basis, because they are not yet operative or are in liquidation, as of the balance sheet date are measured at fair value through the statement of income, unless this cannot be determined, in which case they are carried at cost. Investments in associated companies are valued using the equity method. Investments in other companies, in which the interest held is less than 20%, are measured at fair value. The original value of these investments is reinstated in future accounting periods should the reasons for such write-downs no longer apply.
All financial assets are recognized on the date of negotiation, i.e. the date on which the Group undertakes to buy or sell the asset. A financial asset is removed from the balance sheet only if all risks and rewards associated with the asset are effectively transferred together with it or, should the transfer of risks and rewards not occur, if the Group no longer has control over the asset.

Inventories

Inventories are valued at the lower of purchase or manufacturing cost, generally determined on a weighted average cost basis, and their market or net realizable value.
Manufacturing cost includes raw materials and all attributable direct and indirect production-related expenses.
The calculation of estimated realizable value includes any manufacturing costs still to be incurred and direct selling expenses. Obsolete and slow-moving inventories are written down in relation to their possibility of employment in the production process or to realizable value.

Trade receivables

These are stated at fair value, which reflects their estimated realizable value. The value initially recognized is subsequently adjusted to take account of any write-downs reflecting estimated losses on receivables; additions to the provision for doubtful accounts are recorded in "Other operating expenses and income" in the statement of income. Any medium/long-term receivables that include an implicit interest component are discounted to present value using an appropriate market rate.
Receivables discounted without recourse, for which all risks and rewards are substantially transferred to the assignee, are derecognized from the financial statements at their nominal value. Commissions paid to factoring companies for their services are included in service costs.

Accruals and deferrals

These are recorded to match costs and revenues within the accounting periods to which they relate.

Cash and banks

These include cash equivalents held to meet short-term cash commitments and which are highly liquid and readily convertible to known amounts of cash.

Retirement benefit obligations

The provision for employee termination indemnities (TFR) and other retirement benefit obligations, included in this item, fall within the scope of IAS 19 (Employee benefits) being equivalent to defined benefit plans. The amount recorded in the balance sheet is valued on an actuarial basis using the projected unit credit method. The process of discounting to present value uses a rate of interest which reflects the market yield on securities issued with a similar maturity to that expected for this liability. The calculation relates to TFR matured for employment services already performed and includes assumptions concerning future increases in wages and salaries for foreign subsidiaries and Italian subsidiaries with less than 50 employees. Under the new TFR rules introduced by Italian Law no. 296 of December 27, 2006, Italian subsidiaries with more than 50 employees may no longer include future salary increases in their actuarial assumptions. Net cumulative actuarial gains and losses which exceed 10% of the Group's defined benefit obligation are recorded in the statement of income over the expected average remaining working life of the employees participating in the plan (under the "corridor approach"). There are currently no post-employment benefit plans.

Share-based payments (stock options)

The Group stock option plan provides for the physical delivery of the shares on the date of exercise. Share-based payments are measured at fair value on the grant date. This value is booked to the statement of income on a straight-line basis over the period during which the options vest and it is offset by an entry to a reserve in shareholders' equity; the amount booked is based on an estimate of the stock options which will effectively vest for staff so entitled, taking into account the attached conditions not based on the market value of the shares.

Provisions for contingent liabilities

The Group makes provisions only when a present obligation exists for a future outflow of economic resources as a result of a past event, and when it is probable that this outflow will be required to settle the obligation and a reliable estimate can be made of the same. The amount recognized as provision is the best estimate of the expenditure required to settle the present obligation completely, discounted to present value using a suitable pre-tax rate.
Any provisions for restructuring costs are recognized when the Group has drawn up a detailed restructuring plan and has announced it to the parties concerned.
In the case of onerous contracts where the unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received under the contract, the present obligation is recognized and measured as a provision.

Trade payables

These are stated at amortized cost. The implicit interest component included in medium/long-term payables is recorded separately using an appropriate market rate.

Financial liabilities

Financial liabilities are accounted for using the amortized cost method.
Any liabilities acquired with the intention of making a profit from short-term price fluctuations or which form part of a portfolio which has the objective of short-term profit-taking are measured at fair value, with the related gains and losses recognized in the statement of income.
Each category of financial liability referred to above, outstanding at the reporting date, is disclosed separately in the balance sheet or in the explanatory notes.

Net investments in foreign operations

Exchange differences arising on a monetary item forming part of a net investment in a foreign operation are initially recognized as a separate component of equity. When the net investment is sold, the exchange differences recognized in the statement of comprehensive income and accumulated in shareholders' equity, are reclassified to the statement of income to form part of net income for the year.

Foreign currency transactions and derivative financial instruments

Transactions in foreign currencies are recorded using the exchange rates on the transaction dates. Exchange gains or losses realized during the period are booked to the statement of income.
At the balance sheet date, the Group companies have adjusted receivables and payables in foreign currency using exchange rates ruling at period-end, booking all resulting gains and losses to the statement of income.
The Group uses derivative financial instruments only with the intent of managing and hedging its exposure to the risk of fluctuations in exchange rates of currencies other than the Euro and in interest rates. As established by IAS, derivative financial instruments qualify as hedging instruments only when at the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. In addition, the Group checks at the inception of the hedge and throughout its duration that the hedging instrument used in the hedging relationship is highly effective in offsetting changes in the fair value of cash flows attributable to the hedged risk.
After initial recognition, derivative financial instruments are reported at their fair value. The method of accounting for gains and losses relating to such instruments depends on the type and sustainability of the hedge. The objective of hedging transactions is to offset the effect on the statement of income of exposures relating to hedged items.
Fair value hedges for specific assets and liabilities are recorded in assets and liabilities; the hedging instrument and the underlying item are measured at fair value and the respective changes in value (which generally offset each other) are recognized in the statement of income.
The valuation of financial instruments designated as hedges of the exposure to variability in cash flows or of a highly probable forecast transaction (cash flow hedges) is recorded in assets (or liabilities); this valuation is made at fair value and the effective portion of changes in value is recognized directly in comprehensive income for the year and accumulated in an equity reserve, which is released to the statement of income in the financial periods in which the related cash flows of the underlying item occur; the ineffective portion of the changes in value is recognized in the statement of income. If a hedged transaction is no longer thought probable, the unrealized gains or losses, recognized through comprehensive income and accumulated in an equity reserve, are immediately recognized in the statement of income.
The shareholders' equity of foreign subsidiaries is the subject of currency hedges in order to protect investments in foreign companies from fluctuations in exchange rates (translation exchange risk). Exchange differences arising from such capital hedges are debited or credited directly to shareholders' equity as an adjustment to the currency translation reserve. When the foreign subsidiary is sold, the exchange differences recognized in the statement of comprehensive income and accumulated in shareholders' equity, are reclassified to the statement of income to form part of net income for the year.
Derivative instruments for managing interest and exchange rate risks, taken out on the basis of the Group's financial policy but which nonetheless do not meet the formal requirements to qualify for IFRS hedge accounting, are recorded under financial assets/liabilities with changes in value reported through the statement of income.

Government capital and operating grants

Government capital grants are reported in the balance sheet by recording the grant as an adjustment to the carrying value of the related asset, while government operating grants are recognized in the statement of income. Both are recognized when there is reasonable assurance that the conditions attaching to them will be met and that the grants will be received.

Identification of 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 as follows:
- 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.

Inter-segment transactions are carried out under arm's length terms and conditions.
The Group has also reported information by geographical area for revenues, total assets and gross operating investments. The geographical areas, identified using materiality criteria, are as follows:
- Italy;
- Rest of Europe;
- Asia;
- The Americas;
- Rest of the world.

Statement of cash flows
In compliance with IAS 7, the statement of cash flows, prepared using the indirect method, reports the Group's ability to generate cash and cash equivalents. Cash equivalents comprise short-term highly liquid financial investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Bank overdrafts are also part of the financing activity, unless they are payable on demand and form an integral part of an enterprise's cash and cash equivalents management, in which case they are classified as a component of cash and cash equivalents. Cash and cash equivalents included in the statement of cash flows comprise the balance sheet amounts for this item at the reporting date. Cash flows in foreign currencies are translated at the average exchange rate for the period. Income and expenses relating to interest, dividends received and income taxes are included in cash flow from operating activities.
The layout adopted by the Group reports separately:
- **operating cash flow**: operating cash flows are mainly linked to revenue-generation activities and are presented by the Group using the indirect method; this method adjusts net profit or loss for the effects of items which did not result in cash outflows or generate liquidity (i.e. non-cash transactions);
- **investing cash flow**: investing activities are reported separately because, amongst other things, they are indicative of investments/divestments aimed at the future generation of revenues and positive cash flows;
- **financing cash flow**: financing activities consist of the cash flows which determine a change in the size and composition of shareholders' equity and loans granted.

Use of estimates
Preparation of the report and related notes under IFRS has required management to make estimates and assumptions regarding assets and liabilities reported in the balance sheet and the disclosure of contingent assets and liabilities at the reporting date. The final results could be different from the estimates.
The Group has used estimates for valuing assets subject to impairment testing as previously described, for valuing share-based payments, provisions for doubtful accounts, depreciation and amortization, employee benefits, deferred taxes, other provisions and liabilities for put options held by minority shareholders in Group subsidiaries. The estimates and assumptions are reviewed periodically and the effects of any changes are immediately reflected in the statement of income.

Accounting treatment of companies operating in hyperinflationary economies

The Group has not consolidated any subsidiaries during the year which operate in hyperinflationary economies.

Business combinations

The Group accounts for all business combinations using the acquisition method. The cost of each combination is determined as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. Any costs directly attributable to a business combination are generally recognized in the statement of income when they are incurred.

Goodwill is determined as amount by which the aggregate of the consideration transferred in a business combination, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree exceeds the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceed the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree, this excess is immediately recognized in the statement of income as a gain on a bargain purchase.

The acquirer can measure non-controlling interests at the acquisition date either at fair value or in proportion to their share in the acquiree's recognized identifiable net assets. The choice of measurement method is made for each business combination.

Business combinations that occurred before January 1, 2010 have been accounted for in accordance with the previous version of IFRS 3.

Minority shareholders

Transactions between the Group and minority shareholders are regulated in the same way as transactions with parties external to the Group. The sale of ownership interests to minority shareholders by the Group generates gains or losses that are recognized in the statement of income. Ownership interests acquired by minority shareholders are accounted for as goodwill, calculated as the amount by which the consideration paid exceeds the share acquired of the subsidiary's net assets at their carrying amount.

Financial risk management

The "Group Financial Policy" defines general principles and guidelines for financial management and the management of financial risks, such as market risk (exchange rate and interest rate risk), counterparty credit risk and liquidity risk.
The Group's financial model involves centralizing cash flows relating to any positions at risk with the Parent Company; the cash surpluses of some companies cover the deficits of others, reducing the need for outside sources of finance and so optimizing financial income and expenses. It is the Parent Company who generally has recourse to outside finance, meaning that over 90% of the Group's exposure to the banking system was held by Benetton Group S.p.A. at December 31, 2010. The exposures to risk of individual companies are hedged by the Parent Company; currency sales by some companies can be reduced or matched by currency purchases by other companies, thereby reducing the amount of hedging transactions with third parties.

Market risks

Foreign exchange rate risk

The Group is exposed to exchange rate fluctuations, which can impact on the economic results and the value of shareholders' equity. The following classes of risk can be identified according to the type of exposure:

Exposure to economic exchange risk

The Group's companies may have:
- costs and revenues denominated in currencies other than a company's functional currency or other currency normally used in its reference market and whose exchange rate fluctuations can impact operating profit;
- trade receivables or payables denominated in currencies other than a company's functional currency, where an exchange rate fluctuation can determine the realization or the reporting of exchange rate differences;
- forecast transactions relating to future costs and revenues denominated in currencies other than the functional currency or another currency normally used in the companies' reference market and whose exchange rate fluctuations can impact operating profit.

Exposure to transaction exchange risk

Group companies may have financial receivables or payables denominated in currencies other than their functional currency whose exchange rate fluctuations can cause the realization or the reporting of exchange rate differences.

Exposure to translation exchange risk

Some of the Group's subsidiaries are located in countries which do not belong to the European Monetary Union and their functional currency differs from the Euro, which is the Group's reference currency:
- the statements of income of these companies are translated into Euro using the period's average exchange rate, and, with revenues and margins being the same in local currency, exchange rate fluctuations can impact on the value in Euro of revenues, costs and economic results;
- assets and liabilities of these companies are translated at the period-end exchange rate and therefore can have different values depending on exchange rate fluctuations. As provided for by the accounting standards adopted, the effects of such variations are recognized directly in shareholders' equity as translation differences.

It is the Group's policy to manage foreign exchange risk through derivative financial instruments such as currency forwards, currency swaps, currency spot transactions and currency options to reduce or hedge the exposure to such risk. According to the type of risk, the maximum duration of hedging transactions may vary from a minimum of two years to a maximum of five years. The Group's Financial Policy does not allow the undertaking of any transactions for the purposes of realizing gains from exchange rate fluctuations, or any transactions in currencies to which there is not an underlying exposure or transactions in currencies designed to increase the underlying exposure. Financial instruments are designated as part of a hedging relationship at the inception of the hedge. Fluctuations in the market value of hedging instruments are therefore tied to changes in the market value of the underlying hedged item for the entire duration of the hedge.

The notional amount, fair value and pre-tax effects on the statement of income and shareholders' equity of outstanding derivative financial instruments at December 31, 2010 are as follows:

			Effect on:	
(thousands of Euro)	Notional amounts	Net fair value	Shareholders' equity	Statement of income
Economic exchange risk	**416,655**	**(3,552)**	**(1,658)**	**(1,894)**
- fair value hedges	188,559	(2,373)	-	(2,373)
- cash flow hedges	228,096	(1,179)	(1,658)	479
Translation exchange risk	**588,713**	**(3,230)**	**(2,939)**	**(291)**
- fair value hedges	842	11	-	11
- cash flow hedges	587,871	(3,241)	(2,939)	(302)
Transaction exchange risk	**615,380**	**1,081**	**-**	**1,081**
- fair value hedges	615,380	1,081	-	1,081

The notional amounts represent the total absolute value of all transactions valued at the relevant forward exchange rate (or option strike price).

Fair value has been calculated by discounting to present value (using the Black & Scholes model in the case of options) and translating future cash flows using market parameters at the balance sheet (in particular, interest rates, exchange rates and volatility). Therefore, on the basis of the three-level valuation hierarchy indicated by IFRS 7:

- level one: quoted prices in active markets for the assets or liabilities being valued;
- level two: input other than quoted prices in level one, but based on directly observable data (prices) or indirectly observable market data (derived from prices);
- level three: input which is not based on observable market data;

the Group's financial instruments described above can be classified in level two.

In the case of economic exchange risk, the effects on comprehensive income for the year, accumulated in an equity reserve, relate to cash flow hedges against future purchases and sales in currencies other than the Euro which, in accordance with international accounting standards, will be recognized in the statement of income during 2011 when the related purchases and sales occur.

In the case of transaction exchange risk, the effects on the statement of income are offset by gains arising on adjustment of the value of the financial receivables and payables underlying the hedging transaction.

In the case of translation exchange risk, the effects on comprehensive income for the year, accumulated in an equity reserve, are partially offset by losses arising on the translation of shareholders' equity underlying the hedging transaction.

Sensitivity analysis

At December 31, 2010 the potential pre-tax impact on the statement of income of a hypothetical 10% increase in exchange rates against the Euro, assuming that all other variables remain equal, would be Euro 1 million. The potential pre-tax impact on the statement of income of a hypothetical 10% decrease in exchange rates would be a reduction of about Euro 2 million. At December 31, 2009 the potential pre-tax impact on the statement of income of a hypothetical 10% decrease in exchange rates was not material (less than Euro 1 million), while the potential pre-tax impact on the statement of income of a hypothetical 10% increase in exchange rates was approximately Euro 1 million.

Instead, the potential pre-tax effects on shareholders' equity would be as follows:

Pre-tax shareholders' equity effects	12.31.2010		12.31.2009	
(millions of Euro)	- 10%	+ 10%	- 10%	+ 10%
Economic exchange risk	14	(10)	10	(10)
Transaction exchange risk	-	-	-	-
Translation exchange risk	25	(20)	24	(18)

The analysis includes derivative financial instruments, as well as trade receivables and payables, financial receivables and payables, and, in the case of translation exchange risk, the shareholders' equity of companies in which investments are held.

The effects on shareholders' equity of economic exchange risk relate to hedges taken out against future purchases and sales in currencies other than the Euro (cash flow hedges).
The effects on shareholders' equity of translation exchange risk relate to the shareholders' equity of companies whose capital employed mostly consists of non-monetary assets whose value over time should offset currency fluctuations and which the Group hedges only in a very few cases.

Interest rate risk

The Group's companies use external financial resources in the form of loans and invest available liquidity in money-market and capital-market instruments. Variations in market interest rates influence the cost and revenue of funding and investment instruments, thus impacting on the Group's financial expenses and income.
The Group's Financial Policy allows it to use derivative financial instruments to hedge or reduce its exposure to interest rate risk.
There are no interest rate hedges in place at December 31, 2010.
Almost all of the interest-bearing debt consists of floating-rate loans and/or deposits and so their fair value is close to the value recognized in the balance sheet.

Sensitivity analysis

At December 31, 2010 the potential pre-tax impact on the statement of income of a hypothetical 10% increase in interest rates, applied to the Group's average interest-bearing debtor or creditor positions, would increase financial expenses by approximately Euro 1 million (Euro 2 million at December 31, 2009). A similar change but of opposite sign would occur if rates were to fall by 10%.

Credit risk

The Group has different concentrations of credit risk depending on the nature of the activities which have generated the receivables.

Trade credit risk basically relates to wholesale sales and is limited by only making sales to customers with an established credit history.

Sales to retail customers are settled in cash or using credit cards and other debit cards.

The amount of the write-down takes into account a forecast of recoverable cash flows and their relevant collection date, as well as the fair value of warranties. Collective provisions are made for receivables which are not subject to individual write-down, taking into account bad debt history and statistical data.

Financial credit risk lies in the counterpart's or the issuer's inability to settle its financial obligations.

The Group uses financial instruments to invest its excess liquidity and hedge financial risks.

These instruments must have a minimum long-term issuer and/or counterparty rating of S&P's "A-" (or equivalent) and/or a minimum short-term issuer and/or counterparty rating of S&P's "A-2" (or equivalent) and must be issued or subscribed by issuers or counterparties based in (or under the jurisdiction of) countries which have approved plans in support of their banking systems.

For the purpose of reducing risk concentration, the Group may not invest more than 10% of its liquidity (except for bank deposits with a term of under two weeks) with any one issuer or counterparty, with a ceiling of Euro 20 million per issuer and/or counterparty with a rating lower than "AA" (or "A" in the case of sovereign issuers). The maximum concentration per counterparty when hedging financial risks is 20% of the total value of hedges in place.

The Group's exposure to credit risk at December 31, 2010 was as follows:

				Financial receivables individually impaired			Financial receivables not individually impaired				
							Financial receivables not past due		Financial receivables past due		Collateral
(thousands of Euro)	12.31.2010	of which due beyond 5 years	Total collateral	not past due	past due	Collateral	Total	of which past due and renegotiated	0-60 days	Beyond 60 days	
Non-current assets											
Guarantee deposits	**27,050**	5,351	-	-	6	-	26,792	-	220	32	-
Medium/long-term financial receivables	**4,090**	527	-	-	-	-	4,041	-	49	-	-
Other medium/long-term receivables	**6,338**	-	-	4,722	61	-	1,555	-	-	-	-
Current assets											
Trade receivables	**798,320**	16	3,363	90,911	95,347	2,879	439,726	7,518	131,053	41,283	2,737
Other receivables	**41,100**	2,361	-	-	1	8	40,048	-	549	502	-
Financial receivables	**29,502**	-	-	-	-	-	29,502	-	-	-	-

Its exposure at December 31, 2009 was as follows:

				Financial receivables individually impaired			Financial receivables not individually impaired				
							Financial receivables not past due		Financial receivables past due		Collateral
(thousands of Euro)	12.31.2009	of which due beyond 5 years	Total collateral	not past due	past due	Collateral	Total	of which past due and renegotiated	0-60 days	Beyond 60 days	
Non-current assets											
Guarantee deposits	**26,223**	5,772	-	-	-	-	25,095	-	175	953	-
Medium/long-term financial receivables	**4,711**	675	-	-	-	-	4,711	-	-	-	-
Other medium/long-term receivables	**6,930**	-	-	3,494	60	-	3,376	566	-	-	-
Current assets											
Trade receivables	**786,476**	-	48,879	82,057	76,793	4,622	474,517	14,150	132,114	20,995	41,872
Other receivables	**45,388**	115	-	-	-	-	39,636	967	1,075	4,677	-
Financial receivables	**18,267**	-	-	-	-	-	18,267	-	-	-	-

Liquidity risk

Liquidity risk can arise through the inability to access, at economically viable conditions, the financial resources needed to guarantee the Group's ability to operate.

The two main factors influencing the Group's liquidity position are the resources generated or used by operating and investing activities, and the maturity and renewal profiles of debt or liquidity profile of financial investments.

Liquidity requirements are monitored by the Parent Company's head office functions in order to guarantee effective access to financial resources and/or adequate investment of liquidity.

The Parent Company coordinates credit facility management on the basis of efficiently satisfying Group company needs.

At December 31, 2010 the Group had Euro 210 million in unutilized "committed" credit facilities and Euro 424 million in unutilized "uncommitted" credit facilities.

Management feels that currently available funds and credit facilities, apart from those which will be generated by operating and financing activities, will allow the Group to satisfy its requirements as far as investment, working capital management, and debt repayment at natural maturity are concerned.

The Group's financial liabilities at December 31, 2010 and 2009 are analyzed by due date in the following tables; note that these amounts include cash flows arising from future financial expenses.

(thousands of Euro)	12.31.2010	Contractual maturity within 1 year	Contractual maturity 1-2 years	Contractual maturity 2-3 years	Contractual maturity 3-4 years	Contractual maturity 4-5 years	Contractual maturity beyond 5 years
Non-current liabilities							
Medium/long-term loans	**708,638**	15,047	413,343	11,216	12,333	255,930	769
Other medium/long-term payables	**39,354**	5,867	1,814	6,919	142	23,661	951
Lease financing	**612**	-	222	222	168	-	-
Current liabilities							
Trade payables	**441,659**	441,659	-	-	-	-	-
Other payables, accrued expenses and deferred income	**91,284**	84,327	1,433	1,414	827	723	2,560
Current portion of lease financing	**372**	372	-	-	-	-	-
Current portion of medium/long-term loans	**296**	296	-	-	-	-	-
Financial payables and bank loans	**63,371**	63,352	19	-	-	-	-

(thousands of Euro)	12.31.2009	Contractual maturity within 1 year	Contractual maturity 1-2 years	Contractual maturity 2-3 years	Contractual maturity 3-4 years	Contractual maturity 4-5 years	Contractual maturity beyond 5 years
Non-current liabilities							
Medium/long-term loans	**428,094**	6,142	11,498	409,160	535	77	682
Other medium/long-term payables	**21,412**	479	13,266	518	5,658	199	1,292
Lease financing	**914**	-	327	213	213	161	-
Current liabilities							
Trade payables	**403,911**	403,911	-	-	-	-	-
Other payables, accrued expenses and deferred income	**72,264**	66,741	1,247	955	673	802	1,846
Current portion of lease financing	**529**	529	-	-	-	-	-
Current portion of medium/long-term loans	**251**	251	-	-	-	-	-
Financial payables and bank loans	**311,621**	311,616	4	1	-	-	-

Capital management

The Group's objective is to create value for shareholders and to support the Group's future development by maintaining an adequate level of capitalization allowing cost-effective access to external sources of finance.
Particular attention is given to the EBITDA-net financial expenses ratio and to the debt-EBITDA ratio when seeking to achieve the Group's earnings and cash generation targets.
A number of covenants relating to credit facilities and loans must also be observed. These call for:
- a ratio of 4 or above between EBITDA and net financial expenses;
- a ratio of 3.5 or less between net debt and EBITDA.

The historic trend in the value of the Group's covenants is as follows:

December 31	EBITDA/ Net financial expenses	Net debt/ EBITDA
2010	20	1.62
2009	18	1.70
2008	9	1.96
2007	12	1.42
2006	18	1.38
2005	13	1.30

Comments on the principal items in the statement of income

[1] Revenues

(thousands of Euro)	2010	2009
Sales of core products	2,001,297	2,001,103
Miscellaneous sales	30,966	28,656
Royalty income	10,606	10,343
Other revenues	10,190	9,157
Total	**2,053,059**	**2,049,259**

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 prior year reflects, on one hand, the difficult economic situation in some of the Group's more important markets, and on the other, the drive to develop in geographical areas offering better opportunities for growth. In particular, this result reflects the combined effect of:
- a positive contribution by the collection mix, featuring higher unit value product categories;
- 43 million in positive exchange rate effects against the Euro, particularly by the Korean won, Indian rupee, Japanese yen and Turkish lira, which especially benefited the results of directly operated stores;
- the commercial policies adopted in support of the sales network.

Sales of core products, by product category

(thousands of Euro)	2010	2009
Casual apparel, accessories and footwear	1,872,329	1,868,194
Fabrics and yarns	97,706	95,279
Leisure apparel, accessories and footwear	31,262	37,630
Total	**2,001,297**	**2,001,103**

Sales of core products, by brand

(thousands of Euro)	2010	2009
United Colors of Benetton	982,724	967,198
United Colors of Benetton Kids and Sisley Young	590,722	601,430
Sisley	298,874	299,549
Playlife	30,444	36,355
Killer Loop	827	1,292
Other sales	97,706	95,279
Total	**2,001,297**	**2,001,103**

The United Colors of Benetton brand also includes Euro 82,390 thousand in sales by the Undercolors brand (Euro 92,485 thousand in 2009). "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".

[2-3] Cost of sales

[2] Materials and subcontracted work

These amount to Euro 977,428 thousand (Euro 969,282 thousand in 2009), and, despite being negatively affected by exchange rates, have benefited once again in 2010 from actions to reorganize production sources and improve supply chain efficiency.

[3] Other manufacturing costs

Other manufacturing costs amount to Euro 33,430 thousand compared with Euro 37,476 thousand in 2009, reflecting lower energy and industrial maintenance costs, particularly in the textile segment as well as the benefit of an operating grant for Euro 1,254 thousand received in Tunisia for technical know-how and training of the local workforce.

[4] Distribution and transport

Distribution and transport costs have increased by Euro 9,660 thousand to Euro 72,833 thousand, representing 3.6% of revenues against 3.1% in the comparative year, and reflect:

- a higher incidence by certain foreign subsidiaries, whose distribution costs vary with sales;
- an increase in transport costs due to greater use of air freight, required to meet customer delivery schedules, and to a large increase in tariffs on the record lows enjoyed in 2009.

[5-8] General and operating expenses

[5] Payroll and related costs

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

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	57,378	135,802	1,175	194,355
Social security contributions	19,497	35,318	346	55,161
Provision for retirement benefit obligations	1,159	1,795	68	3,022
Other payroll and related costs	1,502	2,233	-	3,735
Total	**79,536**	**175,148**	**1,589**	**256,273**

2009

(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	59,630	128,923	1,153	189,706
Social security contributions	21,277	34,495	331	56,103
Provision for retirement benefit obligations	1,288	1,956	66	3,310
Other payroll and related costs	1,959	3,677	-	5,636
Total	**84,154**	**169,051**	**1,550**	**254,755**

The decrease in industrial payroll costs is a result of the current reorganization process, particularly involving lower incidence of the textile segment; instead, the increase in non-industrial payroll costs reflects renegotiation of the national and company payroll agreement for Italian subsidiaries, as well as the higher incidence of the direct channel following new store openings.

The number of employees is analyzed by category below:

	12.31.2010	12.31.2009	Period average
Management	88	89	89
White collar	5,082	5,356	5,219
Workers	2,615	2,596	2,606
Part-timers	1,684	1,470	1,576
Total	**9,469**	**9,511**	**9,490**

Stock options plan

The "Supplementary information" section of the Directors' report details the stock options plan approved by the Group's Shareholders' Meeting in September 2004. The estimated fair value of each share option granted by the plan is of Euro 1.874 (weighted average price).
The fair value was calculated using the Black & Scholes option price valuation method. The data considered for modeling purposes was as follows:

	Vesting period: 2 years	Vesting period: 4 years (*)	Total
Number of options granted	1,616,788.5	1,616,788.5	3,233,577
Grant date	09.09.2004	09.09.2004	
First exercise date	09.09.2006	09.09.2008	
Expiring date	09.09.2013	09.09.2013	
Average exercise date (estimated as mid-point between first exercise and expiring dates)	03.10.2010	03.10.2011	
Dividend yield	4.16%	4.16%	
Expected volatility (historic at 260 days)	27.60%	27.60%	
Risk-free interest rate	3.493%	3.671%	
Option life (years)	9.0	9.0	9.0
Expected average life (years)	5.5	6.5	6.0
Unit fair value in Euro (Black-Scholes)	1.831042	1.916344	1.873693
Total fair value in Euro	2,960,408	2,850,457	5,810,865

(*) Cancelled on 09.21.2006.

Further details on the stock options plan are given below:

	2010		2009	
	No. of options	Weighted exercise price	No. of options	Weighted exercise price
Circulating at the beginning of the year (*)	100,000	8.984	100,000	8.984
Granted	-		-	
Annulled	-		-	
Exercised	-		-	
Circulating at year end	100,000	8.984	100,000	8.984
Exercisable at year end	100,000	8.984	100,000	8.984

(*) Granted to Biagio Chiarolanza.

Options outstanding at December 31, 2010 have a remaining average weighted life of 2.7 years.

Key management personnel

The Group's senior managers, identified as key management personnel in 2010, are as follows:

	Function
Gabriella Cattelan	Director of Business Unit UCB and Undercolors
Giuseppe Cavattoni	Human Resources Director
Federico Formentini	Asset Management Director
Alberto Nathansohn	Chief Financial Officer
Andrea Pezzangora	General Counsel
Marco Picone	Director of Business Unit UCB Kids and Sisley Young
Fabio Sartori	Chief Operating Officer
Biagio Chiarolanza (A)	Chief Operating Officer and Director of Business Unit Americas
Eric Daguin (B)	Asset Management
Giovanni Di Vaio (C)	Worldwide Human Resources Director

(A) Biagio Chiarolanza became Chief Executive Officer on 04.22.2010.
(B) Eric Daguin left the Group during 2010.
(C) Giovanni Di Vaio resigned at the end of January 2010.

The following table summarizes the total compensation of key management personnel:

(thousands of Euro)	2010
Short-term benefits	3,065
Deferred compensation	-
Other long-term benefits	-
Severance indemnity (*)	-
Stock-based compensation	-
Total	**3,065**

(*) Included in "Other expenses/(income)".

[6] Advertising and promotion

Advertising and promotion costs amount to Euro 55,011 thousand (Euro 52,585 thousand in 2009) and reflect the costs incurred for developing institutional advertising campaigns, particularly the "It's My Time" campaign for the Benetton brand in 2010; this worldwide communication campaign used the web as a place for active, global participation in order to conduct the first global on-line casting for selecting from around the world the faces for the United Colors of Benetton product campaign. The new "Benetton Live Windows" project was started in 2010 and although still being tested is due to revolutionize the traditional window-dressing concept.

[7] 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:

2010

(thousands of Euro)	Industrial depreciation and amortization	Non-industrial depreciation and amortization	Total
Depreciation of property, plant and equipment	14,243	55,363	69,606
Amortization of intangible assets	192	33,135	33,327
Total	**14,435**	**88,498**	**102,933**

2009

(thousands of Euro)	Industrial depreciation and amortization	Non-industrial depreciation and amortization	Total
Depreciation of property, plant and equipment	15,527	53,929	69,456
Amortization of intangible assets	200	34,015	34,215
Total	**15,727**	**87,944**	**103,671**

[8] Other expenses and income

(thousands of Euro)	2010	2009
Non-industrial general costs	110,116	109,081
Other operating expenses/(income)	112,762	116,746
Additions to provisions	37,568	28,753
Other expenses/(income)	33,444	22,779
Total	**293,890**	**277,359**

Details of these amounts are provided in the following tables.

Non-industrial general costs

(thousands of Euro)	2010	2009
Other services	25,213	25,289
Consulting and advisory fees	13,477	12,843
Electricity and gas	10,796	10,566
Maintenance and cleaning	10,713	10,662
Rental and hire costs	10,158	10,708
Travel and entertainment costs	9,421	8,623
Sundry purchases	6,394	6,150
Directors and Statutory Auditors	6,300	7,321
Telephone and postage expenses	6,166	5,718
Insurance	4,237	4,313
Banking services	3,553	3,519
Surveillance and security	1,954	2,227
Other	1,734	1,142
Total	**110,116**	**109,081**

The following table reports all the compensation, in whatever form, approved and/or earned in 2010, for each member of the Parent Company's Board of Directors and Board of Statutory Auditors (in thousands of Euro).

Name and surname	Position held	Period for which office held from	to	Office end date (approval of financial statements at)	Emoluments of office	Attendance fees and compensation for serving on committees	Benefits in kind	Bonuses and other incentives	Other compensation
Luciano Benetton	Chairman	01.01.2010	12.31.2010	12.31.2012	1,600	-	-	-	-
Carlo Benetton	Deputy Chairman	01.01.2010	12.31.2010	12.31.2012	800	-	-	-	-
Alessandro Benetton	Exec. Dep. Chairman	01.01.2010	12.31.2010	12.31.2012	1,100	-	-	-	-
Biagio Chiarolanza	Executive Director	04.22.2010	12.31.2010	12.31.2012	33 (1)	-	9	(5)	300
Franco Furnò	Executive Director	04.22.2010	12.31.2010	12.31.2012	33 (2)	-	17	(5)	308
Gilberto Benetton	Director	01.01.2010	12.31.2010	12.31.2012	100	-	-	-	-
Giuliana Benetton	Director	01.01.2010	12.31.2010	12.31.2012	800	-	-	-	-
Luigi Arturo Bianchi	Director	01.01.2010	12.31.2010	12.31.2012	50	87 (4)	-	-	-
Giorgio Brunetti	Director	01.01.2010	12.31.2010	12.31.2012	50	84	-	-	-
Alfredo Malguzzi	Director	01.01.2010	12.31.2010	12.31.2012	50	84	-	-	-
Gianni Mion	Director	01.01.2010	12.31.2010	12.31.2012	50 (3)	-	-	-	-
Stefano Orlando	Director	04.22.2010	12.31.2010	12.31.2012	50	34	-	-	-
Angelo Casò	Chairman of the Board of Statutory Auditors	01.01.2010	12.31.2010	12.31.2010	62	-	-	-	-
Antonio Cortellazzo	Statutory Auditor	01.01.2010	12.31.2010	12.31.2010	42	-	-	-	14
Filippo Duodo	Statutory Auditor	01.01.2010	12.31.2010	12.31.2010	42	-	-	-	23

(1) Compensation reversed to the subsidiary Benind S.p.A.
(2) Compensation reversed to the subsidiary Bencom S.r.l.
(3) Compensation reversed to Edizione S.r.l.
(4) Including remuneration received as Chairman of the Monitoring Body established under Italian Legislative Decree no. 231/2001.
(5) Compensation, whose determination is the duty of the Remuneration Committee and whose entitlement to receipt will be established at the date of approving the financial statements for 2010.

The following table reports all the compensation, in whatever form, approved and/or earned in 2010, for every member of the Parent Company's Board of Directors and Board of Statutory Auditors who vacated office during the year (in thousands of Euro).

Name and surname	Position held	Period for which office held from	to	Office end date (approval of financial statements at)	Emoluments of office	Attendance fees and compensation for serving on committees	Benefits in kind	Bonuses and other incentives	Other compensation
Gerolamo Caccia Dominioni	Chief Executive Officer	01.01.2010	04.22.2010	04.22.2010	300	-	60	1,047	-

Benefits in kind: *fringe benefits* as defined for tax purposes, including insurance policies.
Bonus and other incentives: remuneration maturing on a one-off basis.
Other compensation: (i) emoluments for positions held in other subsidiaries (ii) employment income gross of employee tax and social security and excluding employer social security and provision for employee termination indemnity (iii) end of mandate indemnity (iv) any other remuneration from other services provided.

Other operating expenses/(income)

(thousands of Euro)	2010	2009
Operating income:		
- rental income	(75,094)	(71,627)
- reimbursements and compensation payments	(2,080)	(1,929)
Total operating income	**(77,174)**	**(73,556)**
Operating expenses:		
- rental expense	166,439	168,860
- indirect taxes and duties	11,520	10,513
- other net operating expenses	11,977	10,929
Total operating expenses	**189,936**	**190,302**
Total	**112,762**	**116,746**

Rental expense (net of rental income) decreased by Euro 5,888 thousand in 2010, due to the strategic refocusing of commercial locations, particularly in Asia, and to redefinition of the business model in India. Net operating expenses mostly refer to incidental costs for leases incurred, as well as costs for realizing fashion shows and the sample collection.

Additions to provisions

(thousands of Euro)	2010	2009
Addition to provision for doubtful accounts	26,431	21,185
Addition to provision for legal and tax risks	8,677	5,068
Addition to provision for sales agent indemnities	2,460	2,500
Total	**37,568**	**28,753**

Additions to the provision for doubtful accounts have increased from Euro 21,185 thousand in 2009 to Euro 26,431 thousand in 2010, reflecting the difficulties in 2010 on some of the Group's traditional markets, particularly Greece and Spain, and to a lesser extent certain East European countries and Italy. The addition to the provision for legal and tax risks includes Euro 7,114 thousand for the estimated amount of extra taxes arising from matters raised by the Italian tax authorities with the subsidiary Bencom S.r.l. relating to the disallowance of certain commissions paid to agents resident in low-tax jurisdictions. The above findings have resulted in separate assessments (currently limited to 2004 and 2005), which are awaiting judgment before the competent provincial tax tribunals.

Other expenses/(income)

(thousands of Euro)	2010	2009
Other expenses:		
- impairment of property, plant and equipment and intangible assets	24,160	20,907
- donations	3,006	2,920
- losses on disposal	2,785	1,923
- costs for expected obligations	4,469	2,816
- out-of-period expenses	942	1,452
- other sundry expenses	13,775	12,656
Total other expenses	**49,137**	**42,674**
Other income:		
- gains on disposals of property, plant and equipment and intangible assets	(5,923)	(7,700)
- out-of-period income	(4,587)	(6,042)
- release of provisions	(1,644)	(2,087)
- other sundry income	(3,539)	(4,066)
Total other income	**(15,693)**	**(19,895)**
Total	**33,444**	**22,779**

As already discussed in the Directors' report, the increase in impairment is due to:
- recoverable value adjustments against two properties in Portugal and Kazakhstan;
- impairment of certain commercial assets, particularly in Great Britain and France;
- impairment of the Killer Loop brand to reflect a medium-term plan for its strategic repositioning and market relaunch;
- fair value adjustment to an aircraft owned by the subsidiary Benair S.p.A.

The costs for expected obligations include foreseeable costs for the early termination of certain leases of directly operated stores, as well as costs relating to the current reorganization process.
Other sundry expenses primarily refer to indemnities paid to third parties, voluntary redundancy incentives and corporate reorganization costs.
The out-of-period income mainly refers to the release of employee bonuses and agent commissions, accrued in prior years, but no longer owed by the Group.
Non-recurring expenses classified in other sundry expenses and income are detailed in the section entitled "Other information - Non-recurring events and significant transactions".

[9] Share of income/(losses) of associated companies

This includes the positive adjustment to liabilities recognized for put options on shares held by minority shareholders in certain consolidated companies.

[10] Financial (expenses)/income

Net financial expenses have increased by Euro 586 thousand, reflecting lower average debt over the period whose benefits were almost entirely offset by higher interest rates because of different economic conditions applying to new loans entered into by Benetton Group S.p.A. Details of financial expenses and financial income are reported below.

Financial expenses

(thousands of Euro)	2010	2009
Financial expenses:		
- expenses from hedges of economic exchange risk	(3,122)	(12,012)
- expenses from hedges of transaction exchange risk	(1,841)	(375)
- expenses from hedges of translation exchange risk	(797)	(418)
- interest on bank loans	(12,191)	(16,020)
- early settlement trade discounts	(1,949)	(2,057)
- bank charges and commissions	(2,939)	(2,404)
- sundry other financial expenses	(3,016)	(937)
- interest on advances against receivables	(187)	(201)
- interest on loans from other lenders	(136)	(106)
- interest on bank overdrafts	(132)	(164)
Total	**(26,310)**	**(34,694)**

The financial expenses from derivatives refer to the time value component of hedges of economic, transaction and translation exchange risk, both in the case of fair value hedges and cash flow hedges which are always recognized through the statement of income.

Financial income

(thousands of Euro)	2010	2009
Financial income:		
- income from hedges of economic exchange risk	4,002	10,558
- income from hedges of transaction exchange risk	1,194	2,600
- income from hedges of translation exchange risk	676	647
- interest income on current, currency and deposit accounts	272	266
- interest income from receivables	331	432
- sundry other financial income	473	243
Total	**6,948**	**14,746**

The financial income from derivatives refers to the time value component of hedges of economic, transaction and translation exchange risk, both in the case of fair value hedges and cash flow hedges which are always recognized through the statement of income.

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

Exchange differences mainly originate from customer receipts and supplier payments and from currency hedges. This line item also includes exchange differences arising from translation of receivables and payables in foreign currency at the year-end exchange rate. Net foreign currency hedging gains and exchange differences in 2010 mainly reflect the positive contribution of hedges taken out against purchases in US dollars, as partly offset by hedges against sales in other currencies (particularly Russian roubles) and by the effect in some of the Group's subsidiaries of local currency trends against the Euro.

Net foreign currency hedging (losses)/gains and exchange differences are analyzed by exchange risk as follows:

(thousands of Euro)	2010	2009
Economic exchange risk	12,305	(1,418)
Transaction exchange risk	2,260	(1,263)
Translation exchange risk	764	(211)
Other	(3,274)	343
Total	**12,055**	**(2,549)**

[12] Income taxes

The balance includes current taxes and deferred tax income and expenses:

(thousands of Euro)	2010	2009
Current taxes	62,691	60,341
Deferred tax income:		
- reversal of intercompany profits	277	2,852
- additions, uses and releases from provisions for risks and other charges	(2,473)	1,590
- taxes on a different depreciable/amortizable base for property, plant and equipment and intangible assets	7,400	-
- carried forward tax losses	4,069	2,027
- fair value of derivatives	721	(1,630)
- tax effect of impairment of property, plant and equipment and intangible assets	(4,618)	628
- other	579	1,163
Total deferred tax income	**5,955**	**6,630**
Deferred tax expenses:		
- reversal of excess depreciation and the application of finance lease accounting	(2,177)	798
- capital gains	(1,206)	(68)
- distributable earnings/reserves of subsidiaries	238	948
- tax effect of business combination	(881)	(741)
- other	137	(193)
Total deferred tax expenses	**(3,889)**	**744**
Total	**64,757**	**67,715**

The tax charge amounts to Euro 64,757 thousand compared with Euro 67,715 thousand in 2009; the tax rate is 38.7%, up from 36.5% in 2009. As already mentioned when discussing non-recurring expenses, income taxes include around Euro 3,661 thousand in extra tax, agreed upon partial court settlement of the matter raised concerning the formation of permanent establishments abroad in tax period 2004 and later, as well as for the assessment with acceptance mostly concerning transfer prices in tax period 2005, both of which agreed with the Italian tax authorities in December 2010. The increase in tax rate also reflects the extinguishment of tax benefits arising from corporate reorganization in 2003.

The reconciliation of the tax charge is as follows:

(%)	2010	2009
Theoretical tax rate	31.40	31.40
Different tax rate of companies in profit	(5.65)	(8.97)
Different tax rate of companies in loss	9.36	11.50
Tax effect of distributable earnings/reserves of subsidiaries	0.96	0.64
Effect arising from business transfers	(0.41)	(4.63)
Amortization of excess consideration associated with acquisitions	0.20	0.16
Effect of carried forward tax losses	(0.07)	(0.27)
Effect of impairment of property, plant and equipment and intangible assets	1.06	2.87
Higher rate of IRAP (Italian regional business tax)	2.11	2.10
Other net effects	(0.31)	1.69
Reported tax rate	**38.65**	**36.49**

Statement of comprehensive income

Other components of consolidated comprehensive income are analyzed as follows:

(thousands of Euro)	Shareholders of the Parent Company	Minority shareholders	12.31.2010	Shareholders of the Parent Company	Minority shareholders	12.31.2009
Gains/(Losses) recognized directly in cash flow hedge reserve	(1,658)	-	(1,658)	(404)	-	(404)
Transfers from cash flow hedge reserve	404	-	404	1,249	-	1,249
Gains/(Losses) recognized in cash flow hedge reserve	**(1,254)**	**-**	**(1,254)**	**845**	**-**	**845**
Gains/(Losses) recognized directly in currency translation reserve	4,640	1,335	5,975	(2,257)	798	(1,459)
Transfers from currency translation reserve	77	-	77	(512)	-	(512)
Gains/(Losses) recognized in currency translation reserve	**4,717**	**1,335**	**6,052**	**(2,769)**	**798**	**(1,971)**
Tax effect relating to other gains/(losses)	423	-	423	(315)	-	(315)
Total other comprehensive income, net of tax	**3,886**	**1,335**	**5,221**	**(2,239)**	**798**	**(1,441)**

Comments on the principal asset items

Non-current assets

[13] Property, plant and equipment

The following table reports movements in 2010 and 2009 in property, plant and equipment, stated net of accumulated depreciation.

(thousands of Euro)	Land and buildings	Plant, machinery and equipment	Furniture, fittings and electronic devices	Vehicles and aircraft	Assets under construction and advances	Leased assets	Leasehold improvements	Total
Balance at 01.01.2009	**738,310**	**93,857**	**67,382**	**23,724**	**71,400**	**4,852**	**49,497**	**1,049,022**
Business combinations	-	331	3,230	-	-	-	598	4,159
Additions	10,201	19,324	28,371	894	22,454	607	12,330	94,181
Disposals	(11,162)	(733)	(1,478)	(123)	(61)	-	(1,913)	(15,470)
Depreciation	(15,619)	(17,336)	(23,329)	(2,023)	-	(286)	(10,863)	(69,456)
Impairment	(3,227)	(155)	(3,285)	-	-	-	(3,566)	(10,233)
Reclassification to assets held for sale	(1,724)	(1,695)	(15)	-	-	-	(821)	(4,255)
Reclassifications and translation differences	20,106	12,756	1,993	7	(43,940)	(4,400)	307	(13,171)
Balance at 12.31.2009	**736,885**	**106,349**	**72,869**	**22,479**	**49,853**	**773**	**45,569**	**1,034,777**
Additions	38,266	24,264	27,929	19,372	16,755	-	10,679	137,265
Disposals	(1,391)	(3,961)	(1,415)	(15,170)	(196)	-	(2,464)	(24,597)
Depreciation	(15,791)	(17,913)	(23,938)	(1,781)	-	(176)	(10,007)	(69,606)
Impairment	(2,371)	(99)	(5,896)	(3,379)	-	-	(3,151)	(14,896)
Reclassification to assets held for sale	(2,925)	(1,396)	(8)	(18)	-	(120)	-	(4,467)
Reclassifications and translation differences	27,670	13,619	3,096	5,833	(32,813)	37	1,471	18,913
Balance at 12.31.2010	**780,343**	**120,863**	**72,637**	**27,336**	**33,599**	**514**	**42,097**	**1,077,389**

Investments in property, plant and equipment in the year amount to Euro 137,265 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, especially in Italy, United States, Russia, Spain, Germany, Kazakhstan and Mongolia;
- investments to increase production capacity, particularly in Croatia, as well as in Italy, to complete the logistics hub in Castrette and to replace specific production machinery;
- the purchase of a new aircraft (to replace one that was sold).

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

Disposals in the year amount to Euro 24,597 thousand and mainly refer to the sale of an aircraft (for Euro 17,129 thousand), of production plant and machinery in the textile segment, of furniture, fittings and leasehold improvements for commercial use, and of certain properties not used in the Group's core business.

Impairment of Euro 14,896 thousand has been recognized in the year to adjust to recoverable amount a property in Portugal, another in Kazakhstan and certain commercial assets, particularly in Great Britain and France. In addition, the subsidiary Benair S.p.A. decided at the end of 2010 to sell one of its aircraft in order to rationalize its fleet; this aircraft has accordingly been adjusted to fair value, which, at year-end exchange rates, has involved recognizing an impairment loss of Euro 3,379 thousand (initial contacts were made in recent weeks for its sale, expected to take place in 2011).

More details can be found in the paragraph on impairment testing.

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

	12.31.2010			12.31.2009		
(thousands of Euro)	Gross	Accumulated depreciation and impairment	Net	Gross	Accumulated depreciation and impairment	Net
Land and buildings	951,400	171,057	780,343	895,156	158,271	736,885
Plant, machinery and equipment	337,579	216,716	120,863	342,218	235,869	106,349
Furniture, fittings and electronic devices	248,908	176,271	72,637	234,618	161,749	72,869
Vehicles and aircraft	42,976	15,640	27,336	35,485	13,006	22,479
Assets under construction and advances	33,599	-	33,599	49,853	-	49,853
Leased assets	3,819	3,305	514	4,049	3,276	773
Leasehold improvements	158,849	116,752	42,097	154,113	108,544	45,569
Total	**1,777,130**	**699,741**	**1,077,389**	**1,715,492**	**680,715**	**1,034,777**

The net book value of land and buildings is analyzed according to use as follows:

(thousands of Euro)	12.31.2010	12.31.2009
Commercial	656,682	607,964
Industrial	103,953	107,573
Other	19,708	21,348
Total	**780,343**	**736,885**

Leased assets are analyzed as follows:

(thousands of Euro)	12.31.2010	12.31.2009
Plant, machinery and equipment	-	236
Furniture, fittings and electronic devices	3,572	3,566
Leasehold improvements	247	247
(Accumulated depreciation)	(3,305)	(3,276)
Total	**514**	**773**

The long-term portion of the outstanding principal contained in lease repayments at December 31, 2010 is recognized as "Lease financing" under non-current liabilities, while the short-term portion is reported in current liabilities.

[14] Intangible assets

The following table reports movements in the principal categories of intangible assets:

(thousands of Euro)	Goodwill and other intangible assets of indefinite useful life	Industrial patents	Concessions, licenses, trademarks and similar rights	Deferred charges	Other	Total
Balance at 01.01.2009	**37,892**	**2,602**	**17,189**	**162,098**	**40,351**	**260,132**
Business combinations	8,800	-	-	8,310	44	17,154
Additions	34	142	2,343	12,264	7,607	22,390
Disposals	-	-	(45)	(1,264)	(15)	(1,324)
Amortization	-	(327)	(2,830)	(20,701)	(10,357)	(34,215)
Impairment	(3,603)	-	-	(7,071)	-	(10,674)
Reclassification to assets held for sale	-	-	-	-	(15)	(15)
Reclassifications and translation differences	(60)	(7)	1,292	1,546	(3,042)	(271)
Balance at 12.31.2009	**43,063**	**2,410**	**17,949**	**155,182**	**34,573**	**253,177**
Additions	-	51	2,983	9,982	10,794	23,810
Disposals	-	-	(51)	(825)	(8)	(884)
Amortization	-	(341)	(3,303)	(18,693)	(10,990)	(33,327)
Impairment	-	-	(6,676)	(2,588)	-	(9,264)
Reclassifications and translation differences	283	94	225	3,805	(1,762)	2,645
Balance at 12.31.2010	**43,346**	**2,214**	**11,127**	**146,863**	**32,607**	**236,157**

Investments in intangible assets in the year amount to Euro 23,810 thousand and mainly relate to:

- the acquisition of deferred commercial charges, for developing the commercial network, particularly in Italy;
- investments in information technology, of which the most significant were those for implementing the Unix system (Rehosting project), for developing the SAP application software and for purchasing Microsoft licenses.

Disposals in the year amount to Euro 884 thousand and mainly refer to the sale of certain "fonds de commerce" in Belgium.

In addition, Euro 9,264 thousand in impairment has been recognized to adjust certain commercial assets to their recoverable amount; more details can be found in the paragraph on impairment testing.

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

	12.31.2010			12.31.2009		
(thousands of Euro)	Gross	Accumulated amortization and impairment	Net	Gross	Accumulated amortization and impairment	Net
Goodwill and other intangible assets of indefinite useful life	60,434	17,088	43,346	59,837	16,774	43,063
Industrial patents and intellectual property rights	6,312	4,098	2,214	6,155	3,745	2,410
Concessions, licenses, trademarks and similar rights	72,101	60,974	11,127	68,862	50,913	17,949
Deferred charges	302,319	155,456	146,863	291,809	136,627	155,182
Other	107,450	74,843	32,607	99,588	65,015	34,573
Total	**548,616**	**312,459**	**236,157**	**526,251**	**273,074**	**253,177**

"Goodwill and other intangible assets of indefinite useful life" consist of residual amounts of goodwill arising on the consolidation of acquired companies.
"Deferred charges" mainly consist of lease surrender payments to obtain the lease of buildings for use as stores ("key money"), which are amortized over the term of the related lease contracts (with the exception of "fonds de commerce" which are amortized over 20 years). "Other" mainly comprises Euro 27,228 thousand in costs for the purchase and development of software (of which Euro 5,576 thousand generated internally) and Euro 4,447 thousand in costs for assets under construction and advances (of which Euro 250 thousand generated internally).

"Concessions, licenses, trademarks and similar rights" include the net book value of the following brands:

(thousands of Euro)	12.31.2010	12.31.2009
United Colors of Benetton	4,275	4,492
Sisley	515	522
Killer Loop	-	7,649
Other	622	555
Total	**5,412**	**13,218**

Even though the Killer Loop brand is the subject of a specific medium-term strategic repositioning, its value has been written down in full because of poor results in 2010 and those expected in the near term, since its book value is not supported by adequate future cash flows.
The United Colors of Benetton and Sisley brands are subject to restraints on sale in guarantee of loans whose outstanding repayments total Euro 648 million at December 31, 2010.

Impairment testing

As required by IAS 36 and internal procedures, the Group has:

- checked the existence or otherwise of any indication that its property, plant and equipment and intangible assets of finite useful life might be impaired;
- compared the recoverable amount of its intangible assets of indefinite useful life and of its intangible assets not yet available for use with their corresponding carrying amounts. Such a comparison was carried out irrespective of the occurrence of events indicating that the carrying amount of such assets might be impaired.

The results of impairment testing in 2010 are summarized in the following table which reports, by operating segment, the impairment losses recognized during the year and recorded in the statement of income under "Other expenses/(income)".

(thousands of Euro)	Apparel	Textile	Total
Property, plant and equipment:			
- buildings	2,371	-	2,371
- plant, machinery and equipment	99	-	99
- furniture, fittings and electronic devices	5,896	-	5,896
- vehicles and aircraft	3,379	-	3,379
- leasehold improvements	3,151	-	3,151
Total property, plant and equipment	**14,896**	**-**	**14,896**
Intangible assets:			
- intangible assets of finite useful life	9,264	-	9,264
Total	**24,160**	**-**	**24,160**

The principal impairment losses and reversals recognized in 2010 as a result of impairment testing were as follows:

- commercial assets: impairment losses for the year recognized against this class of assets relate to stores operated both directly and by partners. Each individual store is treated like a separate CGU, for which the present value of its net future cash flows is determined in order to establish the asset's value in use. If the value in use of the CGU is less than its carrying amount, an impairment loss in respect of the CGU's assets is recognized accordingly. If there is evidence that "fonds de commerce" and "buildings" might be impaired and that recoverable amount exceeds value in use, then the recoverable amount is determined by expert appraisal. Impairment losses recognized in 2010 against the commercial assets of certain stores reflected a reduction in their cash flows, caused by an unexpected decline in their sales (both actual and future), except in some cases when it was possible to express a market value. These assets included furniture and fittings, key money and leasehold improvements. All these assets were adjusted to their value in use, estimated on the basis of forecast future cash flows. The impairment losses relate to stores mainly located in Great Britain, France, Germany, Spain, Japan and Italy, as well as to the Killer Loop brand (as already discussed). A pre-tax rate of 8.7% (8% in 2009) was used for the purposes of discounting cash flows except in Turkey and India where rates of 16.92% and 16.73% were applied respectively (15.79% and 8% in 2009). As a result of the various appraisals, impairment losses totaling Euro 2,371 thousand were recognized against the value of two buildings, located in Karaganda and Braga respectively; and, as reported earlier, an aircraft owned by the subsidiary Benair S.p.A., was impaired by Euro 3,379 thousand to adjust its net book value to fair value;

- goodwill: the principal assumptions adopted by the Group are listed below:

Nature of goodwill	12.31.2009	Changes/ (Impairment)	12.31.2010	Discount rate (*)	Specific planning period (years)	Growth rate beyond the specific planning period
Acquisition Mari GmbH (Germany)	6,323	-	6,323	8.7%	5	-
Acquisition 50% Benetton Giyim Sanayi A.S. (Turkey)	5,708	-	5,708	13.5%	4	2.0%
Acquisition 50% Milano Report S.p.A. (Italy)	19,731	-	19,731	8.7%	4	2.0%
Acquisition 100% Business combination Canada	333	45	378	8.7%	5	2.0%
Acquisition 90% Ben-Mode A.G. (Switzerland)	1,274	238	1,512	6.3%	4	2.0%
Acquisition 60% Aerre S.r.l. and S.C. Anton Industries S.r.l. (Italy, Romania)	861	-	861	8.7%	5	2.0%
Acquisition 100% My Market S.r.l. and Benver S.r.l. (Italy)	8,833	-	8,833	8.7%	5	2.0%
Total	**43,063**	**283**	**43,346**			

(*) Pre-tax rate used except for Switzerland and Turkey.

The Group has carried out sensitivity analyses for all assets tested for impairment with the value in use method, in which it has assumed a hypothetical 1% increase in the discount rate while leaving all other variables equal. The results of these simulations have revealed a potential amount of Euro 0.7 million in additional impairment.

Other non-current assets

[15] Investments

Investments in subsidiary and associated companies relate mainly to commercial companies not included in the consolidation because they were not yet operational (details can be found in the Supplementary Schedules - companies and groups included in the consolidation at December 31, 2010). Investments in other companies are stated at cost and refer to minority stakes in a number of companies in Switzerland, Japan and Italy, as reported below:

(thousands of Euro)	12.31.2010	12.31.2009
Chesa Paravicini S.A.	1,479	1,479
Other investments and advances for acquiring investments	545	502
Total	**2,024**	**1,981**

[16] Guarantee deposits

The guarantee deposits of Euro 27,050 thousand reported at December 31, 2010 primarily relate to lease contracts entered into by Japanese, Indian and Korean subsidiaries in particular.

[17] Medium/long-term financial receivables

The overall balance of 4,090 thousand euro includes loans mostly given by Group subsidiaries to third parties, which earn interest at market rates. A total of Euro 1,364 thousand in loans were repaid during the year, while Euro 149 thousand in new loans were granted, of which Euro 40 thousand repayable in 2011 and classified as current assets.

(thousands of Euro)	12.31.2010	12.31.2009
From 1 to 5 years	3,563	4,036
Beyond 5 years	527	675
Total	**4,090**	**4,711**

[18] Other medium/long-term receivables

This line item, totaling Euro 8,353 thousand, includes:

- Euro 6,083 thousand in customer trade receivables (stated net of Euro 1,429 thousand in provisions for doubtful accounts);
- Euro 1,921 thousand in recoverable VAT;
- Euro 255 thousand in receivables for fixed asset disposals;
- sundry other receivables for the remainder.

[19] Deferred tax assets

The following table provides a breakdown of net deferred tax assets:

(thousands of Euro)	12.31.2009	Increases	Decreases	Translation differences and other movements	12.31.2010
Tax effect of eliminating intercompany profits	4,904	4,627	(4,904)	-	4,627
Tax effect of provisions, costs and revenues relating to future periods for fiscal purposes	30,666	16,830	(11,176)	881	37,201
Deferred taxes on reversal of excess depreciation and application of finance lease accounting	(6,155)	(1,375)	3,552	(245)	(4,223)
Deferred taxes on capital gains taxable over a number of accounting periods	(4,007)	(345)	1,551	-	(2,801)
Different basis for depreciation/amortization	129,223	-	(7,400)	-	121,823
Benefit on carried forward tax losses	17,417	116	(4,185)	1,185	14,533
Deferred taxes on distributable earnings/reserves	(9,013)	(263)	24	-	(9,252)
Tax effect of business combination	(6,166)	-	881	(210)	(5,495)
Total	**156,869**	**19,590**	**(21,657)**	**1,611**	**156,413**

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.

The potential tax benefit associated with carried forward tax losses of Group companies is Euro 290 million (Euro 243 million in 2009) but has been adjusted by Euro 275 million for amounts that are currently unlikely to be fully recovered.

Details of these unrecognized benefits are analyzed by year of expiry as follows:

(thousands of Euro)	12.31.2010
From 1 to 3 years	17,980
From 4 to 6 years	31,767
From 7 to 9 years	18,827
Beyond 10 years	46,057
Unlimited	160,787
Total	**275,418**

Current assets

[20] Inventories

Inventories are analyzed as follows:

(thousands of Euro)	12.31.2010	12.31.2009
Raw materials, other materials and consumables	81,314	73,337
Work in progress and semi-finished products	42,068	44,830
Finished products	166,751	182,274
Advances to suppliers	3,020	188
Total	**293,153**	**300,629**

The reduction in inventories is also attributable a shorter time-to-market due to differences in production planning as a result of reorganizing production sources and the supply chain.
The valuation of closing inventories at weighted average cost is not appreciably different from their value at current purchase cost.
Inventories are stated net of the write-down provision. Movements in the write-down provision are as follows:

(thousands of Euro)	12.31.2009	Additions	Uses	Translation differences and other movements	12.31.2010
Raw materials, other materials and consumables	8,743	5,790	(8,747)	13	5,799
Work in progress and semi-finished products	830	400	(830)	-	400
Finished products	16,659	13,571	(13,501)	724	17,453
Total	**26,232**	**19,761**	**(23,078)**	**737**	**23,652**

[21] Trade receivables

Short-term and long-term trade receivables and the related provisions recognized for doubtful accounts, are as follows at December 31, 2010:

(thousands of Euro)	12.31.2010	12.31.2009
Current trade receivables	866,262	844,357
(Provision for current doubtful accounts)	(67,942)	(57,881)
Current trade receivables	**798,320**	**786,476**
Non-current trade receivables	7,512	7,464
(Provision for non-current doubtful accounts)	(1,429)	(2,661)
Non-current trade receivables	**6,083**	**4,803**
Total	**804,403**	**791,279**

The total provision for doubtful accounts corresponds to 7.9% of trade receivables, compared with 7.1% in 2009, reflecting, as already mentioned, the difficulties particularly affecting some of the Group's traditional markets in 2010. Movements in this provision during the year are summarized below:

(thousands of Euro)	12.31.2009	Additions	Uses	Releases to income	Exchange differences and other changes	12.31.2010
Provision for doubtful accounts	60,542	26,431	(18,115)	(355)	868	69,371

Trade receivables also include Euro 112 thousand in amounts due from the holding company Edizione S.r.l. There were no receivables factored without recourse at December 31, 2010 (Euro 4,697 thousand in factored receivables at December 31, 2009 not yet due).

[22] Tax receivable

This balance includes:

(thousands of Euro)	12.31.2010	12.31.2009
VAT recoverable	27,524	23,143
Tax credits	3,928	5,169
Other tax receivables	4,448	2,919
Total	**35,900**	**31,231**

[23] Other receivables, accrued income and prepaid expenses

This balance includes:

(thousands of Euro)	12.31.2010	12.31.2009
Other receivables:		
- other	20,992	25,989
- receivables from holding and related companies	11,090	18,065
Total other receivables	**32,082**	**44,054**
Accrued income:		
- rental income and operating leases	3,577	3,212
- other income	68	62
Total accrued income	**3,645**	**3,274**
Prepaid expenses:		
- rental expense and operating leases	9,468	8,552
- other operating costs	1,555	1,777
- insurance policies	954	1,343
- taxes and duties	3,514	3,117
- advertising and sponsorships	680	605
- rental and hire costs	213	444
- Directors' emoluments	33	257
Total prepaid expenses	**16,417**	**16,095**
Total	**52,144**	**63,423**

Other receivables, which amount to Euro 32,082 thousand (Euro 44,054 thousand at December 31, 2009), mainly refer to advances given to various suppliers, receivables for customs duties and employees, receivables from social security institutions as well as receivables for fixed asset disposals. Receivables from

holding and related companies mostly comprise Euro 11,045 thousand in receivables due from Edizione S.r.l. in relation to the group tax filing by Italian companies.
Prepaid expenses for taxes and duties include Euro 2,497 thousand in flat-rate tax that released from further tax the higher values arising on the business combination of My Market S.r.l. in 2009. The prepaid tax is released to the statement of income over the amortization/depreciation period of the associated assets, while the total amount of the tax itself has been paid in June 2010.

[24] Financial receivables

(thousands of Euro)	12.31.2010	12.31.2009
Other current financial receivables and assets	5,330	9,225
Differentials on forward exchange contracts	22,208	7,673
Current financial receivables from third parties	1,964	1,369
Total	**29,502**	**18,267**

Other current financial receivables and assets include the accruals and deferrals relating to financing operations as well as the time value component of derivatives.
The positive differentials on forward exchange contracts include the exchange rate component accruing on derivatives that hedge economic, transaction and translation risks as detailed below:

(thousands of Euro)	12.31.2010	12.31.2009
Economic exchange risk:		
- fair value hedges	1,070	738
- cash flow hedges	1,891	853
Total economic exchange risk	**2,961**	**1,591**
Transaction exchange risk:		
- fair value hedges	11,250	3,092
Translation exchange risk:		
- fair value hedges	12	-
- cash flow hedges	7,985	2,990
Total translation exchange risk	**7,997**	**2,990**
Total	**22,208**	**7,673**

The differentials arising from fair value hedges refer to exchange risk hedging instruments, the change in whose value is largely offset by the change in the underlying hedged item.
The differentials relating to cash flow hedges also refer to exchange rate risk management. The amounts recognized in the balance sheet represent the effect of hedging highly probable transactions such as future sales and purchases in currencies other than the Euro which will take place by the end of the following year. As a result, it is reasonable to believe that the related effect of hedging deferred in shareholders' equity in the "Fair value and hedging reserve" will be recognized in the statement of income in the next year.
Differentials from transactions hedging translation exchange risk include the balance sheet recognition of hedges outstanding at year end against net investments in foreign subsidiaries.
Details of the amounts reversed by the Group from reserves to the statement of income can be found in the "Consolidated statement of comprehensive income" included in the section containing the financial statements.

[25] Cash and banks

(thousands of Euro)	12.31.2010	12.31.2009
Checks	81,384	83,545
Bank and post office current accounts in Euro	23,435	28,687
Bank current accounts in other currencies	25,092	21,890
Time deposits	64,607	153
Cash in hand	398	508
Total	**194,916**	**134,783**

Checks refer to amounts received from customers in the last few days of the reporting period. Time deposits refer to temporary investments of cash, that matured in the first week of January 2011. Average interest rates reflect market returns for the various currencies concerned.

[26] Assets held for sale

This balance reports, at the lower of net book value and fair value, less costs to sell, the factories in:

- Piedimonte, no longer operational;
- Piobesi Torinese, which ceased manufacturing activity in the first half of 2009;
- Grumolo delle Abbadesse and Follina, which respectively stopped operating in the second and third quarters of 2010.

The balance also includes some plant and machinery, again in the textile segment.

Movements in this balance over the year are as follows:

(thousands of Euro)	
Balance at 01.01.2010	**5,526**
Assets sold	(2,469)
Reclassification from property, plant and equipment and intangible assets	6,936
Balance at 12.31.2010	**9,993**

Comments on the principal items in shareholders' equity and liabilities

Shareholders' equity

[27] Shareholders' equity attributable to the Group

The Shareholders' Meeting of Benetton Group S.p.A. resolved on April 22, 2010 to pay a dividend of Euro 0.23 per share, totaling Euro 39,637 thousand; the shares went ex-div on May 3, 2010. 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 December 31, 2010 and consists of 182,679,012 shares with a par value of Euro 1.30 each.

Treasury shares

The Shareholders' Meeting of April 22, 2010 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 20, 2009. The new authority was granted for a period of 18 months commencing April 22, 2010. 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. At the current date, the Board of Directors had not yet commenced the new buy-back program permitted under the above authority. At March 15, 2011, the Company held 10,345,910 treasury shares, corresponding to 5.663% of share capital, all of which purchased before 2010 at a cost of Euro 71,734 thousand (including commissions).

Fair value and hedging reserve

This reserve presents a debit balance of Euro 1,111 thousand at December 31, 2010, which is stated net of Euro 548 thousand in related tax, and reports the changes in the effective hedging component of derivatives measured at fair value.

Other reserves and retained earnings

These reserves amount to Euro 1,147,995 thousand (Euro 1,084,525 thousand at December 31, 2009) and include:

- Euro 47,500 thousand relating to the Parent Company's legal reserve;
- Euro 567,062 thousand relating to other reserves of the Parent Company (Euro 563,600 thousand at December 31, 2009);
- Euro 21,452 thousand relating to monetary revaluation reserves in compliance with Italian Law no. 72 of March 19, 1983, and Law no. 413 of December 30, 1991, and, in the case of a Spanish subsidiary, in compliance with Royal Decree no. 2607/96;
- Euro 543,997 thousand relating to the reserves of consolidated subsidiaries, net of consolidation adjustments;
- Euro 4,807 thousand relating to share-based payments, valued at fair value on the grant date, and recognized in the statement of income on a straight-line basis with a matching increase in this reserve;
- the debit balance of Euro 36,823 thousand relating to translation differences arising from the line-by-line consolidation of the financial statements of certain subsidiaries expressed in a foreign currency.

The first of the schedules below is a reconciliation of the shareholders' equity and net income reported in the separate financial statements of Benetton Group S.p.A. with the corresponding consolidated amounts;

the second lists the percentage of shareholders' equity in consolidated subsidiaries attributable to minority shareholders.

Reconciliation of shareholders' equity and net income of Benetton Group S.p.A. with the corresponding consolidated amounts

	12.31.2010		12.31.2009	
(thousands of Euro)	Shareholders' equity	Net income	Shareholders' equity	Net income
Per the separate financial statements of Benetton Group S.p.A. prepared under IFRS	919,877	51,412	908,102	43,099
Portion of shareholders' equity and net income of consolidated subsidiaries attributable to the Group, net of the carrying value of the related investments	1,063,742	126,289	1,005,793	141,337
Reversal of gains on transfer of business, net of deferred tax assets	(545,815)	(7,400)	(538,415)	-
Reversal of write-down of investments by the Parent Company	398	17,718	6,777	29,318
Reversal of dividends paid to the Parent Company by consolidated subsidiaries	-	(85,000)	-	(86,872)
Deferred taxes on profits/reserves distributable by subsidiaries	(9,252)	(239)	(9,013)	(948)
Allocation to non-current assets of the amount by which purchase of consideration for subsidiaries exceeds their net asset value at the date acquisition and related depreciation and amortization	89,566	(3,061)	87,849	(2,615)
Reversal of intercompany profits/(losses) on transfers of property, plant and equipment, net of the related tax effect	722	(173)	855	(253)
Effect of applying finance lease accounting to leased assets, net of the related tax effect	12,668	(468)	13,136	418
Elimination of intercompany profits included in the inventories of consolidated subsidiaries, net of the related tax effect	(17,760)	4,261	(22,021)	(1,791)
Valuation of put option held by minority shareholders	(32,184)	(1,806)	(16,373)	1,804
Net effect of other consolidation entries	(2,074)	540	136	(1,847)
Per the Group consolidated financial statements	**1,479,888**	**102,073**	**1,436,826**	**121,650**

Shareholders' equity attributable to minority shareholders

The following consolidated companies have portions of their shareholders' equity attributable to minority shareholders:

(%)	12.31.2010	12.31.2009
Italian and foreign consolidated companies:		
- New Ben GmbH (Germany)	50	50
- Benetton Korea Inc. (Korea)	50	50
- Benetton Giyim Sanayi ve Ticaret A.S. (Turkey)	50	50
- Milano Report S.p.A. (Italy) [(A)]	-	50
- Filatura di Vittorio Veneto S.r.l. (Italy)	50	50
- Fynlab S.r.l. (Italy) [(B)]	-	40
- S.C. Anton Industries S.r.l. (Romania)	40	40
- Aerre S.r.l. (Italy)	40	40
- Ben-Mode A.G. (Switzerland)	10	10

[(A)] On 05.18.2010 the Benetton Group acquired, through the subsidiary Bencom S.r.l., the remaining 50% of share capital in Milano Report S.p.A., thus obtaining ownership of 100% of this company's shares.
[(B)] During 2010 the Benetton Group acquired, through the subsidiary Olimpias S.p.A., the remaining 40% of share capital in Fynlab S.r.l., thus obtaining ownership of 100% of this company's shares.

Liabilities

Non-current liabilities

[28] Medium/long-term loans

Medium/long-term loans granted by banks and other lenders are as follows (net of deferred loan arrangement costs):

(thousands of Euro)	12.31.2010	12.31.2009
Loan from Intesa Sanpaolo S.p.A.	149,903	149,846
Loan from UniCredit Banca d'Impresa S.p.A.	149,903	149,846
Loan from BNL S.p.A. (BNP Paribas group)	99,935	99,897
Club deal loan maturing in 2015	248,405	-
Loan from Ministry of Industry, Italian Law no. 46/1982	-	77
Other loans	1,731	1,429
Total	**649,877**	**401,095**

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 debt and EBITDA;
- a loan (club deal) agreed on May 31, 2010 for Euro 250 million until 2015 from Banca Nazionale del Lavoro (BNP Paribas group), Credit Agricole, Cassa di Risparmio del Veneto, Mediobanca and UniCredit S.p.A. This loan carries interest of one, two, three or six-month Euribor plus a spread ranging between 150 and 250 basis points depending on the ratio between net debt and EBITDA.

The 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.

Non-current loans mature as follows (thousands of Euro):

Year	12.31.2010
2012	399,906
2013	715
2014	172
2015	248,596
2016 and beyond	488
Total	**649,877**

[29] Other medium/long-term payables

(thousands of Euro)	12.31.2010	12.31.2009
Other payables due to third parties	30,399	12,500
Non-current liabilities for the purchase of fixed assets	4,992	5,625
Guarantee deposits received	3,963	3,472
Total	**39,354**	**21,597**

"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.

[30] Lease financing

Payables due to leasing companies for finance leases are shown in the following table. The short-term portion of lease financing is classified in the current liabilities section of the balance sheet.

	Minimum lease payments		Principal portion	
(thousands of Euro)	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Within 1 year	372	529	266	411
From 1 to 5 years	612	915	463	668
Beyond 5 years	-	-	-	-
Total	**984**	**1,444**	**729**	**1,079**

Minimum lease payments due to the leasing company are reconciled to their present value (i.e. principal portion) as follows:

(thousands of Euro)	12.31.2010	12.31.2009
Minimum lease payments	984	1,444
(Outstanding financial expenses)	(255)	(365)
Present value of lease financing	**729**	**1,079**

The Group has purchased mainly plant, machinery, furniture and fittings using lease financing. The average length of lease contracts is approximately five years. The interest rates defined at the date of signing the contract are indexed to market rates. All lease contracts are denominated in Euro and repayable in equal installments, with no contractual provisions for any changes in the original repayment plan. The fair value of finance leases taken out by the Group approximates the carrying amount.

Amounts due to lessors are secured by rights over the leased assets.

[31] Retirement benefit obligations

These refer to provisions for post-employment benefit plans relating to Group employees, of which Euro 40,729 thousand relates to provisions for employee termination indemnities (TFR) reported by the Group's Italian companies. Movements in these obligations over the year and the related reconciliation between the net liability and the obligation's present value, as calculated under IAS 19, are as follows:

(thousands of Euro)	
Balance at 01.01.2010	**47,357**
Unrecognized actuarial (gains)/losses	(2,291)
Present value of obligation at 01.01.2010	**45,066**
Expense charged to the statement of income	3,022
Actuarial (gains)/losses for the year	(198)
Indemnities paid in the year	(5,656)
Exchange differences and other changes	501
Present value of obligation at 12.31.2010	**42,735**
Unrecognized actuarial (gains)/losses	(2,490)
Balance at 12.31.2010	**45,225**

The expense charged to the statement of income under the "corridor method" for defined benefit plans is detailed as follows:

(thousands of Euro)	12.31.2010	12.31.2009
Current service cost	916	955
Financial expenses	2,111	2,355
Amortization of actuarial (gains)/losses	(5)	-
Past service cost	-	-
Total	**3,022**	**3,310**

The total amount of expenses relating to defined benefit plans is reported under payroll and related costs; it should be noted that there are no assets servicing the defined benefit plans.
The principal assumptions adopted for the calculation are as follows:

	12.31.2010	12.31.2009
Discount rate	1.2%-4.7%	1.4%-4.75%
Inflation rate	2.0%	2.0%
Expected rate of salary increases	0.8%-3.0%	0.8%-3.0%

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

(thousands of Euro)	Provision for legal and tax risks	Provision for sales agent indemnities	Other provisions	Total
Balance at 01.01.2010	**6,860**	**23,555**	**971**	**31,386**
Additions to provisions	8,128	2,460	334	10,922
Releases to income	(185)	-	(130)	(315)
Uses and other changes	(491)	(1,957)	137	(2,311)
Balance at 12.31.2010	**14,312**	**24,058**	**1,312**	**39,682**

This item relates to the liabilities and probable risks which the Group does not expect will be resolved by the end of 2011.
With reference to the tax dispute involving the disallowance of certain commissions paid in 2003 to agents resident in low-tax jurisdictions, already described in detail in the explanatory notes to previous financial statements, to which reference should be made, it is reported that in November 2010 the Venice Regional Tax Commission rejected the appeal presented by Benetton Group S.p.A. As already announced in the press, the Company will appeal against this ruling to Italy's highest Court of Appeal.
In 2010 a provision for Euro 7,114 thousand has been recognized for the 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 2005), 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.
The provision for sales agent indemnities, which reflects the risk associated with the possible termination of agency agreements as established by law, was utilized to the extent of Euro 1,957 thousand and increased by Euro 2,460 thousand during the year.
Other provisions relate to the costs the Group will probably have to incur for the closure of certain directly operated stores; these provisions were utilized to the extent of Euro 11 thousand over the year. In addition, the sum of Euro 130 thousand, provided in prior years against planned store closures, was released to income during the year after the related stores continued to stay open, meaning that the reason for the original provision no longer existed.

Current liabilities

[33] Trade payables

These represent the Group's liabilities for the purchase of goods and services amounting to Euro 441,659 thousand (Euro 403,911 thousand at December 31, 2009).

[34] Other payables, accrued expenses and deferred income

(thousands of Euro)	12.31.2010	12.31.2009
Other payables:		
- other payables due to holding and related companies	19,257	25,828
- payables for the purchase of fixed assets	38,316	21,818
- other payables due to employees	21,971	18,631
- other payables due to third parties	20,263	21,713
- payables due to social security and welfare institutions	9,375	9,503
- other payables due to tax authorities	7,556	9,033
- VAT	5,182	21,011
Total other payables	**121,920**	**127,537**
Accrued expenses:		
- lease installments	7,716	6,971
- other expenses	845	262
- consulting and other fees	55	57
Total accrued expenses	**8,616**	**7,290**
Deferred income:		
- rental income	525	1,121
- revenue from concession of rights	236	336
- other income	1,358	1,355
Total deferred income	**2,119**	**2,812**
Total	**132,655**	**137,639**

"Other payables due to holding and related companies" entirely refer to amounts owed to Edizione S.r.l. under the group tax election.
"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 December.
"Other payables due to third parties" include non-trade related payables, amongst which: current guarantee deposits received, remuneration owed to Directors, payables due to insurance companies, and the liability representing the valuation of put options held by minority shareholders in some of the Group subsidiaries.
"Payables due to social security and welfare institutions" relate to amounts owed to these institutions by Group companies and their employees.

[35] Current income tax liabilities

These liabilities amount to Euro 5,035 thousand and represent the amount payable by the Group for current income tax, stated net of taxes paid in advance, tax credits and withholding taxes.

[36] Other current provisions and liabilities

(thousands of Euro)	Provision for legal and tax risks	Other provisions	Total
Balance at 01.01.2010	**3,719**	**2,755**	**6,474**
Additions to provisions	549	4,134	4,683
Releases to income	(341)	(632)	(973)
Uses and other changes	(492)	(804)	(1,296)
Balance at 12.31.2010	**3,435**	**5,453**	**8,888**

This line item relates to the Group's provisions against legal and tax disputes or liabilities that it expects to be resolved or settled within one year. The provision at year end mainly refers to costs that the Group expects to incur under its current reorganization process and to liabilities for legal disputes in the process of being settled.

[37] Current portion of lease financing

This reports the portion of lease financing which is due within one year to the lessor.
The reconciliation between the present value of this liability and the minimum lease payments due to finance lease companies has been provided in the note relating to its non-current portion.

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

(thousands of Euro)	12.31.2010	12.31.2009
Loan from Ministry of Industry, Italian Law no. 46/1982	77	74
Other loans	206	164
Total	**283**	**238**

[39] Financial payables and bank loan

(thousands of Euro)	12.31.2010	12.31.2009
Financial payables due to banks	26,991	288,960
Negative differentials on forward exchange contracts	28,443	10,308
Other current financial liabilities	4,515	9,925
Financial payables due to third parties	222	1,485
Current account overdrafts	3,200	943
Total	**63,371**	**311,621**

Financial payables due to banks mainly refer to drawdowns against committed credit facilities of Euro 30 million, while nothing had been drawn at December 31, 2010 against uncommitted credit facilities.

The negative differentials on forward exchange contracts include the exchange rate component accruing on derivatives that hedge economic, transaction and translation risks as detailed below:

(thousands of Euro)	12.31.2010	12.31.2009
Economic exchange risk:		
- fair value hedges	3,589	4,153
- cash flow hedges	3,550	1,258
Total economic exchange risk	**7,139**	**5,411**
Transaction exchange risk:		
- fair value hedges	10,379	4,246
Translation exchange risk:		
- cash flow hedges	10,925	651
Total	**28,443**	**10,308**

The differentials arising from fair value hedges refer to exchange risk hedging instruments, the change in whose value is largely offset by the change in the underlying hedged item.
The differentials relating to cash flow hedges also refer to exchange rate risk management. The amounts recognized in the balance sheet represent the effect of hedging highly probable transactions such as future sales and purchases in currencies other than the Euro which will take place by the end of the following year. As a result, it is reasonable to believe that the related effect of hedging deferred in shareholders' equity in the "Fair value and hedging reserve" will be recognized in the statement of income in the next year.
Differentials from transactions hedging translation exchange risk include the balance sheet recognition of hedges outstanding at year end against net investments in foreign subsidiaries.
Details of the amounts reversed by the Group from reserves to the statement of income can be found in the "Consolidated statement of comprehensive income" included in the section containing the financial statements.
Other financial liabilities include the accruals and deferrals relating to financing operations as well as the time value component of derivatives.

Commentary on the statement of cash flows

Cash flow from operating activities before changes in working capital amounted to Euro 331,536 thousand in the year, compared with Euro 349,330 thousand in 2009, partly reflecting the deterioration in EBITDA. Changes in working capital used Euro 3,271 thousand in cash flow, having provided Euro 53,405 thousand in cash flow in 2009, and mostly reflect:

- an increase in trade receivables due to growth in sales in fast developing countries and particularly redefinition of the business model in India, combined with a marginal worsening of receivables turnover due to the continued tough credit conditions faced by certain customers, and the severe economic crisis affecting some countries around the Mediterranean;
- a decrease in inventories, reflecting the benefits of reorganizing production sources and the supply chain;
- an increase in trade payables as a result of higher purchases in fourth quarter 2010 than in the same period of 2009, and the benefits of actions to improve average supplier payment terms;
- an increase in other receivables and a decrease in other payables, particularly for sales taxes (VAT).

Cash flow used to pay taxes amounted to Euro 64,226 thousand (Euro 84,084 thousand in 2009).
Operating activities provided a total of Euro 255,589 thousand in cash flow versus Euro 295,515 thousand in the comparative year.
Cash flow used by investing activities amounted to Euro 122,182 thousand, compared with Euro 112,255 thousand in 2009, reflecting the more focused nature of the Group's investments, of which:

- Euro 96,765 thousand in the commercial network, mainly in markets such as Italy, the United States, Russia, Spain, Germany, Kazakhstan and Mongolia; priority was given to refurbishing and expanding existing stores, while the purchase of new buildings and commercial operations was pursued more selectively;
- Euro 18,116 thousand in investments in production, mostly relating to the logistics hub in Castrette (Italy), and to the replacement of specific production machinery;
- Euro 46,196 thousand in other investments, most of which for the purchase of a new aircraft after selling another for Euro 17,129 thousand. Of the investments in information technology, the most important were those for implementing the Unix system (Rehosting project), for developing certain modules of the SAP software and for purchasing Microsoft licenses;
- Euro 17,501 thousand in increases in payables for fixed assets.

Apart from the disposal of an aircraft for Euro 17,129 thousand, a total of Euro 11,545 thousand in commercial and production assets were also sold during the year.
The purchase of investments and business combinations includes the consideration paid to acquire the remaining 50% of Milano Report S.p.A. in May 2010.
"Operations in non-current financial assets" mostly refer to changes in guarantee deposits.
Cash flow used by financing activities includes the payment of Euro 39,637 thousand in dividends to the shareholders of Benetton Group S.p.A. and the payment of Euro 1,788 thousand in dividends to minority shareholders of two foreign subsidiaries.

Supplementary information

Financial position

Net debt amounted to Euro 485,752 thousand at the end of 2010, having decreased by Euro 70,520 thousand since December 31, 2009. It is analyzed as follows:

(thousands of Euro)	12.31.2010	12.31.2009	Change
Cash and banks	194,916	134,783	60,133
A Liquid assets	**194,916**	**134,783**	**60,133**
B Current financial receivables	**29,502**	**18,267**	**11,235**
Current portion of medium/long-term loans	(283)	(238)	(45)
Financial payables, bank loans and lease financing	(63,637)	(312,032)	248,395
C Current financial payables	**(63,920)**	**(312,270)**	**248,350**
D = A+B+C Current financial indebtedness	**160,498**	**(159,220)**	**319,718**
E Non-current financial receivables	**4,090**	**4,711**	**(621)**
Medium/long-term loans	(649,877)	(401,095)	(248,782)
Lease financing	(463)	(668)	205
F Non-current financial payables	**(650,340)**	**(401,763)**	**(248,577)**
G = E+F Non-current financial indebtedness	**(646,250)**	**(397,052)**	**(249,198)**
H = D+G Net debt	**(485,752)**	**(556,272)**	**70,520**

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 81,384 thousand relating to checks received from customers at the end of December 2010.

Financial payables, bank loans and lease financing:
This mostly consists of club deal and uncommitted credit facilities drawdowns, whose main features are summarized in the table below.

Committed credit facilities

Revolving credit facility with Banca Popolare di Vicenza dated December 17, 2009	
Amount	Euro 60 million
Duration	2009-2014
Cost	1/2/3/6 month Euribor + 150/250 basis points (A)
Financial covenants (B)	EBITDA/Net financial expenses: min 4 Net debt/EBITDA: max 3.5
Drawdown at 12.31.2010	Not drawn down

Revolving credit facility (club deal) with BNL, Cassa di Risparmio del Veneto, Credit Agricole, Mediobanca and UniCredit dated May 31, 2010	
Amount	Euro 150 million
Duration	2010-2015
Cost	1/2/3/6 month Euribor + 150/250 basis points [A]
Financial covenants [B]	EBITDA/Net financial expenses: min 4 Net debt/EBITDA: max 3.5
Drawdown at 12.31.2010	Not drawn down

Uncommitted credit facilities

Uncommitted credit facilities	
Amount	Euro 454 million
Cost	Interbank (or prime) rate + spread
Drawdown at 12.31.2010	Euro 30 million

Medium/long-term loans

Long-term loans	
Amount	Euro 100 million BNL (BNP Paribas group) Euro 150 million Intesa Sanpaolo S.p.A. Euro 150 million UniCredit Banca d'Impresa S.p.A.
Duration	2007-2012
Cost	1/2/3/6 month Euribor + 20/50 basis points [A]
Financial covenants [B]	EBITDA/Net financial expenses: min 4 Net debt/EBITDA: max 3.5
Drawdown at 12.31.2010	Euro 400 million

Loan (club deal) with BNL, Cassa di Risparmio del Veneto, Credit Agricole, Mediobanca and UniCredit dated May 31, 2010	
Amount	Euro 250 million
Duration	2010-2015
Cost	1/2/3/6 month Euribor + 150/250 basis points [A]
Financial covenants [B]	EBITDA/Net financial expenses: min 4 Net debt/EBITDA: max 3.5
Drawdown at 12.31.2010	Euro 250 million

[A] Depending on the ratio Net debt/EBITDA.
[B] Calculated every six months.

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 - 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
Share of income/(losses) of associated companies				(1)
Financial (expenses)/income				(19)
Net foreign currency hedging (losses)/gains and exchange differences				12
Income before taxes				168
Income taxes				65
Net income for the year attributable to the Group and minority shareholders				103
Depreciation and amortization	95	8	-	103
Other non-monetary costs (net impairment)	24	-	-	24
EBITDA	300	3	-	303
Total assets	2,788	178	(41)	2,925
Total liabilities	1,362	104	(39)	1,427
Capital employed	1,897	88	(1)	1,984
Total gross operating investments	159	2	-	161

Segment results - 2009

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	1,947	102	-	2,049
Inter-segment revenues	3	105	(108)	-
Total revenues	1,950	207	(108)	2,049
Cost of sales	1,027	188	(109)	1,106
Gross operating profit	923	19	1	943
Selling costs	143	7	-	150
Contribution margin	780	12	1	793
General and operating expenses	572	15	-	587
- of which non-recurring expenses/(income)	*20*	*3*	-	*23*
Operating profit	208	(3)	1	206
Share of income/(losses) of associated companies				2
Financial (expenses)/income				(20)
Net foreign currency hedging (losses)/gains and exchange differences				(2)
Income before taxes				186
Income taxes				68
Net income from continuing operations				118
Net income from discontinued operations				-
Net income for the year attributable to the Group and minority shareholders				118
Depreciation and amortization	94	9	-	103
Other non-monetary costs (net impairment)	21	-	-	21
EBITDA	323	6	1	330
Total assets	2,652	221	(46)	2,827
Total liabilities	1,321	94	(43)	1,372
Capital employed	1,873	141	(2)	2,012
Total gross operating investments	102	15	-	117

Apparel segment results

(millions of Euro)	2010	%	2009	%	Change	%
Revenues from third parties	1,948		1,947		1	-
Inter-segment revenues	4		3		1	28.6
Total revenues	1,952	100.0	1,950	100.0	2	0.1
Cost of sales	1,018	52.1	1,027	52.6	(9)	(0.9)
Gross operating profit	934	47.9	923	47.4	11	1.2
Selling costs	153	7.9	143	7.4	10	6.7
Contribution margin	781	40.0	780	40.0	1	0.1
General and operating expenses	600	30.7	572	29.3	28	4.9
- of which non-recurring expenses/(income)	*29*	*1.5*	*20*	*1.0*	*9*	*48.4*
Operating profit	181	9.3	208	10.7	(27)	(12.9)

Textile segment results

(millions of Euro)	2010	%	2009	%	Change	%
Revenues from third parties	105		102		3	2.8
Inter-segment revenues	81		105		(24)	(23.2)
Total revenues	186	100.0	207	100.0	(21)	(10.4)
Cost of sales	171	91.8	188	90.6	(17)	(9.2)
Gross operating profit	15	8.2	19	9.4	(4)	(22.0)
Selling costs	7	3.7	7	3.5	-	(6.4)
Contribution margin	8	4.5	12	5.9	(4)	(31.3)
General and operating expenses	13	7.0	15	7.5	(2)	(15.5)
- of which non-recurring expenses/(income)	*3*	*1.7*	*3*	*1.5*	-	*(0.2)*
Operating profit	(5)	(2.5)	(3)	(1.6)	(2)	(43.7)

The number of employees in each segment is detailed below:

	12.31.2010	12.31.2009	Period average
Apparel	7,978	7,896	7,937
Textile	1,491	1,615	1,553
Total	**9,469**	**9,511**	**9,490**

The reduction since December 31, 2009 is due to the reorganization taking place in the textile segment and to the smaller incidence of the direct channel in the apparel segment.

Information by geographical area

Revenues by geographical area and operating segment

(millions of Euro)	Italy	%	Rest of Europe	%	The Americas	%	Asia	%	Rest of the world	%	Total
Apparel	863	92.7	676	96.7	78	99.0	318	97.0	13	83.2	1,948
Textile	68	7.3	23	3.3	1	1.0	10	3.0	3	16.8	105
Total revenues 2010	**931**	**100.0**	**699**	**100.0**	**79**	**100.0**	**328**	**100.0**	**16**	**100.0**	**2,053**
Total revenues 2009	**974**		**704**		**70**		**286**		**15**		**2,049**
Change	(43)		(5)		9		42		1		4

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

Balance sheet information by geographical area - 2010

(thousands of Euro)	Italy	Rest of Europe	The Americas	Asia	Rest of the world	Total
Total assets	1,805,007	709,196	63,931	282,490	64,780	2,925,404
Gross operating investments	94,776	38,173	17,192	9,853	1,081	161,075

Assets are reported according to the geographical location of the related legal entity.

Balance sheet information by geographical area - 2009

(thousands of Euro)	Italy	Rest of Europe	The Americas	Asia	Rest of the world	Total
Total assets	1,769,758	678,198	50,528	266,441	62,561	2,827,486
Gross operating investments	61,929	33,345	7,790	13,124	382	116,570

Assets are reported according to the geographical location of the related legal entity.

Other information

Business combinations
On May 18, 2010 the Benetton Group acquired, through its subsidiary Bencom S.r.l., the remaining 50% of Milano Report S.p.A. for Euro 9,500 thousand, thus becoming owner of all this company's shares. The change in ownership interest does not in any way alter the Group's effective control of this company which has been consolidated line-by-line since the acquisition of the original 50% interest on the basis that most of the risks and rewards of the business were attributable to Benetton itself by virtue, amongst others, of the margins earned on sales. This means that the goodwill attributable to minority shareholders allocated to deferred commercial charges has been recognized in the Group's assets since the original acquisition in 2006.
Under IAS 27 (revised), the latest acquisition qualifies as an equity transaction which has no impact on the statement of income. As a result, Euro 218 thousand in minority interests in shareholders' equity have now become attributable to the Benetton Group.

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 Procedure 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.

The related details are shown below:

(thousands of Euro)	12.31.2010	12.31.2009
Property sales	-	17,250
Receivables	13,001	18,811
- of which for group tax election under Edizione S.r.l.	11,045	18,035
Payables	20,066	28,322
- of which for group tax election under Edizione S.r.l.	19,257	25,828
Purchases of raw materials	4,446	2,423
Other costs and services (*)	17,634	17,521
Compensation of key management personnel	3,673	3,480
Product sales	1,060	864
Revenue from services and other income	127	280

(*) Of which Euro 11,271 thousand in advertising and promotion costs, corresponding to 20.5% of total advertising costs in 2010 (Euro 10,768 thousand in 2009).

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 procedure for related party transactions. The Parent Company's management considers that such transactions have been conducted on an arm's-length basis.
It is reported that a transaction was completed during the month of July 2010 - approved by the Board of Directors of Benetton Group S.p.A. in accordance with the Group Procedure for related party transactions - which involved the subsidiary Benetton USA Corp. acquiring two commercial properties from Edizione Realty Corp., a related company. Two Benetton megastores were run and continue to be run out of both the properties acquired, which are located in New York and Washington DC respectively. In compliance with the Group Procedure for related party transactions, an appraisal was performed for each property by a leading international firm in this sector. The total purchase price was determined as USD 20 million (approximately Euro 16.3 million).

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 31,913 thousand in 2010, of which Euro 11,172 thousand relate to the Group's current reorganization plan, involving targeted actions in terms of production sources, supply chain efficiency and cost containment. These net non-recurring expenses are detailed as follows:

(thousands of Euro)	2010	2009
Other expenses and income		
- non-recurring other expenses/(income)		
- impairment of property, plant and equipment and intangible assets	24,160	20,907
- store early closure expenses	3,872	1,149
- compensation for early termination of a lease in 2008	-	(3,255)
- other net non-recurring income	(1,893)	-
- other reorganization costs	-	3,637
- redundancy incentives	8,931	6,445
- net gains on disposals of property, plant and equipment and intangible assets	(3,157)	(6,360)
Total non-recurring expenses	**31,913**	**22,523**

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.

Business combinations

Acquisitions of companies, carried out solely for the purpose of obtaining the ownership of properties, are not treated like business combinations.

Earnings

The key figures used for calculating basic and diluted earnings per share are as follows:

	12.31.2010	12.31.2009
Earnings used for calculating basic earnings per share (*)	102,073	121,650
Dilutive effects of potential ordinary shares (*)	-	-
Earnings used for calculating diluted earnings per share (*)	**102,073**	**121,650**
Weighted average number of ordinary shares used for calculating basic earnings per share	172,333,102	172,353,974
Dilutive effects of potential ordinary shares: stock option plan	-	-
Weighted average number of ordinary shares used for calculating diluted earnings per share	**172,333,102**	**172,353,974**

(*) In thousands of Euro.

Research cost

The costs incurred by the Group in 2010 for ongoing research and design activities involving the development of new articles and samples for new collections, both sold and manufactured, have been expensed in full to the statement of income in the amount of Euro 32 million compared with Euro 35 million in 2009.

Lease contracts

The Group has rented stores through its subsidiaries operating in different countries, usually under long-term lease contracts, in accordance with local legislation and customs. Early termination is usually only allowed for breach of contract. In specific cases local legislation also allows the tenant to rescind the contract early. The amount of rent is fixed but some contracts contain clauses allowing it to be raised or terms requiring the payment of increasing rents, on top of an established minimum, upon the achievement of predetermined sales volumes. The rental expense and income recognized in the statement of income in 2010 amount respectively to Euro 166,439 thousand (of which the variable portion is Euro 10,954 thousand) and Euro 75,094 thousand (of which Euro 58,392 thousand relating to sublets).

At the balance sheet date, the Group's future rental payments under non-cancelable lease contracts are as follows in each of the following periods:

(thousands of Euro)	12.31.2010
Within 1 year	160,292
Between 1 and 5 years	484,862
Beyond 5 years	408,235
Total	**1,053,389**

At the balance sheet date, the Group's future rental income under non-cancelable lease contracts is as follows in each of the following periods:

(thousands of Euro)	12.31.2010
Within 1 year	65,884
Between 1 and 5 years	121,559
Beyond 5 years	26,254
Total	**213,697**

Significant events following the close of the financial year

On January 31, 2011 Benetton Group S.p.A. signed with the Republic of Serbia and the city of Niš a memorandum of intent for possible cooperation in developing a new production center in the city of Niš. This would involve acquiring an industrial site comprising around 80,000 square meters in land and some 60,000 square meters in buildings.

The project will require that the Group invest some Euro 32 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.

Guarantees given, commitments and other contingent liabilities

(thousands of Euro)	12.31.2010
Unsecured guarantees given:	
- sureties	216,222
Commitments:	
- purchase commitments	3,750
- sale commitments	3,067
Total commitments	**6,817**
Total	**223,039**

The sureties mostly refer to payment obligations given to guarantee VAT credits offset within the Group.

Other commitments and rights

Benetton Korea Inc. (Korea)

Benetton Korea Inc. is a Korean company, of which 50% is owned by Benetton Japan Co., Ltd. (a company indirectly wholly-owned by Benetton Group S.p.A.), 15% by Mr. Chang Sue Kim (a natural person) and 35% by F & F Co., Ltd. (a Korean company controlled by Mr. Chang Sue Kim).
The shareholder agreement gives Benetton a call option and the Korean shareholders a put option over the latter's equity interests. These options can be exercised upon expiry of the partnership agreement, which has been renewed for another 5 years (2010-2015). Benetton can also exercise its call option if specific contract "termination" events should occur, primarily involving breach of contract.
The option exercise price is calculated using a formula based on shareholders' equity at the option exercise date and a perpetuity calculated on the basis of average net income in the previous two years. Upward or downward adjustments are made to the option exercise price, depending on the circumstances.
The estimated cost of the put option granted to the shareholders has been recognized in the Group's liabilities.

Benetton Giyim Sanayi ve Ticaret A.S. (Turkey)

Benetton International S.A. owns 50% of the shares in Benetton Giyim Sanayi A.S. (Turkey).
The shareholder agreement gives Benetton a call option over the remaining 50% of the shares which may be exercised in the event of strategic "deadlock" in its management or "breach" of contract. Likewise, Boyner Holding A.S., the other shareholder, has a put option over its 50% shareholding.
The exercise prices of these options are calculated as follows:
- in the event of "deadlock", Benetton shall pay a price for exercising its call option corresponding to the fair value of the shares plus a margin of 20%. Likewise, if Boyner Holding A.S. exercises its put option, the price receivable would be the fair value less 20%;
- in the event of "breach", the fair value of the shares shall be reduced by 30% for the party causing the breach.

The estimated cost of the put option granted to the other shareholder has been recognized in the Group's liabilities.

New Ben GmbH (Germany)

In October 2008 the Group reached an agreement through Benetton Retail Deutschland GmbH to purchase the shares from the four shareholders who own the other 50% of this company. Benetton Retail Deutschland GmbH and the four shareholders have given each other respectively a call option, to be exercised from 2011 until 2013, and a put option, to be exercised during 2013.
The estimated cost of the put option granted to the other shareholders has been recognized in the Group's liabilities.

Ben-Mode A.G. (Switzerland)

In May 2008 the Group acquired, through its subsidiary Bencom S.r.l., 10% of the shares in Ben-Mode A.G., a Swiss registered company which manages a megastore in Zurich. At the same time as the acquisition, an agreement was made with the shareholder who owns 80% of the shares, under which Bencom S.r.l. has a call option and the other shareholder a put option exercisable in 2013.
The estimated cost of the put option granted to the other shareholder has been recognized in the Group's liabilities.

Aerre S.r.l. (Italy)

In 2008, Olimpias S.p.A. acquired 49% of Aerre S.r.l. and 30% of its 50% subsidiary S.C. Anton Industries S.r.l. (Romania). The shareholder agreement between the Benetton Group's subsidiary and Aerre S.r.l. contains a reciprocal call and put option over 11% of the latter's shares between 2010 and 2012.
The estimated cost of the put option granted to the other shareholder has been recognized in the Group's liabilities.

Contingent liabilities

The Group has not recognized any provisions against an estimated amount of Euro 28.5 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 is evaluating whether to lodge an appeal with the highest Court of Appeal against these latest 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.

With reference to the alleged tax evasive nature of the formation of permanent establishments of Bencom S.r.l. abroad - already discussed in the note on "contingent liabilities" in previous consolidated financial statements - it is reported that, in view the arguments that led to the partial court settlement with the tax authorities in December 2010 of the assessment relating to tax year 2004, and the failure to dispute the same matter with the same subsidiary in the assessment for the following tax year (2005), the Group is reasonably confident that the reasons behind these disputes no longer apply.

Certification of the consolidated financial statements

The undersigned Biagio Chiarolanza and Franco Furnò as "Chief Executive Officers" and Alberto Nathansohn as "Manager responsible for preparing the financial reports" of Benetton Group S.p.A. attest, also taking account of paragraphs 3 and 4, art. 154-bis of Italian Legislative Decree 58 of February 24, 1998:
that the accounting and administrative processes for preparing the consolidated financial statements during the period January 1 - December 31, 2010

- have been adequate in relation to the enterprise's characteristics and
- have been effectively applied.

The adequacy of the accounting and administrative processes for preparing the consolidated financial statements at December 31, 2010 has been evaluated on the basis of the Internal Control - Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission which represents the internationally generally accepted standard model.

They also certify that

1. the consolidated financial statements:
   a. have been prepared in accordance with applicable international accounting standards recognized by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated July 19, 2002 and subsequent additions thereto;
   b. correspond to the underlying accounting records and books of account;
   c. have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union and with the measures implementing Italian Legislative Decree 38/2005, and are able to provide a true and fair view of the Issuer's balance sheet, results of operations and financial position and of all the companies included in the consolidation;
2. the directors' report contains a reliable analysis of performance and the results of operations, and of the Issuer's position and of all the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

March 15, 2011

Executive Director
Biagio Chiarolanza

Executive Director
Franco Furnò

Manager responsible for preparing the Company's financial reports
Alberto Nathansohn

Auditors' report

Auditors' report in accordance with articles 14 and 16 of Legislative Decree no. 39 of 27 January 2010

To the shareholders of
Benetton Group SpA

1. We have audited the consolidated financial statements of Benetton Group SpA and its subsidiaries ("Benetton Group") as of 31 December 2010 which comprise the statement of income, the statement of comprehensive income, the balance sheet, the Shareholders' equity – Statement of changes, the statement of cash flows and related explanatory notes. The directors of Benetton Group SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union , as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our audit opinion.
   For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference should be made to our report dated 6 April 2010.
3. In our opinion, the consolidated financial statements of the Benetton Group as of 31 December 2010 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, results of operations and cash flows of Benetton Group for the period then ended.
4. The directors of Benetton Group SpA are responsible for the preparation of a report on operations and a report on corporate governance and ownership structure in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Italian Legislative Decree No. 58/1998 presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by CONSOB. In our opinion, the report on operations and the information provided in compliance with paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Italian Legislative Decree No. 58/1998 included in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of Benetton Group SpA as of 31 December 2010.

Treviso, 4 April 2011
PricewaterhouseCoopers SpA
Signed by
Massimo Dal Lago
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation. We have not examined the translation of the financial statements referred to in this report.

Supplementary schedules

Schedules

The following schedules contain information which is additional to that shown in the explanatory notes to the consolidated financial statements, of which they form an integral part.

The information contained in the following schedules comprises:
- companies and groups included in the consolidation at December 31, 2010;
- production facilities;
- commercial buildings;
- information required by article 149-duodecies of the CONSOB Regulations;
- exchange rate table.

Companies and groups included in the consolidation at December 31, 2010

Company name	Location	Currency	Share capital	Group interest [1]
Companies and groups consolidated on a line-by-line basis:				
Parent Company				
Benetton Group S.p.A.	Ponzano Veneto (Tv)	Eur	237,482,715.60	
Italian subsidiaries				
Olimpias S.p.A.	Ponzano Veneto (Tv)	Eur	47,988,000	100%
_ Aerre S.r.l.	Vittorio Veneto (Tv)	Eur	15,000	49%
_ Filatura di Vittorio Veneto S.r.l.	Vittorio Veneto (Tv)	Eur	110,288	50%
_ Fynlab S.r.l. [2]	Ponzano Veneto (Tv)	Eur	100,000	100%
Benetton Retail Italia S.r.l.	Ponzano Veneto (Tv)	Eur	5,100,000	100%
Bentec S.p.A.	Ponzano Veneto (Tv)	Eur	12,900,000	100%
Fabrica S.p.A.	Ponzano Veneto (Tv)	Eur	4,128,000	100%
Società Investimenti e Gestioni Immobiliari (S.I.G.I.) S.r.l.	Ponzano Veneto (Tv)	Eur	36,150,000	100%
Benind S.p.A.	Ponzano Veneto (Tv)	Eur	26,000,000	100%
_ La Cantina delle Nostre Ville Venete - Società Agricola a r.l.	Ponzano Veneto (Tv)	Eur	110,000	100%
_ Benair S.p.A.	Ponzano Veneto (Tv)	Eur	1,548,000	100%
Bencom S.r.l.	Ponzano Veneto (Tv)	Eur	150,000,000	100%
_ Ponzano Children S.r.l.	Ponzano Veneto (Tv)	Eur	110,000	100%
_ Milano Report S.p.A.	Milan	Eur	1,000,000	100%
Foreign subsidiaries				
_ S.C. Anton Industries S.r.l.	Arad	Ron	1,162,460	54.5%
_ Olimpias Tunisia S.à r.l.	La Marsa	Tnd	100,000	100%
Benetton USA Corp.	Wilmington	Usd	215,654,000	100%
_ Benetton Russia O.O.O.	Moscow	Rub	473,518,999	100%
Benetton Holding International N.V. S.A.	Amsterdam	Eur	92,759,000	100%
_ Benetton International S.A.	Luxembourg	Eur	133,538,470	100%
_ Benetton Mexicana S.A. de C.V.	Mexico City	Mxn	297,000,405	100%
_ Benetton Ungheria Kft.	Nagykálló	Eur	89,190	100%
_ Benetton India Pvt. Ltd.	Gurgaon	Inr	2,900,000,000	100%
_ Benetton Canada Inc.	Montréal	Cad	7,500,000	100%
_ Benetton Industrielle Tunisie S.à r.l. [4]	Gafsa	Tnd	2,000,000	100%
_ Benetton Retail Deutschland GmbH	Frankfurt am Main	Eur	2,000,000	100%
_ New Ben GmbH	Frankfurt am Main	Eur	5,000,000	50%
_ Benetton Trading Ungheria Kft.	Nagykálló	Huf	50,000,000	100%
_ Benetton Retail (1988) Ltd.	London	Gbp	61,000,000	100%
_ Benetton Retail Spain S.L.	Barcelona	Eur	10,180,300	100%
_ Benetton 2 Retail Comércio de Produtos Têxteis S.A.	Porto	Eur	500,000	100%
_ S.C. Benrom S.r.l.	Miercurea Sibiului	Ron	1,416,880	100%
_ Benetton Manufacturing Tunisia S.à r.l.	Sahline	Tnd	700,000	100%
_ Benetton Commerciale Tunisie S.à r.l.	Sousse	Tnd	2,429,000	100%
_ Benetton Tekstil D.O.O.	Labin	Hrk	155,750,000	100%
_ Benetton Denmark A.p.S.	Copenhagen	Dkk	125,000	100%
_ United Colors Communication S.A.	Paradiso	Chf	1,000,000	100%
_ Benetton Trading Taiwan Ltd.	Taipei	Twd	115,000,000	100%
_ Benetton Giyim Sanayi ve Ticaret A.S.	Istanbul	Try	7,000,000	50%

Company name	Location	Currency	Share capital	Group interest [1]
_ Benetton International Kish P.J.S.C.	Kish Island	Irr	100,000,000	100%
_ Benetton Trading USA Inc.	Lawrenceville	Usd	959,147,833	100%
_ Lairb Property Ltd.	Dublin	Eur	260,000	100%
_ Benetton Pars P.J.S.C.	Tehran	Irr	50,000,000	100%
_ Benetton Retail Poland Sp. z o.o.	Warsaw	Pln	4,900,000	100%
_ Benetton Japan Co., Ltd.	Tokyo	Jpy	400,000,000	100%
_ Benetton Korea Inc.	Seoul	Krw	2,500,000,000	50%
_ Benetton Asia Pacific Ltd.	Hong Kong	Hkd	41,400,000	100%
_ Shanghai Benetton Trading Co. Ltd.	Shanghai	Usd	25,000,000	100%
_ Benlim Ltd.	Hong Kong	Hkd	16,000,000	100%
_ Shanghai Sisley Trading Co. Ltd.	Shanghai	Cny	10,000,000	100%
Benetton Realty France S.A.	Paris	Eur	94,900,125	100%
Benetton Australia Pty. Ltd.	Hawthorn	Aud	500,000	100%
_ Ben-Mode A.G.	Zurich	Chf	500,000	10%
Benetton International Property N.V. S.A.	Amsterdam	Eur	17,608,000	100%
_ Benetton Real Estate International S.A.	Luxembourg	Eur	116,600,000	100%
_ Real Estate Russia Z.A.O.	Moscow	Rub	10,000	100%
_ Benetton Real Estate Austria GmbH	Wien	Eur	2,500,000	100%
_ Benetton Realty Portugal Imobiliaria S.A.	Porto	Eur	100,000	100%
_ Real Estate Ukraine L.L.C.	Kiev	Usd	7,921	100%
_ Kaliningrad Real Estate Z.A.O.	Moscow	Rub	10,000	100%
_ Benetton Istanbul Real Estate Emlak Yatirim ve Insaat Ticaret Limited Sirketi	Istanbul	Try	34,325,000	100%
_ Benetton Services S.A. de C.V.	Mexico City	Mxn	50,000	100%
_ Benetton Realty Sukhbaatar L.L.C.	Ulaanbaatar	Mnt	115,000	100%
_ Hotel Union L.L.C.	Pristina	Eur	3,200,000	100%
_ Kazan Real Estate Z.A.O.	Moscow	Rub	10,000	100%
_ Benetton Real Estate Belgique S.A.	Bruxelles	Eur	14,500,000	100%
_ Real Estate Latvia L.L.C.	Riga	Lvl	630,000	100%
_ Benetton Real Estate Kazakhstan L.L.P.	Almaty	Kzt	62,920,000	100%
_ Property Russia Z.A.O.	Moscow	Rub	10,000	100%
_ Benetton France S.à r.l.	Paris	Eur	99,495,712	100%
_ Benetton France Commercial S.A.S.	Paris	Eur	10,000,000	100%
_ Benetton Realty Spain S.L.	Barcelona	Eur	15,270,450	100%
Investments in subsidiary companies carried at cost [5]:				
_ Anton Industries Macedonia L.L.C. [4]	Skopje	Eur	10,000	54.5%
_ Benetton De Commerce International Tunisie S.à r.l. [4]	Sahline	Tnd	150,000	100%
_ Benetton Beograd D.O.O. [3]	Belgrade	Eur	500	100%
Bensec S.c. a r.l.	Ponzano Veneto (Tv)	Eur	110,000	78%
_ Benetton Real Estate CSH S.r.l. [3]	Chisinau	Mdl	30,000	100%
_ Benetton Realty Netherlands N.V. [2]	Amsterdam	Eur	45,000	100%
_ Benetton Real Estate Azerbaijan L.L.C. [3]	Baku	Usd	130,000	100%

(1) Not including the interest relating to put options.
(2) In liquidation.
(3) Non-operative.
(4) Recently established company.
(5) At cost since fair value cannot be determined (unlisted companies).

Production facilities

The facilities in which the Group carries out its production activities are as follows:

Location	Core business/Production
Castrette, Italy	Packaging, distribution and logistics
Prato, Italy	Wool spinning
Caserta, Italy	Wool spinning
Valdagno, Italy	Wool spinning and dyeworks
Travesio, Italy	Weaving factory
Soave, Italy	Dyeworks
Ponzano Veneto, Italy	Laundry, dyeworks, weaving and production of fabrics
Vittorio Veneto, Italy	Spinning works
Vittorio Veneto, Italy	Wool and cotton apparel
Osijek, Croatia	Wool apparel, weaving, dyeworks
Labin, Croatia	Wool apparel, weaving
Navrangpur (Gurgaon), India	Cotton apparel
Sahline, Tunisia	Cotton and woven apparel, cutting, dyeworks and treatment; fabric production
Kasserine, Tunisia	Cotton and woven apparel, cutting
Sibiu, Romania	Wool apparel
Arad, Romania	Dyeworks, fastening and sewing
Iasi, Romania	Cotton and woven apparel, cutting and printing
Nagykálló, Hungary	Cotton and woven apparel

Retired production facilities held for sale
Gorizia, Italy
Piobesi Torinese, Italy
Grumolo delle Abbadesse, Italy
Follina, Italy
Prato, Italy

Commercial buildings

The net book value of commercial buildings in each country is as follows:

(thousands of Euro)	12.31.2010	12.31.2009
Italy	166,115	158,422
East European and ex Soviet Union countries	148,541	136,371
France	106,151	106,136
Spain	65,886	66,709
Japan	41,509	34,109
Portugal	28,318	21,884
Iran	15,796	18,519
Turkey	17,750	17,346
Belgium	17,577	17,909
Austria	15,444	15,642
USA	15,412	-
India	10,218	9,113
Kosovo	3,838	3,613
Switzerland	2,143	2,191
Mongolia	1,984	-
Total	**656,682**	**607,964**

Information required by article 149-duodecies of the CONSOB Regulations

PricewaterhouseCoopers S.p.A. will be responsible for auditing the Benetton Group's financial statements until the year ended December 31, 2012. The fees incurred in the year for auditing and other services provided by this firm are summarized below:

(thousands of Euro)	2010
Audit fees:	
- Benetton Group S.p.A.	49
- subsidiaries	1,473
Total audit fees	**1,522**
Other services (*):	
- subsidiaries	140
Total fees	**1,662**

(*) Other services mostly refer to tax advice.

Exchange rate table

The principal exchange rates used at December 31, 2010 are listed below.

		Exchange rates at 12.31.2010	Average exchange rates in 2010
Gbp	British Pound	0.86075	0.85784
Jpy	Japanese Yen	108.65000	116.23856
Usd	US Dollar	1.33620	1.32571
Hkd	Hong Kong Dollar	10.38560	10.29938
Cny	Chinese Renminbi	8.82200	8.97123
Inr	Indian Rupee	59.75800	60.58782
Krw	Korean Won	1,499.06000	1,531.82116
Rub	Russian Rouble	40.82000	40.26294

Glossary

Style and operations

Collection structure
This refers to the composition of a collection in terms of its segments, which may differ in products, size, goals and timing. Given the different characteristics and positioning of the Benetton brands, the collection structure may vary from brand to brand and from collection to collection, in order to ensure the required flexibility for an optimal response to market requirements.

Color Project
This is an advanced system, one of the first in the world, able to guarantee scientifically that a certain shade is faithfully reproduced on different types of fabric.

Commercial network
Benetton Group commercial network includes stores mainly managed by independent partners for the distribution of Benetton products in 120 countries. The relationship with the partners consists in the sale of goods and the authorization to use the brand name, free of charge, as signage in the stores.

Corner
Display area fitted out using a specific concept, developed to bring out a collection's key features.

Evergreen collection
This is a collection consisting of a very select range of articles that clearly communicate the brand's personality, while defining its values and market positioning. Articles therefore remain in the collection for at least 18 months.
Replenishable on-line.

Lead time
Time period from the collection of the orders to the products shipment.

Manufacturing delocalization
Benetton Group works throughout the world in the search for specific competencies and international industrial districts in which to take its know-how, so as to guarantee the quality of products and the satisfaction of customers. As such, manufacturing has evolved into a "network of skills", which depends on the best industrial capabilities available in the international marketplace.

Mature markets
These are the areas in Continental Europe where the Benetton Group boasts a historic presence and where new consumer segments can be reached thanks to growing diversification of the products offered by our brands.

Reassortments
Reassortments include replenishments of products included in the collection, mainly in terms of colors and sizes.

Sisley Young
A brand dedicated to children aged 8 to 12 with a heavy emphasis on fashion.

Store Concept
A store where the consumer can experience the brand identity, thanks to a specific choice of materials, lighting and fittings designed specially for the different brands (Twins for UCB, System for UCB Kids, Esagram for Sisley, Academy for Playlife) and particular types of merchandise (Accessories, UCB Man, Benetton Baby, Sisley Young).

Time to market
Time period from the idea and design of the products to the arrival on the market (delivery to stores).

Administration and finance

Business combination
The bringing together of separate entities or businesses into one for the purposes of financial reporting.

Capital employed
It is used to indicate the total resources employed and includes the following: working capital, property, plant and equipment and intangible assets, assets held for sale, equity investments and other assets and liabilities.

CGU
Acronym for Cash Generating Unit. This is the smallest identifiable group of company assets that generates cash inflows that are independent of the cash inflows from other assets.

Dividend yield
Ratio between the last dividend per share paid and the price per share. This ratio is used as immediate expression of the stock return. For Benetton Group dividend yield, see Key performance indicators, where the ratio is calculated as dividend paid (referred to the previous year) and price at period end.

EBITDA
Acronym for Earnings Before Interest, Taxes, Depreciation and Amortization, EBITDA is a measurement of operating profit before non-monetary items and is equal to operating income (EBIT) plus depreciation, amortization, and other non-monetary costs.

EPS
Acronym for Earnings Per Share. The EPS indicates the ratio between net income/(loss) for the year and number of shares outstanding.

EV
Acronym for Enterprise Value, value of the company: EV represents the sum between market capitalization and net debt.

EVA
Acronym for Economic Value Added. This performance indicator is calculated as a difference between NOPAT and average cost of capital employed, which is intended as capital employed multiplied by WACC (Weighted Average Cost of Capital). EVA therefore represents a measure of residual operating profitability, i.e. net of the return on capital employed.

Fair value
Fair value is the amount for which an asset could be exchanged, or a liability extinguished, in an arm's-length transaction between knowledgeable, willing parties.

Free cash flow
This item on the statement of cash flows represents the sum of cash flows generated by operating and investing activities.

Gross operating profit
This item on the statement of income by function of cost is equal to revenues less materials and subcontracted work, payroll and related costs, industrial depreciation and amortization, and other manufacturing costs.

IAS/IFRS
Acronyms for International Accounting Standards and International Financial Reporting Standards, respectively, adopted by Benetton Group.

Impairment testing
The activity by which the Group determines whether there is, as of the closing date of each financial reporting period, objective evidence that an asset has undergone a long-term loss in value, including a measurement of the asset's recoverable value.

Net debt
This balance sheet item summarizes the Group's financial position and includes:
- financial liabilities: bank loans and overdrafts, bonds, short-term financial payables, medium/long-term loans (short and long-term portions), lease financing (short and long-term portions);
- financial assets: cash and banks, securities, financial receivables (short and medium/long-term).

This item complies with recommendations by CESR (Committee of European Securities Regulators) and CONSOB (Italy's securities regulator).

Net investment/(divestment)
Investments in and divestments of property, plant and equipment, intangible assets, equity investments, and other net non-operating investments.

NOPAT
Acronym for Net Operating Profit After Taxes.
This is calculated as operating profit less the tax that pertains to it.

Operating investments
Investments in property, plant, and equipment and intangible assets excluding those allocated to property, plant, and equipment or intangible assets as a result of business combinations.

Pay out ratio
Ratio between dividends and net income/(loss) for the year which represents the percentage of net income distributed to the shareholders as dividend.

Revenues
This statement of income item includes: sales of core products, miscellaneous sales, royalty income, and other revenues, less discounts.

ROE
Acronym for Return On Equity, which represents the ratio between net income/(loss) for the year and average shareholders' equity. The ROE measures the return on shareholders' equity after remunerating the other sources of capital and indicates the return for the shareholders.

ROIC
Acronym for Return On Invested Capital, which represents the ratio between operating profit and average capital employed. The ROIC measures the return on the capital employed to service both shareholders and creditors.

WACC
Acronym for Weighted Average Cost of Capital, WACC represents the average cost of the different sources of capital of the company, both as debt and equity. WACC is commonly used as discount rate for the operating cash flow of a company and to calculate EVA.

Working capital
It is used to indicate the capital used in the company's ordinary operations and includes trade receivables, inventories, and the net of other receivables and payables, less trade payables.

Market

ADR
Acronym for American Depositary Receipt. The ADR is a negotiable certificate that represents ownership of shares in a non-US company. In 1989 Benetton Group was listed on the New York Stock Exchange, NYSE, through a Level III Program. Each Benetton ADR represents two Benetton ordinary shares. On September 12, 2007 the Parent Company's Board of Directors decided to request the voluntary delisting and deregistration of the ADS quoted on the NYSE. The delisting/deregistering of the Benetton stock from the New York Stock Exchange came into effect on January 21, 2008, as a result of which the company's ADRs have been kept under a Level I program.

ADR – Level I Program
The Benetton Group's ADRs continue to be traded on the Over-the-Counter (OTC) market.

CUSPID
Acronym for Committee on Uniform Securities and Identification Procedures, standards body which creates and maintains a classification system for securities. The Cuspid is a nine-character number that uniquely identifies a particular security in the US. Benetton Group ADR CUSPID is 081795403.

Free float
Percentage of shares in a listed company that are freely available to the investing public, meaning they are not held by a strategic reference shareholder.
In the case of Benetton Group, Edizione S.r.l., a company entirely under the control of the Benetton family, is regarded as the reference shareholder.

ISIN
Acronym for International Securities Identification Number, a unique international code which identifies a securities issue. Each country has a national numbering agency which assigns ISIN numbers for securities in that country. Benetton ordinary shares ISIN is IT0003106777.

Issuer or the Company or the Parent Company
Benetton Group S.p.A.

SEDOL
Acronym for Stock Exchange Daily Official List number, a code used by the London Stock Exchange to identify foreign stocks (London Stock Exchange). Benetton Group ordinary shares Sedol is 7128563, while for Benetton Group ADR it is 2091671.

Corporate Governance

Board of Directors
Main governing body for the administration of a company. The functionality of the Board of Directors is disciplined by the Statutory Report of the company itself.
The Board of Directors of Benetton Group S.p.A. is invested with the widest possible powers for the ordinary and extraordinary administration of the Company. The Board of Directors can delegate its powers to one or more of the Directors who will exercise them, jointly or severally, in conformity with decisions taken by the Board of Directors. The Board of Directors may also entrust part of its authority to an Executive Committee made up of certain Board members.

Board of Statutory Auditors
Internal body of a company, which is responsible for the control of the company management activities. The Statutory Auditors monitor the compliance of the other governing bodies, in particular the Board of Directors, with the law and the statutory report. Benetton Board of Statutory Auditors consists of three standing members and two alternate members, who can be re-appointed. The members remain in office for three financial years to the date of the Shareholders' Meeting for the approval of the latest financial year results.

Code
The Corporate Governance Code for listed companies approved in March 2006 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A. (the Italian Stock Exchange).

Code of Ethics
Official document adopted by the Company and its direct and indirect subsidiaries, which contains a set of principles guiding the conduct of the Group's business and that of the parties who operate on its behalf.

CONSOB Issuer Regulations
The Regulations for issuers, published by CONSOB (Italy's Stock Exchange Commission) in its resolution 11971/1999 and subsequent amendments thereto.

CONSOB Market Regulations
The Regulations for markets, issued by CONSOB in its resolution 16191/2007 and subsequent amendments thereto.

Corporate Governance
Set of rules and relations referring to the company administration, ownership structure and management efficiency to reach the company targets.

Instructions accompanying the Stockmarket Regulations
The Instructions accompanying the Regulations of Markets organized and managed by Borsa Italiana S.p.A.

Report
The Corporate Governance Report that listed companies are required to prepare under art. 123-bis of TUF and art. 89-bis of the CONSOB Issuer Regulations.

Stock option plan
Document which governs the award of stock options for the subscription of shares at a predetermined price (exercise price) at or by a certain date (Vesting period).
In September 2004, Benetton Board of Directors, in application of the powers authorized by the Extraordinary Shareholders' Meeting, approved a capital increase to service a stock option plan for Benetton top management, subject to achievement of the objectives for creation of accumulated value envisaged in the 2004-2007 Guidelines. In September 2006, the first tranche of options under the Plan was allocated to management, while it was also agreed to cancel the second tranche.

Stockmarket Regulations
The Regulations of Markets organized and managed by Borsa Italiana S.p.A.

TUF
Italian Legislative Decree no. 58 of February 24, 1998 (Italy's Consolidated Law on Finance).

Corporate information

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