Nine Months 2009

UNITED COLORS OF BENETTON.

Board of Directors approves the 9 months results

BENETTON GROUP CONSOLIDATED REVENUES 1,491 MILLION EURO

- **The strong third quarter revenues performance (+13.1%) benefited, as expected, from the rescheduling of shipments decided in the previous quarter**
- **Benetton Group nine month revenues substantially in line with the excellent results of the corresponding period of 2008: -2.8% (-2.1% currency neutral)**
- **Margins maintained by careful cost control, offsetting the negative currency impact**
- **Investments of over €100 million focussed on commercial growth and production activities**
- **Significant increase in cash flows: over €200 million reduction in cash flow absorption**
- **Net debt in line with the previous year, with improvements expected by the year end.**

Ponzano, November 12, 2009 – The Benetton Group Board of Directors examined and approved the consolidated results for the first nine months of 2009 and reviewed progress made in the achievement of the objectives set out in the reorganization plan.

Consolidated income statement

Group **net revenues** for the first nine months of 2009 were €1,491 million, marginally down (-2.8%) against the reference period of 2008 (-2.1 % currency neutral). As already announced, the rescheduling of deliveries decided at the end of the first half year in order to match seasonality and provide improved service to clients, was fully recovered during the third quarter of the year.
Revenue performance was substantially maintained despite the deterioration in foreign currencies against the euro as well as product mix. In the period, on the other hand, the opening of more directly operated stores had a positive effect.

Textile segment sales increased by €10 million to €78 million, while Apparel sales were €1,413 million, €53 million lower than in the first nine months of 2008. Apparel sales included €324 million (+ €12 million) attributable to direct sales, while €1,089 million were generated in the wholesale channel (-€65 million).

In established markets, satisfactory performance was achieved by: Italy, the main Group market, France, Greece and Nordic countries; with a slowdown in the Iberian peninsula and continental Europe.
In emerging markets, which grew overall by 13%, currency neutral, particularly positive performance was achieved in India and China. In India, there was in fact a further acceleration in growth due to continued improvement in comparable performance and to growth in department stores in prime locations. In China, comparable

performance was positive in the third quarter and for the year to date, due to the completion of the initial phase of refocusing and closure of sales outlets, accompanied by the first new openings in locations of strategic interest.
In Mexico, market development has been focussed on both the direct network and department stores, where further acceleration is planned with the opening of 50 new corners for the winter season.
In Turkey, the market is contracting due to weakness of consumption and of the currency. Benetton's well-established presence benefits from high brand visibility; the latter was further increased by the recent opening of an important flagship store in the centre of Istanbul.
Finally, there was a downturn in volumes in the Russian market due to the strong impact of the economic crisis; however, the Benetton Group remains committed to seizing development opportunities in this important market.

Gross operating profit, amounting to €680 million, reduced in absolute value (-€29 million), due to a different mix and, to an important extent, to the currency impact.
It should be mentioned that the margin (45.6% of revenues), net of the currency impact, increased by over 100 basis points, with a percentage of sales which rose to 47.3% from 46.2% in the first nine months of 2008. In fact, in the period, improved efficiencies of €43 million were achieved in the industrial and sourcing area, including €24 million resulting from actions identified in the reorganization plan.

The **contribution margin** was €571 million (38.3% of revenues), down compared with €597 million in the corresponding period of 2008 (38.9%). Lower distribution costs were important elements in this respect.

The aggressive actions pursued at the beginning of 2009 to reduce **general and administrative expenses** generated savings in the first nine months of the year of €16 million, in the areas of general expenses, third party and consultancy services, and advertising due to lower rates. These initiatives counterbalanced the expected increase in payroll and rental costs, associated with the opening of directly operated stores, and in depreciation and amortization, as a result of investments completed in previous periods. These included investments relative to expansion of the Castrette logistics centre.

Non-recurring items worsened by a total of €22 million (from an income of around €7 million in 2008 to a cost of €15 million in 2009), mostly linked to reorganization costs.

As a result, **operating profit (EBIT)**, **net of non-recurring items and currency impacts**, was in line with the number reported for the same period in the previous year (€175 million in the first nine months of 2008, against €170 million in 2009). Reorganization plan actions already taken impacted positively by €40 million on this level of profit.
EBIT was €134 million, compared with €182 million in the corresponding period of 2008, due to the negative effect of foreign currency trends for €21 million (with corresponding hedging income to

which reference is made in the next paragraph) and increased non-recurring expenses of €22 million.

Financial management highlights were: a significant reversal in the trend of results for foreign currency hedging, which produced €2 million of profit, compared with a loss of over €9 million in the corresponding period of 2008, partially compensating for the negative impact of currencies, mentioned above, on revenues and costs; and also a significant improvement in net financial expenses due to the effect of lower interest rates, in the presence of an increase in average indebtedness in the nine months.

Net income, finally, was €82 million (5.5% of revenues), compared with €109 million (7.1%) in the corresponding period of 2008. The increase in the Group tax rate in the period should be noted.

Consolidated financial situation

Capital employed increased by €146 million, compared with December 31, 2008, in line with the cyclical nature of the business and due to the change in working capital. The latter (€845 million) was lower than at September 30, 2008 (€849 million) due to the reduction in finished product inventories.

Net debt at September 30, 2009 was €819 million, substantially in line with values on the same date in 2008, revealing a large reduction in cash flow absorption since the start of the year, compared with the reference period in the previous year. A further improvement of indebtedness, also compared with the end of 2008, is expected in accordance with the seasonality of the business.

Summary of consolidated cash flows

Cash flow generated by operating activities improved, totalling €31 million overall, as opposed to a negative amount of €36 million in the comparable period; this growth mainly resulted from the reduced absorption of working capital.

In the first nine months of 2009, Group **net investments** were €107 million compared with €183 million in the corresponding period of 2008. Investments for the commercial network predominated, for an amount of €73 million; actions for the renovation and expansion of stores were given preference. The thrust to develop production investments also continued in the nine months, with expenditure of over €23 million (€37 million in 2008).

Free cash flow improved as a result, from a requirement of €219 million in the first nine months of 2008 to one of €76 million in 2009.
Total cash absorption in the nine months of 2009 was €129 million, after payment of the dividend in May, a sharp improvement compared

with a total absorption of €346 million in the corresponding period of 2008.

Commenting on the results for the period, Benetton Group CEO Gerolamo Caccia Dominioni, stated: "**the nine month results strenghten our confidence in the choices made in the reorganization process under way in the company. Benetton can always count on the force of a high quality product, a strong brand and a constant drive to invest. Additionally, the company has put in place incisive actions, particularly in respect of cost containment and financial management. On the basis of the good results in the first nine months, and in the absence of positive signals on the macroeconomic front, we expect to confirm revenues for the full year substantially in line with the 9 months trend. Due to higher than expected savings, we will ensure satisfactory profitability. Positive cash generation will result, by the end of the year, in lower indebtedness than at December 2008**".

Benetton Group consolidated results

(unaudited)

Consolidated statement of income

(millions of Euro)	Nine months 2009	%	Nine months 2008	%	Change	%	Full year 2008	%
Revenues	**1,491**	**100.0**	**1,534**	**100.0**	**(43)**	**(2.8)**	**2,128**	**100.0**
Materials and subcontracted work	707	47.4	713	46.5	(6)	(0.8)	997	46.9
Payroll and related costs	64	4.3	67	4.3	(3)	(4.8)	88	4.2
Industrial depreciation and amortization	12	0.8	12	0.8	-	(2.3)	16	0.8
Other manufacturing costs	28	1.9	33	2.2	(5)	(14.6)	45	2.0
Cost of sales	**811**	**54.4**	**825**	**53.8**	**(14)**	**(1.7)**	**1,146**	**53.9**
Gross operating profit	**680**	**45.6**	**709**	**46.2**	**(29)**	**(4.1)**	**982**	**46.1**
Distribution and transport	46	3.1	46	3.0	-	(0.6)	66	3.0
Sales commissions	63	4.2	66	4.3	(3)	(4.2)	89	4.2
Contribution margin	**571**	**38.3**	**597**	**38.9**	**(26)**	**(4.3)**	**827**	**38.9**
Payroll and related costs	127	8.5	124	8.1	3	1.9	168	7.9
Advertising and promotion	39	2.7	46	3.0	(7)	(14.4)	61	2.9
Depreciation and amortization	66	4.4	61	4.0	5	8.3	84	3.9
Other expenses and income	205	13.7	184	11.9	21	11.7	260	12.3
- of which non-recurring expenses/(income)	*15*	*1.0*	*(7)*	*(0.5)*	22	*n.s.*	*(1)*	*n.s.*
General and operating expenses	**437**	**29.3**	**415**	**27.0**	**22**	**5.3**	**573**	**27.0**
- of which non-recurring expenses/(income)	*15*	*1.0*	*(7)*	*(0.5)*	22	*n.s.*	*(1)*	*n.s.*
Operating profit (*)	**134**	**9.0**	**182**	**11.9**	**(48)**	**(26.4)**	**254**	**11.9**
Share of income/(losses) of associated companies	2	0.1	-	-	2	n.s.	-	-
Financial (expenses)/income	(17)	(1.1)	(28)	(1.8)	11	(37.7)	(41)	(1.9)
Net foreign currency hedging (losses)/gains and exchange differences	2	0.1	(9)	(0.6)	11	n.s.	(1)	n.s.
Income before taxes	**121**	**8.1**	**145**	**9.5**	**(24)**	**(16.7)**	**212**	**10.0**
Income taxes	39	2.6	36	2.4	3	8.8	56	2.7
Net income from continuing operations	**82**	**5.5**	**109**	**7.1**	**(27)**	**(25.1)**	**156**	**7.3**
Net income from discontinued operations	-	-	1	0.1	(1)	n.s.	1	0.1
Net income for the period attributable to:	82	5.5	110	7.2	(28)	(25.6)	157	7.4
- shareholders of the Parent Company	**82**	**5.5**	**109**	**7.1**	**(27)**	**(24.9)**	**155**	**7.3**
- minority interests	-	0.0	1	0.1	(1)	n.s.	2	0.1

(*) Trading profit was 149 million, representing 10.0% of revenues (175 million in first nine months 2008, representing 11.4% of revenues, and 254 million in full year 2008 representing 11.9% of revenues).

(millions of Euro)	3rd quarter 2009	%	3rd quarter 2008	%	Change	%
Revenues	**609**	**100.0**	**538**	**100.0**	**71**	**13.1**
Materials and subcontracted work	299	49.2	254	47.2	45	17.8
Payroll and related costs	19	3.1	22	4.0	(3)	(13.0)
Industrial depreciation and amortization	4	0.6	4	0.8	-	(7.9)
Other manufacturing costs	8	1.3	11	2.1	(3)	(30.3)
Cost of sales	**330**	**54.2**	**291**	**54.1**	**39**	**13.3**
Gross operating profit	**279**	**45.8**	**247**	**45.9**	**32**	**12.9**
Distribution and transport	16	2.7	16	3.0	-	2.5
Sales commissions	28	4.5	24	4.3	4	17.8
Contribution margin	**235**	**38.6**	**207**	**38.6**	**28**	**13.2**
Payroll and related costs	39	6.4	40	7.5	(1)	(3.0)
Advertising and promotion	12	2.0	13	2.5	(1)	(12.9)
Depreciation and amortization	23	3.7	21	3.9	2	8.7
Other expenses and income	70	11.5	67	12.4	3	5.6
- of which non-recurring expenses/(income)	*5*	*0.8*	*1*	*0.1*	*4*	*n.s.*
General and operating expenses	**144**	**23.6**	**141**	**26.3**	**3**	**1.8**
- of which non-recurring expenses/(income)	*5*	*0.8*	*1*	*0.1*	*4*	*n.s.*
Operating profit (*)	**91**	**15.0**	**66**	**12.3**	**25**	**37.3**
Financial (expenses)/income	(5)	(0.8)	(11)	(2.1)	6	(53.4)
Net foreign currency hedging (losses)/gains and exchange differences	(2)	(0.4)	(2)	(0.3)	-	19.4
Income before taxes	**84**	**13.8**	**53**	**9.9**	**31**	**56.8**
Income taxes	28	4.7	15	2.6	13	95.4
Net income from continuing operations	**56**	**9.1**	**38**	**7.3**	**18**	**42.5**
Net income from discontinued operations	-	-	-	(0.1)	-	n.s.
Net income for the period attributable to:	56	9.1	38	7.2	18	43.6
- shareholders of the Parent Company	**54**	**8.8**	**37**	**7.0**	**17**	**42.9**
- minority interests	2	0.3	1	0.2	1	62.1

(*) Trading profit was 96 million, representing 15.8% of revenues (67 million in third quarter 2008, representing 12.4% of revenues).

Balance sheet and financial position highlights

Management has decided to present working capital in the strict sense of the term, meaning that direct taxes and receivables and payables not relating to working capital have now been excluded, also in keeping with requests from the financial community. As a result, the following items have been reclassified from "Other receivables/(payables)" to "Other assets/(liabilities)" for the periods before December 31, 2008: deferred tax assets and liabilities, receivables due from the tax authorities for direct taxes, receivables/payables due from/to holding companies in relation to the group tax election and payables representing the valuation of put options held by minority shareholders.

(millions of Euro)	09.30.2009	12.31.2008	Change	09.30.2008
Working capital	845	715	130	849
- trade receivables	878	787	91	872
- inventories	311	359	(48)	353
- trade payables	(331)	(414)	83	(373)
- other receivables/(payables) (A)	(13)	(17)	4	(3)
Assets/(Liabilities) held for sale	6	1	5	1
Property, plant and equipment and intangible assets (B)	1,316	1,309	7	1,304
Non-current financial assets (C)	25	32	(7)	29
Other assets/(liabilities) (D)	35	24	11	33
Net capital employed	**2,227**	**2,081**	**146**	**2,216**
Net debt (E)	819	689	130	814
Total shareholders' equity	**1,408**	**1,392**	**16**	**1,402**

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

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

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

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

(E) Net debt includes cash and cash equivalents and all short and medium/long-term financial assets and liabilities.

Financial position

(millions of Euro)	09.30.2009	12.31.2008	Change	09.30.2008
Cash and banks	77	132	(55)	85
A **Liquid assets**	**77**	**132**	**(55)**	**85**
B **Current financial receivables**	**18**	**38**	**(20)**	**26**
Current portion of medium/long-term loans	-	-	-	-
Financial payables, bank loans and lease financing	(517)	(463)	(54)	(529)
C **Current financial payables**	**(517)**	**(463)**	**(54)**	**(529)**
D = A+B+C **Current financial debt**	**(422)**	**(293)**	**(129)**	**(418)**
E **Non-current financial receivables**	**5**	**5**	**-**	**5**
Medium/long-term loans	(402)	(400)	(2)	(400)
Lease financing	-	(1)	1	(1)
F **Non-current financial payables**	**(402)**	**(401)**	**(1)**	**(401)**
G = E+F **Non-current financial debt**	**(397)**	**(396)**	**(1)**	**(396)**
H = D+G **Net debt**	**(819)**	**(689)**	**(130)**	**(814)**

Cash flow statement

(millions of Euro)	Nine months 2009	Nine months 2008
Cash flow from operating activities before changes in working capital	234	254
Cash flow used by changes in working capital	(131)	(220)
Interest (paid)/received and exchange differences	(16)	(37)
Payment of taxes	(56)	(33)
Cash flow provided/(used) by operating activities	**31**	**(36)**
Net operating investments/Capex	(94)	(161)
Non-current financial assets	(13)	(22)
Cash flow used by investing activities	**(107)**	**(183)**
Free cash flow	**(76)**	**(219)**
Cash flow provided/(used) by financing activities of which:		
- payment of dividends	(50)	(75)
- purchase of treasury shares	(3)	(52)
- net change in other sources of finance	90	293
Cash flow provided by financing activities	**37**	**166**
Net decrease in cash and cash equivalents	**(39)**	**(53)**

Alternative performance indicators

In addition to the standard financial indicators required by IFRS, this press release also contains a number of alternative performance indicators for the purposes of allowing a better appreciation of the Group's financial and economic results. These indicators must not, however, be treated as replacing the standard ones required by IFRS.
The following table shows how EBITDA and ordinary EBITDA are made up.

Key operating data (millions of Euro)	Nine months 2009	Nine months 2008	Change	Full year 2008
A Operating profit	134	182	(48)	254
B - of which non-recurring expenses/(income)	*15*	*(7)*	*22*	*(1)*
C Depreciation and amortization	78	73	5	100
D Other non-monetary costs (net impairment/(reversals))	3	(6)	9	-
E - of which non-recurring	*3*	*(6)*	*9*	*-*
F = A+C+D EBITDA	215	249	(34)	354
G = F+B-E Ordinary EBITDA	227	248	(21)	353

Declaration by the manager responsible for preparing the company's financial reports

The manager responsible for preparing the company's financial reports, Alberto Nathansohn, declares, pursuant to paragraph 2 of Article 154-*bis* of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the document results, books and accounting records.

Disclaimer

This document includes forward-looking statements, specifically in the section entitled "Outlook for the year", relating to future events and operating, economic and financial results of the Benetton Group. By their nature, such forecasts contain an element of risk and uncertainty, because they depend on the occurrence of future events and developments. The actual results may differ significantly from those announced for a number of reasons.

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