Benetton Group

Annual Report 2009

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
Gerolamo Caccia Dominioni	Chief Executive Officer
Gilberto Benetton	Directors
Giuliana Benetton	
Luigi Arturo Bianchi	
Giorgio Brunetti	
Alfredo Malguzzi	
Gianni Mion	
Robert Singer	
Andrea Pezzangora	Secretary to the Board

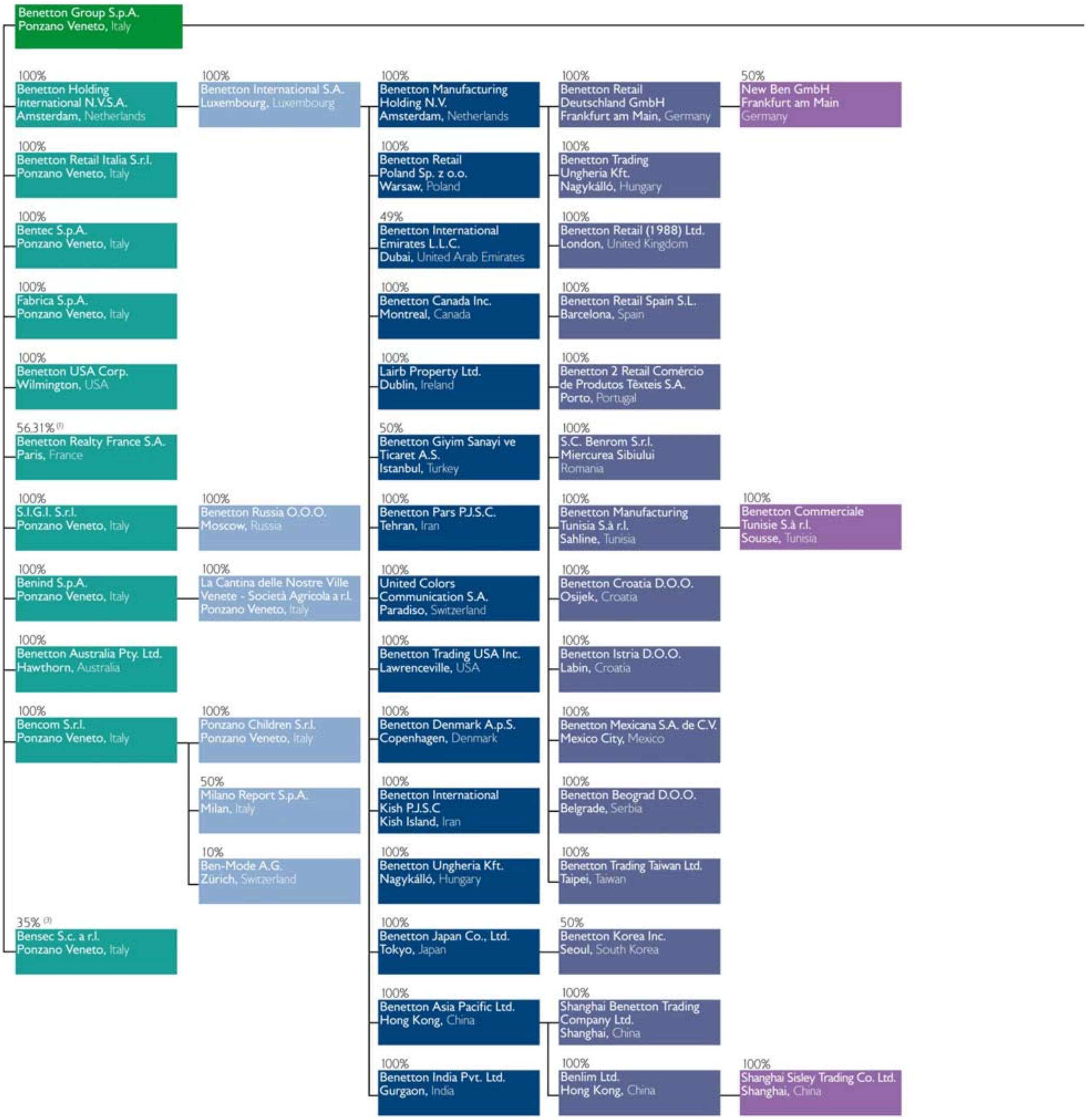
Board of Statutory Auditors

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

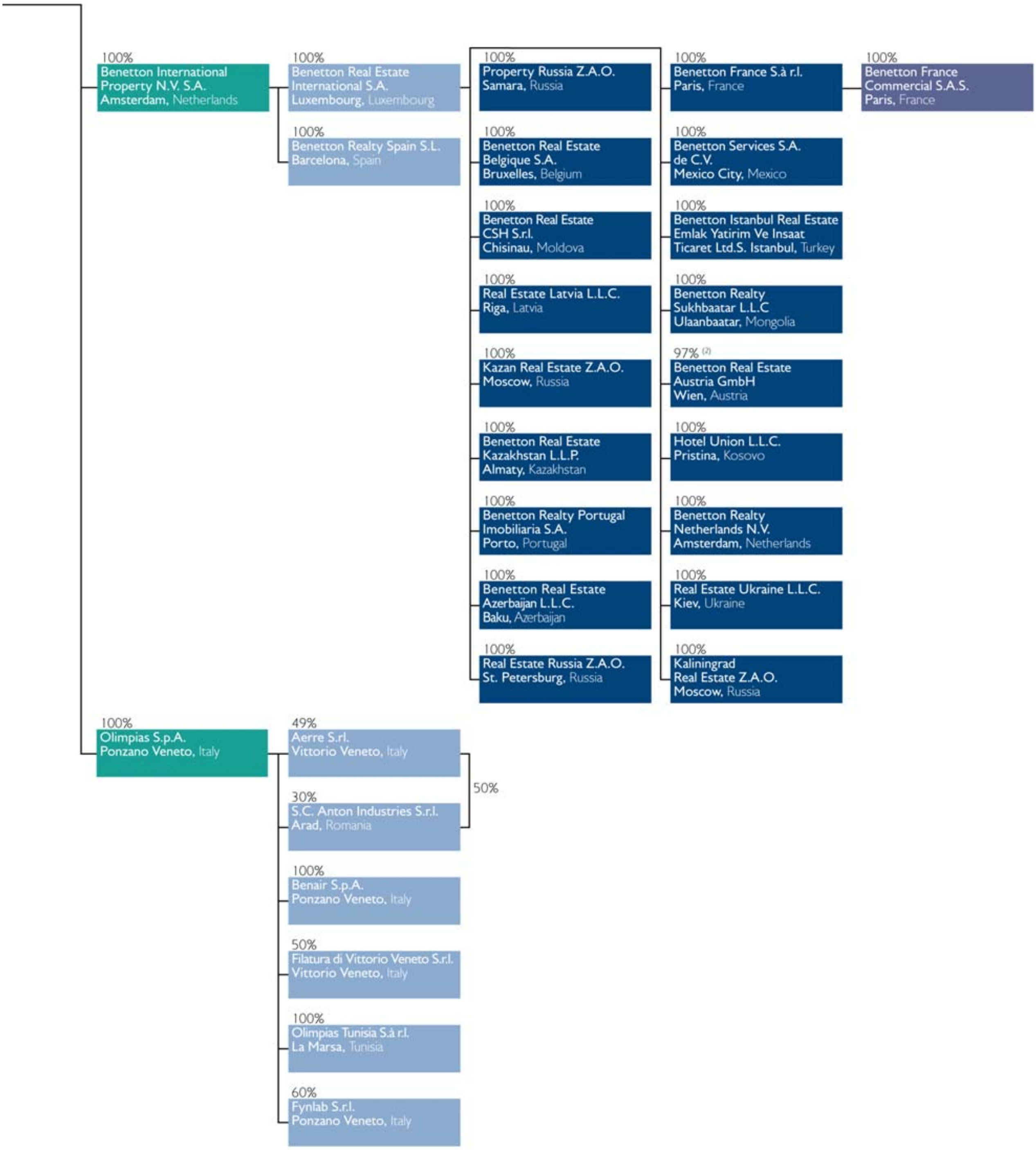
Independent Auditors

PricewaterhouseCoopers S.p.A.

Group structure at December 31, 2009



(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 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% Property Russia Z.A.O. Samara, Russia
100% Benetton Real Estate Belgique S.A. Bruxelles, Belgium
100% Benetton Real Estate CSH S.r.l. Chisinau, Moldova
100% Real Estate Latvia L.L.C. Riga, Latvia
100% Kazan Real Estate Z.A.O. Moscow, Russia
100% Benetton Real Estate Kazakhstan L.L.P. Almaty, Kazakhstan
100% Benetton Realty Portugal Imobiliaria S.A. Porto, Portugal
100% Benetton Real Estate Azerbaijan L.L.C. Baku, Azerbaijan
100% Real Estate Russia Z.A.O. St. Petersburg, Russia
100% Benetton France S.à r.l. Paris, France
100% Benetton France Commercial S.A.S. Paris, France
100% Benetton Services S.A. de C.V. Mexico City, Mexico
100% Benetton Istanbul Real Estate Emlak Yatirim Ve Insaat Ticaret Ltd.S. Istanbul, Turkey
100% Benetton Realty Sukhbaatar L.L.C Ulaanbaatar, Mongolia
97% (2) Benetton Real Estate Austria GmbH Wien, Austria
100% Hotel Union L.L.C. Pristina, Kosovo
100% Benetton Realty Netherlands N.V. Amsterdam, Netherlands
100% Real Estate Ukraine L.L.C. Kiev, Ukraine
100% Kaliningrad Real Estate Z.A.O. Moscow, Russia
100% Olimpias S.p.A. Ponzano Veneto, Italy
49% Aerre S.r.l. Vittorio Veneto, Italy
50%
30% S.C. Anton Industries S.r.l. Arad, Romania
100% Benair S.p.A. Ponzano Veneto, Italy
50% Filatura di Vittorio Veneto S.r.l. Vittorio Veneto, Italy
100% Olimpias Tunisia S.à r.l. La Marsa, Tunisia
60% Fynlab S.r.l. Ponzano Veneto, Italy

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 22nd, 2010, at Via Villa Minelli 1, Ponzano Veneto (TV), Italy, or in second calling, if needed, on April 23rd, 2010, same time and place.

Agenda

1. To examine the Annual Report as of December 31, 2009. Pertinent and related resolutions;
2. To appoint the Board of Directors, upon fixing the number of members and the duration of their term of office;
3. To determine the annual Directors' emolument;
4. 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.

Pursuant to the law in force and provided by Art. 9 of the Articles of Association, the right to attend and vote is reserved to those Shareholders who shall submit the communication issued by their relevant intermediaries. The communication must reach the Company at least two business days before the General Meeting's date.
The shares will become available again after the General Meeting has taken place.
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.
The Shareholders may be represented by third parties through written proxy in accordance with the law, available at the Company's website www.benettongroup.com/investors. The Chairman of the General Meeting shall verify the qualifications of the proxy holders and their right to intervene during the proceedings of the General Meeting.
Regarding the appointment of the Board of Directors reference is made to the Company's Articles of Association as specifically stated in Art. 14 also available in the website of the Company www.benettongroup.com/investors, section "Governance – Articles of Association".
It is pointed out that the appointment is done on the basis of lists presented by the shareholders containing a maximum of fifteen candidates, each appearing with a consecutive number. The candidates shall be in possession of the qualifications required by prevailing statutory and regulatory provisions. Each list shall include one or more candidates satisfying the independence qualifications in compliance with prevailing statutory and regulatory provisions ("Independent Directors").
Lists may be presented by only those shareholders who own, alone or together with others, at least 2% of share capital (percentage determined by CONSOB Resolution No. 17148 dated on January 27, 2010).
The lists, signed by those presenting them, shall be filed at the Company's registered offices at least fifteen days in advance of the date set for the first calling of the Shareholders' Meeting convened to vote on the appointment of directors, accompanied by (i) information about the shareholders who have filed the lists, specifying their overall percentage interest in share capital, and (ii) documentation confirming them as shareholders and the percentage of share capital they own, (iii) comprehensive details on the personal characteristics and experience of the candidates, (iv) details as to whether the candidates qualify as Independent Directors, (v) a statement by the candidates themselves confirming that they are in possession of the requirements envisaged by prevailing statutory and regulatory provisions and the absence of any reasons for incompatibility and/or ineligibility, (vi) statements by the candidates in which they accept their candidacy and provide details of their appointments as directors or statutory auditors in other companies, (vii) any other information required by prevailing statutory and regulatory provisions.

The lists shall be promptly published and, however, at least ten days in advance of the date set for the Shareholders' meeting, to comply with the formalities provided by Art. 144 octies of CONSOB Regulation. Each shareholder may present or be involved in presenting only one list, including through a third party or trust company. Each candidate may appear in only one list, otherwise he will be disqualified. Lists for which the above provisions are not observed shall be treated as if they had not been presented. Shareholders presenting a minority list for the appointment of the Board of Directors shall file a declaration attesting they are not linked in any way, even indirectly, pursuant to Art. 147 ter, paragraph 3 of the Legislative Decree No. 58/98.

All relevant documentation on the proposed resolutions will be available, within the established period, at the headquarters of the Company, at the office of Borsa Italiana S.p.A. and on the website of the Company www.benettongroup.com/investors.

Letter to the shareholders

To the shareholders,
Despite the difficult international economic environment, 2009 closed positively, confirming the solidity and seriousness of our Group, which for more than 40 years has stood for commitment, growth and consistency of results.
The seriousness of our work, which in practice means doing the things we know how to do well, is guiding us responsibly in our development plans, primarily the commercial ones, by following a vision that always has the future in its sights.
In 2009, the *Opening Soon…* project marked the start of an investment program in the store network, by seeking out and applying new ideas to the sales space, our established identity card, the mirror of the values of the Benetton brands and the object over the years of a continuous series of innovations.
The new store in Istanbul, opened in 2009, represents the first concrete step in this innovative commercial development policy which, thanks to the collaboration of an established, active network of business partners, looks ahead to respond with energy and dynamism to the complexity of the world market, taking up opportunities as and when they arise.
Today, for example, we are working with interest and commitment in the great Asian markets, spanning the Mediterranean to East Asia, in a spirit of openness without prejudice. In India, we are achieving very positive results; in China, which more than ever represents a major opportunity, and in South Korea, where we are seeing important prospects for growth. Without forgetting Europe, our domestic market capable of always generating strong results, and countries in Eastern Europe, including Russia, which, apart from an isolated period, continue to offer major growth prospects.
Our desire to grow and progress has remained the same over the years. We can rely on a dynamic, responsible business model which looks beyond obstacles and boundaries. We shall continue to invest in our business with intelligence: in the future of our stores and in hi-tech, in high quality products and in customer satisfaction.
We know we are living in complex times but we are facing the new challenges with a motivated optimism rooted in our history and achievements. And this is why it is the key to our future.

Luciano Benetton, Chairman Benetton Group

Disclaimer

This document contains forward-looking statements, specifically in the paragraph entitled "Outlook for 2010", 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 2009 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)	2009	%	2008	%	Change	%
Revenues	2,049	100.0	2,128	100.0	(79)	(3.7)
Gross operating profit	943	46.0	982	46.1	(39)	(4.0)
Contribution margin	793	38.7	827	38.9	(34)	(4.2)
EBITDA (*)	330	16.1	354	16.6	(24)	(6.6)
Ordinary EBITDA (*)	332	16.2	353	16.6	(21)	(6.0)
Operating profit	206	10.0	254	11.9	(48)	(19.1)
Net income for the year attributable to the Group	122	5.9	155	7.3	(33)	(21.8)

Key financial data (millions of Euro)	12.31.2009	12.31.2008
Working capital	658	715
Net capital employed	2,012	2,081
Assets held for sale	5	1
Net debt	556	689
Total shareholders' equity	1,456	1,392
Free cash flow	183	(49)
Net investments	113	209

Financial ratios (%)	12.31.2009	12.31.2008
ROE (net income/shareholders' equity)	8.47	11.36
ROI (operating profit/net capital employed)	10.23	12.22
ROS (operating profit/revenues)	10.04	11.95
Income/revenues	5.94	7.31

Share and market data	12.31.2009	12.31.2008
Basic earnings per share (Euro)	0.71	0.86
Shareholders' equity per share (Euro)	8.34	7.92
Dividend per share (Euro)	0.23	0.28
Pay out ratio (%)	0.33	0.33
Dividend yield	3.69	4.59
Price at year end (Euro)	6.24	6.10
Screen traded price: high (Euro)	7.56	11.88
Screen traded price: low (Euro)	4.42	5.05
Price per share/earnings per share	8.79	7.09
Price per share/shareholders' equity per share	0.75	0.77
Market capitalization (thousands of Euro)	1,075,489	1,096,825
Average no. of shares outstanding	172,353,974	179,807,450
No. of shares outstanding	182,679,012	182,679,012

Number of personnel	12.31.2009	12.31.2008
Total employees	9,511	9,766

(*) 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)	2009	2008	Change
A Operating profit	206	254	(48)
B - of which non-recurring expenses/(income)	*23*	*(1)*	*24*
C Depreciation and amortization	103	100	3
D Other non-monetary costs (net impairment/(reversals))	21	-	21
E - of which non-recurring	*21*	*-*	*21*
F = A+C+D EBITDA	330	354	(24)
G = F+B-E Ordinary EBITDA	332	353	(21)

Directors' report

2009 in overview

The scenario in 2009 can only be called difficult. The Group boasts a unique position in terms of product quality at an affordable price, an extensive and flexible distribution model, based on a network of excellent commercial partners, and proven financial solidity. Strengthened by these elements, the Group undertook a series of radical measures during the year to bring the business into line with the new environment, which has also put earnings under increased pressure.

A number of specific projects have been identified, focusing on 40 initiatives involving more than 50 managers. The reorganization involves four areas of intervention:

Support and stimulus for the commercial network

The focus has been on providing greater stimulus to the commercial network on the basis of a selective logic and timing for collections and volumes, according to brand and country. The wide presence of our stores has been used to maximize the contribution of recently launched new product initiatives.

Greater efficiency in the supply chain

After the positive results already obtained by simplifying collections, the process of improving the efficiency and effectiveness of the supply chain continued with renewed commitment in 2009, resulting in a further important optimization of costs.
The strategic actions taken in terms of sourcing are based on innovating collection processes with a view to simplification and efficiency maximization.
Tangible benefits have been obtained by continuous renegotiation in the face of changing raw material costs and exchange rates and by optimizing the production sources mix in order to achieve the best combination of quality and time-to-market.

Optimization of costs

The actions taken, in terms of both direct and indirect costs, have allowed the Group to adapt fast and flexibly to the new environment, by combining certain functions for greater efficiency, by introducing new competencies in key areas of the business, by simplification and by having clear accountability for the restructuring plan's objectives.

Focus on capital employed

Cash generation has been the primary objective for reinforcing the solidity and value of the Group: maximum attention to working capital management, to accelerating openings in locations already acquired and to optimizing investments with a view to supporting the commercial network.

Together these actions have made it possible to exceed the original targets for cost containment and cash generation, thus effectively supporting profitability and making the Group stronger to face the future.

Brands

Demand has broken away from traditional benchmarks and is changing ever more rapidly with customers of every age, who are less and less brand "loyal" in their purchasing decisions and have to be won over every time by a perpetually new, creative and appealing quality product at the right price. This is the picture emerging globally from a 2009 in which even the textile and apparel sector was impacted by the crisis. The Group had already understood the first warnings of this general confusion and responded with an overall redefinition of its product strategy. The collections are now leaner, simpler and more straightforward: this process was already started in 2008, but in 2009 the number of items for each collection was reduced by about another 7%.
The reduction in collection complexity, combined with upstream simplification in the production chain, has resulted in a general trend towards stores that offer more uniform, more focused products. This process will continue with the emergence of stores that are ever more accessible and user-friendly, while permitting optimal assortment management.

The first effects of these actions have already been seen. In a difficult context of global crisis, the **United Colors of Benetton (UCB) Adult** fashion brand basically confirmed its performance, with a slight reduction of 1.5%. The important Italian market was among those that held up well, while emerging countries continued to record robust growth. The results in India and Mexico were particularly positive, while the crisis affected results in Germany and Spain. These results reflect the outcome of a process of product relaunch and store redesign with a strong focus on factors such as furnishings, product display, frequency of new window displays and the construction of focal points within stores for attracting consumer attention. The Group was particularly active in supporting agents and retailers in spreading the operational techniques and formats throughout the network. The UCB Adult network now has a whole series of larger strategically-sited stores facilitating more effective product presentation.
The theme of simplicity and practicality was once again the underlying concept of collections. The 2009 UCB Woman's collection offered a sober style for customers seeking immediate, understated elegance; this sobriety was reflected in the choice of colors (blue, grey, black) and typically English type of fabrics. UCB Man offered a style midway between classic and casual, that focused on detail and high quality for practical, comfortable clothing. Benetton Man accounted for 21% of adult collection winter sales in 2009.

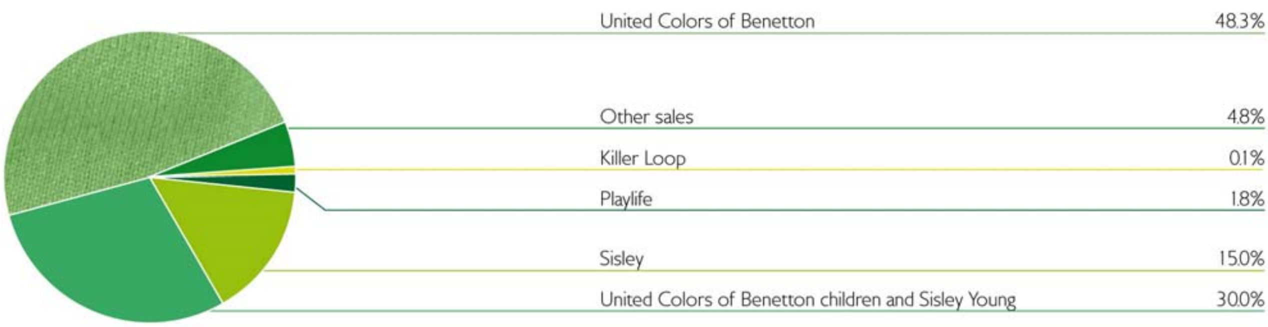
Even in the difficult 2009 **UCB Children** improved its performance by 1.4% and celebrated forty years of business with a major event in Rome. Sales of UCB Children have almost doubled in the past ten years, with the brand exceeding 30% of the Group's turnover in 2009. Thanks to this constant growth the brand is no longer perceived as an extension of UCB Adult, but rather as a specialized brand which has satisfied customer demands and won their loyalty. Year after year, the focus has been on segmenting the offer, knowing that children have different demands according to their age group, and on designing the collections in a consistent fashion. The "next frontier" is the world of pre-teens: the new Tween line proposes a neat, simple product for the demands of everyday use. A product that represents a real opportunity to grow in those markets, like North Europe, where these values are particularly appreciated. The dedicated network has also continued to develop, with more than 100 new children's stores opened during the year. Children's stores throughout the world have now been designed to create a warm, refined atmosphere, which is divided by style and product into System Baby (from newborn to 5 years) and System Kid (from 6 to 12 years).

The offer for children is completed by the Sisley Young line, which enjoyed double-digit growth in 2009; this development was also reflected in the large number of dedicated stores that were opened in the year. The line managed once again to successfully catch the attention of young consumers with a refined product, offering a wide range of options.

After the weak performance of **Sisley** in 2009, the Group has taken steps to reposition the brand, with decidedly positive feedback from the sales network which, together with the first signs of a favorable customer reception, confirm the expectation for improved results by the next collections.
Fall/Winter 2009 focused on a casual, urban, sporty look, with the emphasis on wearability and soft, fluffy, warm fabrics: tweed, carded wool, wool fabrics, padded felt and fulled wool.

Playlife is a laboratory of new styles and brands which are flexible and embrace total interpretative freedom, offering romantic, sporty and relaxed chic styles for both men and women. This applies both to him and her, as both are given the opportunity to use their fantasy and creativity to develop an increasingly more personal style. The strengthening of the commercial network in recent years, particularly in Mediterranean Europe, has helped to sustain turnover.

2009 sales of core products by brand (%)

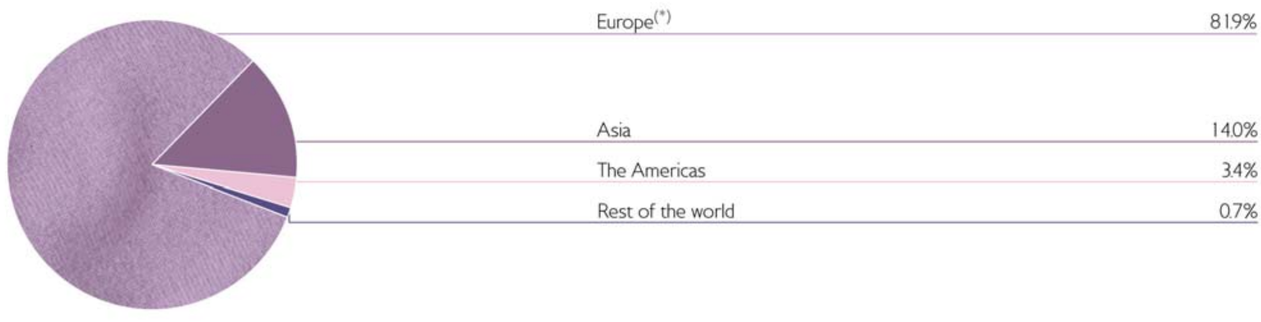


Markets

In a highly depressed economic environment, constant currency revenues fell by just 3% in 2009.

The decrease in turnover on mature markets was limited to 5% on a constant currency basis. In particular, the Group generally defended its performance in Italy, where revenues contracted by just 4% and which continued to be its principal market accounting for 48% of revenues. This is a good result, achieved thanks to the excellent level of collaboration with the Group's agents and customers, by following a strategy that focuses on large stores in the major cities, and a wide presence in other cities and secondary towns (over 2,500 stores) giving deep market knowledge. The rest of continental Europe performed in line with the general sector trend. Markets in the Iberian peninsula slowed, after being more severely hit than others by the economic and financial crisis. In Asia, excellent results were achieved on the Korean market with strong double-digit growth.

2009 revenues from third parties by geographical area (%)



(*) Included Italy.

The Group's emerging markets reported 14.8% constant currency growth.
Amongst these, India performed particularly well with an increase of 48% driven by the opening of new, strategically located stores and corners. This strong performance confirms the Benetton Group's position as the country's top international brand and has increased the Indian market's share of the Group's turnover from 1.7% to 2.4%. It should be noted that these results were achieved with the UCB brand, thus leaving interesting, as yet unexploited potential for the Group's other brands.
The policy in the Chinese market has seen efforts concentrated in strategic cities in order to optimize the Group's presence. The Group is completing its refocus on Shanghai, Beijing and surrounding areas with the selective closure of less profitable stores and the opening of new ones in areas of greater interest with higher growth potential; the initial results are favorable. A different buying policy was adopted in the direct stores during the year, using different depths and mixes.
The results in Mexico were gratifying. The policy of concentrating openings in the major cities and more important commercial centers, thanks to the strategic agreements with Sears and Axo for developing the United Colors of Benetton brand in this country, has doubled revenues on 2008 and increased the number of points of sale by almost 50%. The comparative results of direct stores and corners were positive.
In Russia, the impact of the economic crisis and the overall reduction in consumption were countered by the introduction of new product segments (Sisley Young) and targeted actions in the network's favor. One of these was the formation of a new local trading company: the Group is now closer to its customers, with a more efficient, faster service, in this market which still retains its growth potential.

Despite contraction in the local economy, Turkey saw the Group raise its market share thanks to enlargement and repositioning of its principal stores and the opening in October of an innovative flagship store in Istanbul. Designed by Piero Lissoni, it occupies an entire building on the prestigious Bagdad Street and offers the complete United Colors of Benetton collections for women, men and children. This new store joins Turkey's already strong commercial network and is the first in a series of futuristic stores designed by famous architects and architectural firms and by young creatives, due to be built as part of the *Opening Soon...* project. Local production, which accounted for around 60% of sales, helped counter the effect of a weak Turkish lira. This is an important competitive advantage in the current economic environment.

Opening Soon... and store evolution

In a complex and stimulating year like 2009, the Group did not stop exploring new ways of attracting a public with constantly changing tastes and demands. The store, one of the keys to the "Benetton world", and its evolution was the subject of the *Opening Soon...* exhibition organized at the start of the year at the Triennale in Milan. On display were innovative trends in retail design and the designs for stores already under construction or due for future construction by highly reputed architects and architectural firms. Ten designs were presented by seven renowned architects and architectural firms, commissioned by Benetton to design and build innovative, sophisticated flagship stores, which will be opened in coming years in certain cities that are symbols of the new transformation in the world. These include the store designed by Massimiliano and Doriana Fuksas which will be built in Rome's Via del Corso, and the flagship store in Istanbul, designed by Piero Lissoni with his Lissoni Associati. Other interesting projects are by Alberto Campo Baeza with his design for a building in Samara, Russia; by LaboratorioQuattro which worked on the projects in Aktyubinsk, Kazakhstan and Perm, Russia; by the firm of Arassociati which designed the stores in Pristina, Kosovo and in Iktutsk, Russia; by Architects Luciano Giorgi and Lili Bonforte of Pavia, who designed the store in Odessa, Ukraine; and by Cino Zucchi, for the stores in Brussels, Belgium and Kaliningrad, Russia. The *Opening Soon...* exhibition also displayed the innovative entries by the finalists in the Colorsdesigner international competition. Young creatives, designers and architects from all over the world were invited to develop new retail concepts for large international apparel groups. The jury selected the design by Luis Miguel Pereira from Portugal. The other projects selected were by Godefroy Meyer (Canada), Kazuya Yamazaki, Ayako Kodera and Yuri Naruse (Japan), and Tommaso Bistacchi (Italy).

Benetton on the stock market

Most of the trading in Benetton ordinary shares during 2009 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 1.075 billion at December 31, 2009.

Between the end of 2008 and end of 2009, the Benetton stock had an average price of Euro 6.12, reporting a high of Euro 7.55 on October 8 and a low of Euro 4.42 on March 5.
An average of approximately 280,000 shares were traded each day.

The Group's Investor Relations office ensured that the financial markets were kept constantly and promptly informed over the course of 2009; IR activities were structured in an organized, proactive fashion that fostered understanding of the business's dynamics and interaction with the markets concerned.

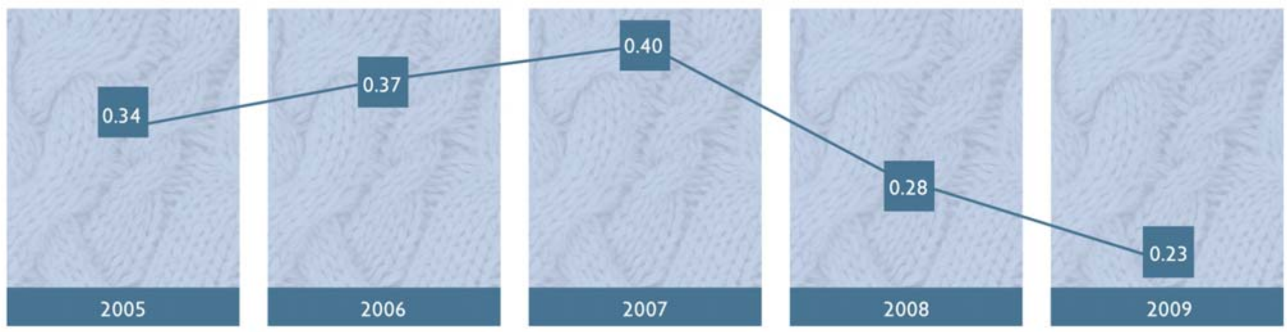
The channels of communication with the Group's shareholders and investors were kept constantly open, through conference calls, video conference calls, face-to-face presentations, participation in roadshows, presentations at broker conferences, company visits, presentation of the collections and in-store visits.

Communication activities involved not only shareholders and investors on the major financial markets, but also potential new investors with investment profiles matching the Group's structural characteristics and strategic outlook.

The Investor Relations website, which publishes details of Benetton's latest share price on the Milan market and the presentations of the Group's quarterly results, was updated in 2009, with particular attention to revising the section on brands in order to communicate transparently the changes in the identity of the Group's brands both in product style and image.
The descriptions contained in the Operations, Commercial and Communications sections were also updated to reflect the Group's constant policy of renewal in the face of market change.

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

2005-2009 dividend per share performance (euro)

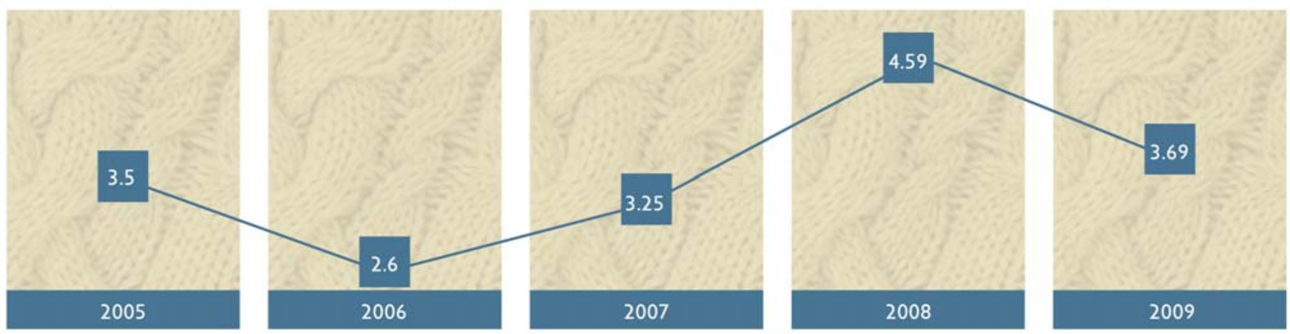


Financial calendar

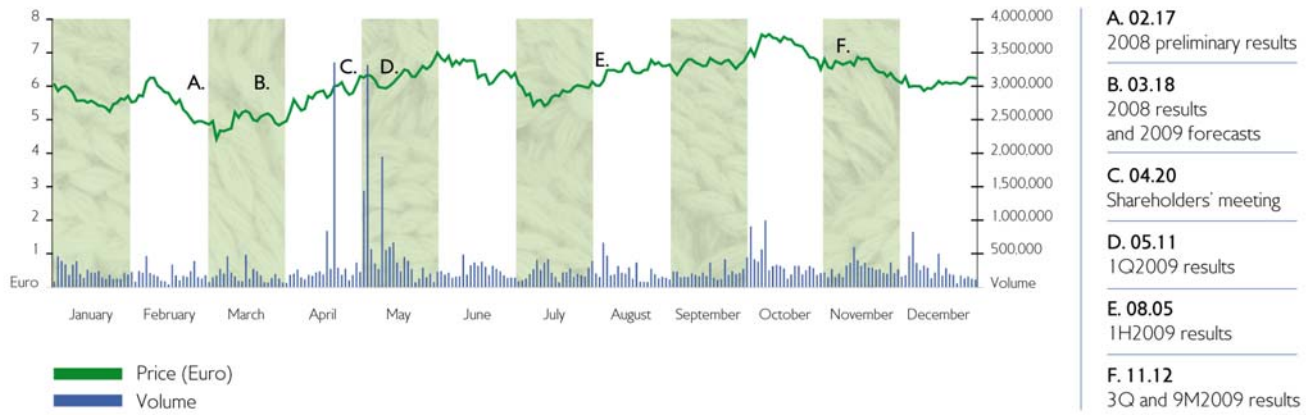
Meetings of the Board of Directors scheduled in 2010:

January	Thursday 28	preliminary results for 2009
March	Thursday 18	2009 draft annual report
May	Wednesday 12	2010 first-quarter report
July	Friday 30	2010 half-year report
November	Friday 12	2010 third-quarter report

2005-2009 dividend yield performance



Benetton Group share performance in 2009



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 20, 2009 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 unexecuted part of the previous authority relating to the buy back and disposal of shares granted on April 24, 2008. This authority was granted for a period of 18 months commencing April 20, 2009. 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 18, 2010, 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 67.079%.

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 2009 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 12.31.2008	Company held	No. of shares purchased	No. of shares sold	No. of shares held as of 12.31.2009	Type of ownership
Luciano Benetton	330,000	Benetton Group S.p.A.	-	330,000	-	Owned
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.	-	-	1,000	Owned

(*) Gerolamo Caccia Dominioni, the Chief Executive Officer, sold 50,000 shares in Benetton Group S.p.A. on January 28, 2010.

Stock option plan

The first vesting period envisaged by the stock option plan, approved in September 2004 by the Board of Directors of Benetton Group S.p.A., came to an end in September 2006. As a result, a total of 1,337,519 options became exercisable, meaning that their beneficiaries could subscribe to an equal number of the Company's shares at a price of Euro 8.984 each up until the plan's end date in September 2013. Further to a review of the overall structure, scope and principles of the system of incentives, in September 2006 management agreed with the Company to cancel the second "tranche" of the 2004 plan.

A total of 3,520 options were exercised on February 28, 2008, causing the share capital of Benetton Group S.p.A. to increase to Euro 237,482,715.60, representing 182,679,012 shares. A total of 117,318 options were cancelled at the end of February 2008. This means that at December 31, 2009 there were still 100,000 unexercised options left.

Details of this stock option plan can be found under "Stock Option Plan" in "Regulations & Codes" in the Governance section of the website www.benettongroup.com/investors.

2004 stock option plan

	Options outstanding as of 01.01.2009	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 12.31.2009	of which exercisable as of 12.31.2009
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)	6.06					6.24	6.24

Controlling interest

The Company's majority shareholder at December 31, 2009 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.	67.079
Institutional investors and banks	16.385
Other investors (1)	16.536

(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.

In particular, 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 or 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 17 companies based in 11 non-EU countries to which the above rules apply;
b. none of these companies individually exceeds the parameters contained in para. 1, art. 151 of the Issuer Regulations;
c. the Group has suitable procedures for complying with the above rules:
    a. 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;
    b. 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;
    c. 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 January 20, 2009 Bencom S.r.l. acquired 100% of My Market S.r.l., a company based in Viareggio (Lucca) which owned 100% of Benver S.r.l., a company based in Ponzano Veneto (Treviso).

At the same time that Bencom S.r.l. acquired this interest, My Market S.r.l. and Benver S.r.l. entered an arrangement with third parties to lease the entire business comprising all the stores selling Benetton Group products directly managed by the two companies up until then (41 by My Market and four by Benver), most of which located in Tuscany and Liguria.

Subsequently, as part of the process of simplifying the Group's corporate structure, My Market S.r.l. and Benver S.r.l. were merged into Bencom S.r.l. with effect from June 27, 2009. The merger was effective from January 20, 2009 for tax and accounting purposes.

On March 20, 2009 Limei International Ltd. sold Benetton Asia Pacific Ltd. 585,000 shares in Benlim Ltd., representing 50% of this company's share capital. As a result, Benetton Asia Pacific Ltd. now owns 100% of Benlim Ltd. This transaction forms part of a wider process of redefining the relationship with the Group's Chinese partner, which continues to be a supplier to Benetton Asia Pacific Ltd.

On April 24, 2009 Benetton Real Estate International S.A. acquired all of the shares in Hotel Union L.L.C., a company based in Pristina (Kosovo) and owner of a commercial property.

Benetton Pars P.J.S.C., an Iranian registered company based in Teheran and controlled by Benetton International S.A., was set up on May 30, 2009.

The following changes also took place as part of the process of simplifying the Group's corporate structure:
- Benetton Deutschland GmbH, a German registered company, completed its winding-up process on January 23, 2009;
- Estate Odessa L.L.C., a Ukrainian registered company, completed its winding-up process on February 19, 2009;
- Benetton Real Estate Spain S.L. was officially absorbed by Benetton Realty Spain S.L. on October 1, 2009;
- Benetton Tunisia S.à r.l. was officially absorbed by Benetton Manufacturing Tunisia S.à r.l. on October 6, 2009;
- the entire interest in United Colors of Benetton do Brasil Ltda., held by Benetton International S.A. and Benetton Manufacturing Holding N.V., was sold to third parties on October 16, 2009. The sale of this company, which changed its name at the same time, did not involve the transfer of any rights relating to the Group's brands, know how and/or business;
- Benetton Argentina S.A. completed its winding-up process on December 30, 2009.

Significant events after December 31, 2009

There are no significant events to report following the close of the financial year.

Outlook for 2010

In a still uncertain macroeconomic environment with limited prospects for renewed growth in the Group's markets of greatest interest, expectations for the current year will depend on trends in demand. The Spring/Summer orders are nearing their conclusion and look like being in line with the previous trend, while the outlook for the next Fall/Winter is better, thanks to forecasts for a modest recovery in consumption. Its decisive action in 2009, combined with the implementation of further cost-reduction plans, means that the Group expects operating profit to be generally stable as a percentage of revenues. Higher interest rates on the new loans will weigh negatively on the second half of the year, while the tax charge will stay at its level in 2009. The net financial position is expected to improve further, despite an increase in investment expenditure.

Consolidated Group results

Consolidated statement of income

Highlights from the Group's statements of income for 2009 and 2008 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)	2009	%	2008	%	Change	%
Revenues	**2,049**	**100.0**	**2,128**	**100.0**	**(79)**	**(3.7)**
Materials and subcontracted work	969	47.3	997	46.9	(28)	(2.8)
Payroll and related costs	84	4.1	88	4.2	(4)	(4.7)
Industrial depreciation and amortization	15	0.8	16	0.8	(1)	(2.0)
Other manufacturing costs	38	1.8	45	2.0	(7)	(15.9)
Cost of sales	**1,106**	**54.0**	**1,146**	**53.9**	**(40)**	**(3.4)**
Gross operating profit	**943**	**46.0**	**982**	**46.1**	**(39)**	**(4.0)**
Distribution and transport	63	3.1	66	3.0	(3)	(3.8)
Sales commissions	87	4.2	89	4.2	(2)	(2.4)
Contribution margin	**793**	**38.7**	**827**	**38.9**	**(34)**	**(4.2)**
Payroll and related costs	169	8.2	168	7.9	1	0.8
Advertising and promotion [A]	53	2.6	61	2.9	(8)	(13.7)
Depreciation and amortization	88	4.3	84	3.9	4	5.2
Other expenses and income	277	13.6	260	12.3	17	6.4
- of which non-recurring expenses/(income)	*23*	*1.1*	*(1)*	*n.s.*	*24*	*n.s.*
General and operating expenses	**587**	**28.7**	**573**	**27.0**	**14**	**2.4**
- of which non-recurring expenses/(income)	*23*	*1.1*	*(1)*	*n.s.*	*24*	*n.s.*
Operating profit [*]	**206**	**10.0**	**254**	**11.9**	**(48)**	**(19.1)**
Share of income/(losses) of associated companies	2	0.1	-	-	2	n.s.
Financial (expenses)/income	(20)	(0.9)	(41)	(1.9)	21	(51.9)
Net foreign currency hedging (losses)/gains and exchange differences	(2)	(0.1)	(1)	n.s.	(1)	n.s.
Income before taxes	**186**	**9.1**	**212**	**10.0**	**(26)**	**(12.6)**
Income taxes	68	3.3	56	2.7	12	20.5
Net income from continuing operations	**118**	**5.8**	**156**	**7.3**	**(38)**	**(24.5)**
Net income from discontinued operations	-	-	1	0.1	(1)	n.s.
Net income for the year	118	5.8	157	7.4	(39)	(25.0)
attributable to:						
- shareholders of the Parent Company	**122**	**5.9**	**155**	**7.3**	**(33)**	**(21.8)**
- minority interests	(4)	(0.1)	2	0.1	(6)	n.s.

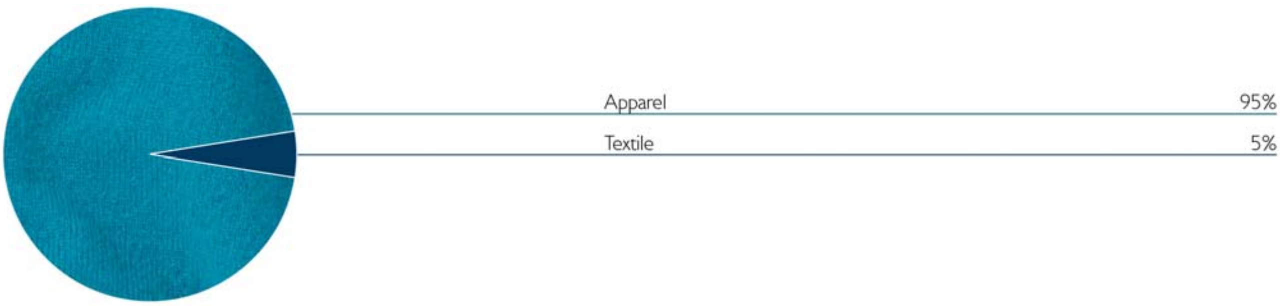
[A] Of which 11 million invoiced by holding and related companies in 2009 (11 million in 2008).
[*] Trading profit was 229 million, representing 11.1% of revenues (254 million in 2008 representing 11.9% of revenues).

The Group's revenues in 2009 amounted to 2,049 million compared with 2,128 million in the comparative year, reporting a slight reduction of 3.7% partly due to:

- a different contribution from the collection mix, reflecting prudent consumer spending in the market as a whole;
- an unfavorable trend in emerging country currencies against the Euro's exchange rate (15 million), particularly by the Korean won, Turkish lira, Russian rouble and Indian rupee;
- a net positive impact from the opening of directly operated stores.

The apparel segment reported 1,947 million in revenues from third parties, representing a reduction of 87 million on 2008.
The textile segment increased its revenues from third parties by 8 million to 102 million, 8.2% more than in the comparative year, benefiting from the new commercial initiatives already started in 2008 which partially offset lower sales of wool yarn.

2009 revenues from third parties by activity (%)



Cost of sales, which accounted for 54% of revenues against 53.9% in the comparative year, reported the following trends by individual segment:

- apparel: cost of sales amounted to 1,027 million (52.6% of revenues like in the prior year), reflecting savings of 35 million thanks to measures under the reorganization plan involving production sources and supply chain efficiency, and of more than 21 million thanks to other actions already taken to reduce collection complexity, as offset by 11 million in negative exchange rate trends, especially by the US dollar;
- textile: cost of sales amounted to 188 million, representing 90.6% of revenues compared with 91.6% in 2008.

Gross operating profit came to 943 million, reporting a margin of 46% which was largely in line with 2008; adjusting for negative exchange rate trends (26 million), constant currency gross operating profit would have had a margin of 46.9% on revenues.
Trends in the individual segments were as follows:

- apparel: gross operating profit amounted to 923 million, retaining a margin of 47.4% like in 2008 despite the negative impact of exchange rates discussed earlier and the different sales contribution from the collection mix;
- textile: gross operating profit was 19 million, representing 9.4% of revenues against 8.4% in 2008, benefiting from the higher margins earned from the new commercial initiatives developed in the year.

Variable selling costs (distribution, transport and sales commissions) decreased by 5 million to 150 million, mainly thanks to lower fuel costs, the significant reduction in other prices resulting from market trends, and the slight decline in turnover; variable selling costs represented 7.3% of revenues, which was in line with the comparative year.

Contribution margin came to 793 million, representing 38.7% of revenues, against 38.9% in 2008, with the individual segments reporting the following trends:

- apparel: contribution margin came to 780 million, representing 40% of revenues, in line with the prior year;
- textile: contribution margin was 12 million, representing 5.9% of revenues against 4.7% in the comparative year.

General and operating expenses amounted to 587 million, compared with 573 million in 2008, and accounted for 28.7% of revenues against 27% in the comparative year. The individual segments reported the following trends in general and operating expenses:

- apparel: these expenses were 7 million higher than in the comparative year at 572 million, accounting for 29.3% of revenues compared with 27.7% the year before; this increase is principally due to the change in non-recurring income and expenses, discussed below, and partly due to the higher incidence of the direct channel;
- textile: these expenses amounted to 15 million compared with 8 million in 2008 and accounted for 7.5% of revenues against 3.4% in the comparative year, which included some 2 million in capital gains on the disposal of the factory in Cassano Magnago, while 2009 was affected by a reduction of 2 million in other operating income and the presence of 3 million in non-recurring expenses relating to the strategic reorganization being carried out in this segment.

The targeted actions, initiated at the start of 2009, to reduce general and administrative expenses generated 23 million in savings in the year, particularly in the areas of general expenses, outside services and consulting, and advertising due to lower rates. These actions made up for the anticipated increase in rental costs associated with the opening of directly operated stores, and in depreciation and amortization for investments completed in prior periods, including the enlargement of the logistics hub in Castrette.
General and operating expenses are discussed in more detail below:

- Non-industrial payroll and related costs increased by 1 million to 169 million, accounting for 8.2% of revenues (7.9% in 2008), and reflecting the higher average headcount in 2009.

- Advertising and promotion costs amounted to 53 million against 61 million in the comparative year, while decreasing from 2.9% to 2.6% of revenues after benefiting from the Group's policy of making advertising campaigns more focused while retaining high brand visibility.

- Non-industrial depreciation and amortization increased by 4 million on the comparative year to 88 million mainly because of the impact of investments made in the prior year that entered service in the period; these charges accounted for 4.3% of revenues, compared with 3.9% in 2008.

- Other expenses and income were 17 million higher at 277 million, corresponding to 13.6% of revenues against 12.3% in 2008. This line item includes non-industrial general costs, additions to provisions, net other operating expenses and other expenses and income, details of which are as follows:
  - non-industrial general costs of 109 million, representing 5.3% of revenues, were around 17 million lower than in the comparative year after benefiting from the Group's multiple initiatives to reduce fixed costs;

- additions to provisions increased from 24 million in 2008 to 29 million in 2009, of which 19 million for doubtful accounts (16 million in 2008);
- net operating and other expenses came to 140 million (111 million in 2008), representing 6.8% of revenues against 5.2% in the comparative year. The increase of around 29 million since the prior year primarily reflects:
  - an increase of 7 million in rental expense (net of rental income), mainly attributable to the apparel segment as a result of new openings.
  - 24 million for the change in non-recurring income and expenses as follows:
    - in 2009 net non-recurring expenses of 23 million represented the sum of:
      - 16 million in expenses for the strategic reorganization plan, involving actions to support the commercial structure, to achieve greater excellence in sourcing and the supply chain and to optimize costs;
      - around 16 million in impairment recognized to adjust the value of certain commercial assets to recoverable amount;
      - over 6 million in net capital gains realized on the sale 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,
    - in 2008 net non-recurring income of 1 million represented the sum of:
      - 10 million for reinstating the value of Villa Loredan and recognizing the capital gain on its disposal, and 2 million for the capital gain arising on the disposal of the factory in Cassano Magnago;
      - 6 million in impairment recognized to adjust the value of certain commercial assets to recoverable amount;
      - 5 million in compensation paid and expected to be paid for the early termination of three leases relating to properties in Great Britain.

Operating profit was 206 million compared with 254 million in 2008, with the margin at 10.0% against 11.9% in the prior year. Excluding the extraordinary items that negatively affected 2009, trading profit would have been 229 million (11.1% of revenues).
Operating profit in the individual segments was as follows:
- 208 million in the apparel segment against 252 million in the comparative year, with the margin at 10.7% compared with 12.4%;
- 3 million in operating loss in the textile segment, with a negative margin of 1.6%, particularly reflecting the change in non-recurring income and expenses discussed above.

The share of income of associated companies includes the positive adjustment to the liabilities recognized for put options on shares held by minority shareholders in some of the Group's consolidated companies.

The positive change of 21 million in net financial expenses was primarily due to the decline in interest rates which partially made up for the growth in average debt over the period.
Net foreign currency hedging losses and exchange differences reflect the negative contribution of hedges taken out against purchases in US dollars.

Income taxes amounted to 68 million, representing a tax rate of 36.5%, up from 26.5% in 2008, mainly reflecting increased operating losses by certain foreign subsidiaries and higher impairment of property, plant and equipment and intangible assets recognized in 2009.

Net income for the year attributable to the Group was 122 million, representing 5.9% of revenues.

The average number of employees in each segment during the year was as follows:
- apparel: 8,051 (of whom 4,134 in the retail channel), compared with 7,917 (of whom 3,970 in the retail channel) in 2008, with the increase due to the growth in the directly operated commercial network;
- textile: 1,588 compared with 1,414 in 2008, with the increase mainly due to development of the textile production center in Tunisia.

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 Children, 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 2009 and 2008 are shown below, adopting the classification criteria described above.

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

Segment results – 2008

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	2,034	94	-	2,128
Inter-segment revenues	2	136	(138)	-
Total revenues	2,036	230	(138)	2,128
Cost of sales	1,071	211	(136)	1,146
Gross operating profit	965	19	(2)	982
Selling costs	148	8	(1)	155
Contribution margin	817	11	(1)	827
General and operating expenses	565	8	-	573
- of which non-recurring expenses/(income)	*1*	*(2)*	*-*	*(1)*
Operating profit	252	3	(1)	254
Depreciation and amortization	89	11	-	100
Other non-monetary costs (net impairment/(reversals))	-	-	-	-
EBITDA	341	14	(1)	354

Apparel segment result

(millions of Euro)	2009	%	2008	%	Change	%
Revenues from third parties	1,947		2,034		(87)	(4.2)
Inter-segment revenues	3		2		1	15.1
Total revenues	1,950	100.0	2,036	100.0	(86)	(4.2)
Cost of sales	1,027	52.6	1,071	52.6	(44)	(4.2)
Gross operating profit	923	47.4	965	47.4	(42)	(4.3)
Selling costs	143	7.4	148	7.3	(5)	(2.5)
Contribution margin	780	40.0	817	40.1	(37)	(4.6)
General and operating expenses	572	29.3	565	27.7	7	1.1
- of which non-recurring expenses/(income)	*20*	*1.0*	*1*	*0.1*	*19*	*n.s.*
Operating profit	208	10.7	252	12.4	(44)	(17.4)

Textile segment results

(millions of Euro)	2009	%	2008	%	Change	%
Revenues from third parties	102		94		8	8.2
Inter-segment revenues	105		136		(31)	(22.6)
Total revenues	207	100.0	230	100.0	(23)	(10.0)
Cost of sales	188	90.6	211	91.6	(23)	(11.0)
Gross operating profit	19	9.4	19	8.4	-	0.6
Selling costs	7	3.5	8	3.7	(1)	(13.8)
Contribution margin	12	5.9	11	4.7	1	11.8
General and operating expenses	15	7.5	8	3.4	7	96.9
- of which non-recurring expenses/(income)	*3*	*1.5*	*(2)*	*(1.0)*	*5*	*n.s.*
Operating profit	(3)	(1.6)	3	1.3	(6)	n.s.

Balance sheet and financial position highlights

The most significant elements of the balance sheet and financial position, compared with those at December 31, 2008, are presented in the following table.

(millions of Euro)	12.31.2009	12.31.2008	Change
Working capital	658	715	(57)
- trade receivables	791	787	4
- inventories	301	359	(58)
- trade payables	(404)	(414)	10
- other receivables/(payables) (A)	(30)	(17)	(13)
Assets held for sale	5	1	4
Property, plant and equipment and intangible assets (B)	1,288	1,309	(21)
Non-current financial assets (C)	25	32	(7)
Other assets/(liabilities) (D)	36	24	12
Net capital employed	**2,012**	**2,081**	**(69)**
Net debt (E)	556	689	(133)
Total shareholders' equity	**1,456**	**1,392**	**64**

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

Working capital was 57 million lower than at December 31, 2008, reflecting the combined effect of:

- an increase of 4 million in net trade receivables despite slightly lower revenues, due to the growth in business in emerging countries, combined with a slight worsening of receivables turnover for current collections and an increase of around 8 million in receivables for the new commercial initiatives in the textile segment;
- a reduction of 58 million in inventories, thanks to actions under the reorganization plan in terms of production sources and supply chain efficiency;
- a decrease of 10 million in trade payables which, despite fewer purchases in fourth quarter 2009, benefited from the actions taken to extend average payment terms;
- an increase in net other payables, mainly because of higher balances owed by Italian subsidiaries to the tax authorities for VAT.

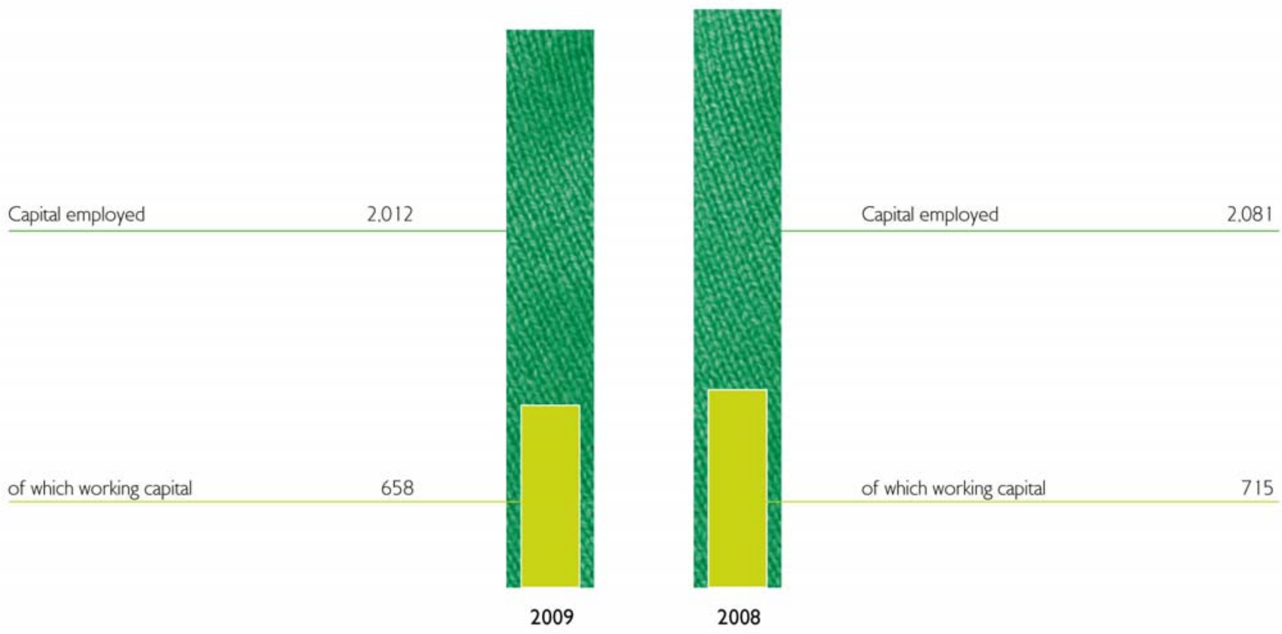
Apart from the changes in working capital discussed above, capital employed decreased by an additional 12 million, mainly reflecting:

- a net reduction in property, plant and equipment and intangible assets due to:
  - 117 million in gross operating investments during the year;
  - 21 million in acquisitions of commercial operations;
  - 17 million in divestments at net book value;
  - 103 million in depreciation and amortization;
  - 21 million in impairment of property, plant and equipment and intangible assets;

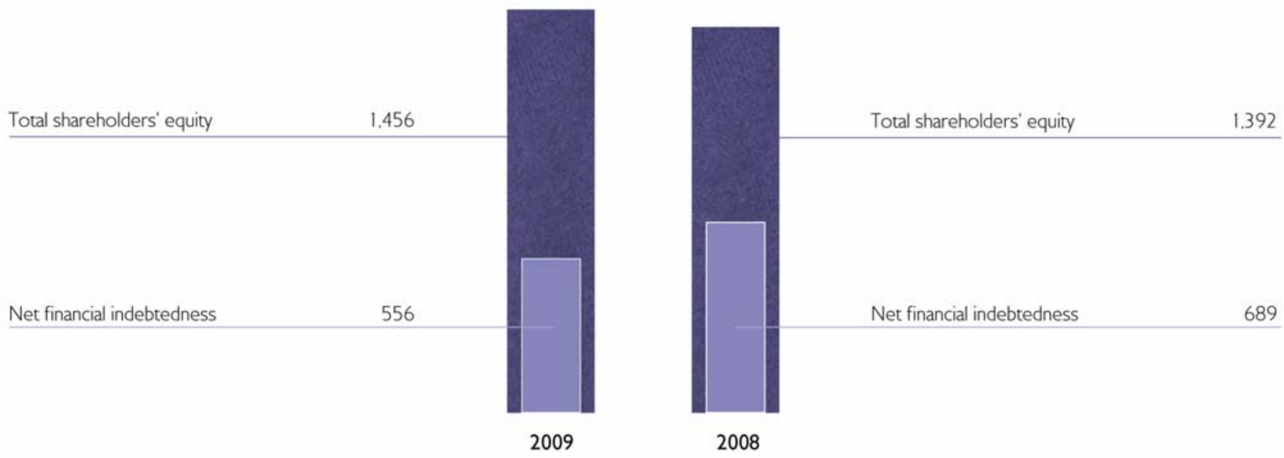
- an increase in net other assets because of lower tax payables owed by the Group's Italian subsidiaries that file for tax on a group basis.

The Group's net debt (discussed in detail in the explanatory notes) came to 556 million compared with 689 million at December 31, 2008, thanks to very strong cash generation.

2009 and 2008 balance sheet structure (millions of Euro) – Assets



2009 and 2008 balance sheet structure (millions of Euro) – Liabilities



Cash flows during 2009 are summarized below with comparative figures for the last year:

(millions of Euro)	2009	2008
Cash flow from operating activities before changes in working capital	349	366
Cash flow provided/(used) by changes in working capital	54	(115)
Interest (paid)/received and exchange differences	(23)	(39)
Payment of taxes	(84)	(52)
Cash flow provided by operating activities	**296**	**160**
Net operating investments/Capex	(101)	(186)
Non-current financial assets	(12)	(23)
Cash flow used by investing activities	**(113)**	**(209)**
Free cash flow	**183**	**(49)**
Cash flow provided/(used) by financing activities of which:		
- payment of dividends	(50)	(75)
- purchase of treasury shares	(3)	(69)
- net change in other sources of finance	(108)	184
Cash flow provided/(used) by financing activities	**(161)**	**40**
Net increase/(decrease) in cash and cash equivalents	**22**	**(9)**

Cash flow from operating activities before changes in working capital amounted to 349 million in the year, compared with 366 million in 2008, reflecting the slight deterioration in EBITDA.
Changes in working capital provided 54 million in cash flow (115 million used in 2008), mostly reflecting the positive effects already discussed.
Cash flow used to pay taxes amounted to 84 million.
Operating activities provided 296 million in cash flow compared with 160 million provided in the prior year.
Cash flow used by investing activities amounted to 113 million (209 million in 2008), due to greater focus on the Group's operating investments, of which:

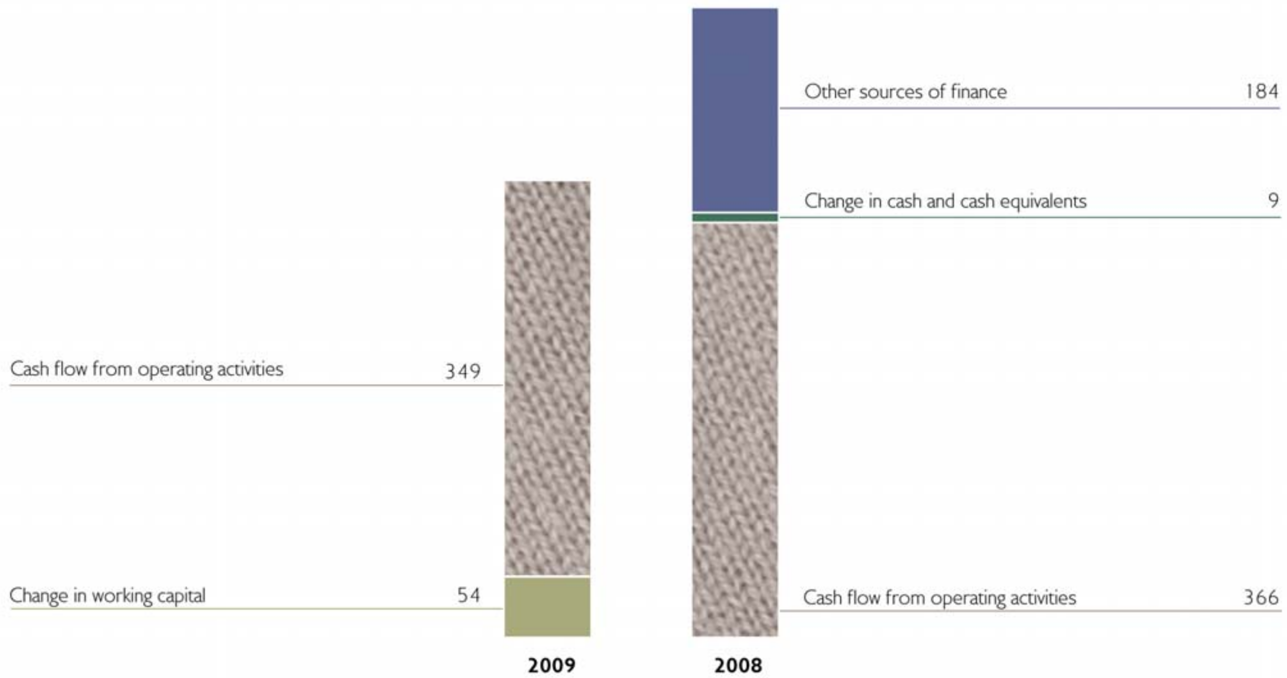
- 86 million in the commercial network, mainly in markets such as Italy, Spain and France, as well as the priority growth markets of Russia, Mexico, Turkey and India; priority was given to refurbishing and expanding existing stores, while the purchase of new buildings and commercial operations was pursued more selectively. This figure also includes 12 million in cash flow absorbed by non-current financial assets for the purchase of commercial operations in Italy;
- 31 million in investments in production, mostly relating to the production centers in Romania, Italy and Istria (Croatia);
- 12 million in other investments, most of which in information technology; among the most important were those in implementing and developing the SAP application software at certain Italian and foreign subsidiaries and in developing software for the various production, logistics, commercial and product areas.

Cash flow used by financing activities includes the payment of 50 million in dividends, of which 48 million to shareholders of Benetton Group S.p.A., and the purchase of treasury shares for 3 million.

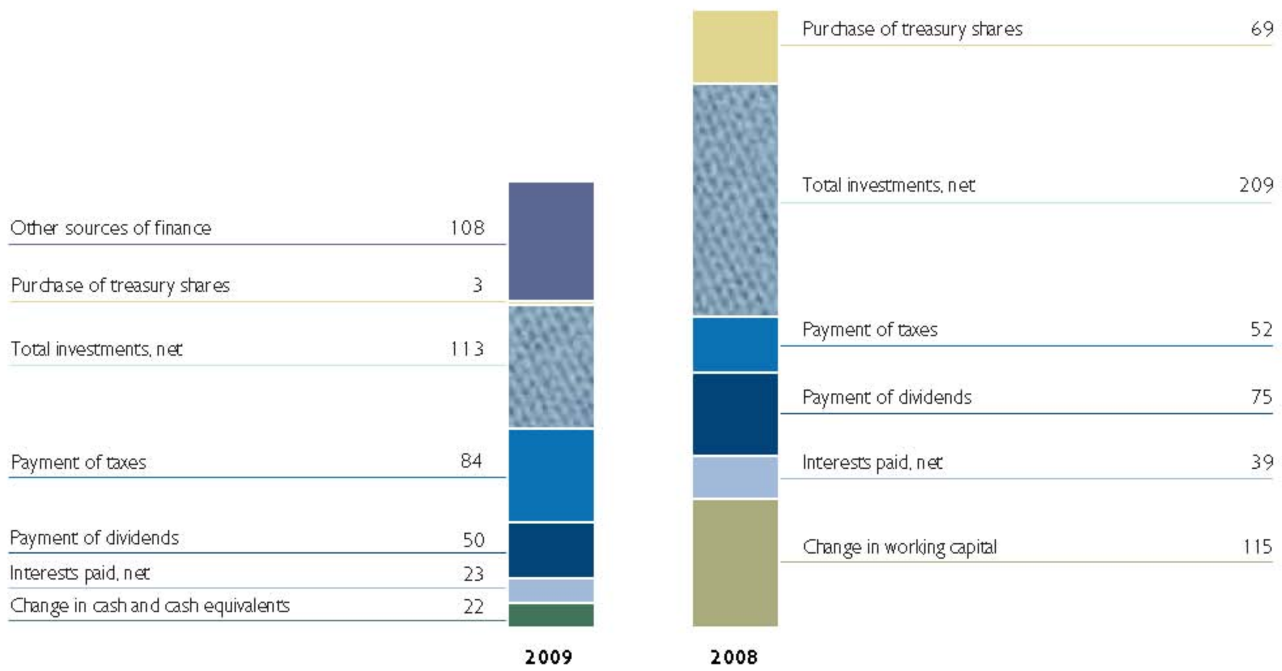
Comparing the two years, there was an overall improvement in cash flow of more than 320 million.

The explanatory notes to the consolidated financial statements contain further information of an economic and financial nature, including the reconciliation of shareholders' equity and net income of the Parent Company with the corresponding consolidated amounts as well as comments on research and development activities.

2009 and 2008 sources and applications of funds (millions of Euro) – Sources



2009 and 2008 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
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
2008 quarters						
Revenues	465	531	996	538	1,534	594
Gross operating profit	214	248	462	247	709	273
Contribution margin	179	211	390	207	597	230
Operating profit	47	69	116	66	182	72
Net income attributable to the Group	29	43	72	37	109	46
Earnings per share (Euro) - basic earnings per share	0.16	0.23	0.39	0.21	0.60	0.26

Benetton risk factors

The year 2009 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 their 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 adopting 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.

- 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)	2009	2008	*Notes*
Revenues	**2,049,259**	**2,127,941**	***[1]***
Materials and subcontracted work	969,282	997,235	*[2]*
Payroll and related costs	84,154	88,334	*[4]*
Industrial depreciation and amortization	15,727	16,051	*[6]*
Other manufacturing costs	37,476	44,554	*[3]*
Cost of sales	**1,106,639**	**1,146,174**	
Gross operating profit	**942,620**	**981,767**	
Distribution and transport	63,173	65,699	
Sales commissions	86,706	88,797	
Contribution margin	**792,741**	**827,271**	
Payroll and related costs	169,051	167,724	*[4]*
Advertising and promotion (A)	52,585	60,922	*[5]*
Depreciation and amortization	87,944	83,629	*[6]*
Other expenses and income	277,359	260,727	*[7]*
- of which non-recurring expenses/(income)	*22,523*	*(628)*	
General and operating expenses	**586,939**	**573,002**	
- of which non-recurring expenses/(income)	*22,523*	*(628)*	
Operating profit	**205,802**	**254,269**	
Share of income/(losses) of associated companies	2,262	229	*[8]*
Financial expenses	(34,694)	(79,301)	*[9]*
Financial income	14,746	37,861	*[9]*
Net foreign currency hedging (losses)/gains and exchange differences	(2,549)	(772)	*[10]*
Income before taxes	**185,567**	**212,286**	
Income taxes	67,715	56,210	*[11]*
Net income from continuing operations	**117,852**	**156,076**	
Net income from discontinued operations	-	1,107	*[12]*
Net income for the year	117,852	157,183	
attributable to:			
- shareholders of the Parent Company	**121,650**	**155,478**	
- minority interests	(3,798)	1,705	
Basic earnings per share (Euro)	0.71	0.86	
Diluted earnings per share (Euro)	0.71	0.86	

(A) Of which Euro 10,768 thousand charged by holding and related companies in 2009 (Euro 10,530 thousand in 2008).

Statement of comprehensive income

(thousands of Euro)	Shareholders of the Parent Company	Minority interests	2009	Shareholders of the Parent Company	Minority interests	2008
Net income for the year (A)	**121,650**	**(3,798)**	**117,852**	**155,478**	**1,705**	**157,183**
Gains/(losses) recognized in cash flow hedge reserve	845	-	845	2,420	-	2,420
Tax effect relating to other gains/(losses)	(315)	-	(315)	(558)	-	(558)
Losses recognized in currency translation reserve	(2,769)	798	(1,971)	(33,198)	(2,971)	(36,169)
Total other comprehensive income, net of tax (B)	**(2,239)**	**798**	**(1,441)**	**(31,336)**	**(2,971)**	**(34,307)**
Total comprehensive income for the year (A)+(B)	**119,411**	**(3,000)**	**116,411**	**124,142**	**(1,266)**	**122,876**

Consolidated balance sheet – Assets

(thousands of Euro)	12.31.2009	12.31.2008	Notes
Non-current assets			
Property, plant and equipment			*[13]*
Land and buildings	736,885	738,310	
Plant, machinery and equipment	106,349	93,857	
Furniture, fittings and electronic devices	72,869	67,382	
Vehicles and aircraft	22,479	23,724	
Assets under construction and advances	49,853	71,400	
Leased assets	773	4,852	
Leasehold improvements	45,569	49,497	
	1,034,777	**1,049,022**	
Intangible assets			*[14]*
Goodwill and other intangible assets of indefinite useful life	43,063	37,892	
Intangible assets of finite useful life	210,114	222,240	
	253,177	**260,132**	
Other non-current assets			
Investments	1,981	6,077	*[15]*
Guarantee deposits	26,223	28,853	*[16]*
Medium/long-term financial receivables	4,711	4,828	*[17]*
Other medium/long-term receivables	9,413	11,574	*[18]*
Deferred tax assets	156,869	164,490	*[19]*
	199,197	**215,822**	
Total non-current assets	**1,487,151**	**1,524,976**	
Current assets			
Inventories	300,629	358,938	*[20]*
Trade receivables	786,476	781,458	*[21]*
Tax receivables	31,231	25,215	*[22]*
Other receivables, accrued income and prepaid expenses (B)	63,423	85,179	*[23]*
Financial receivables	18,267	37,555	*[24]*
Cash and banks	134,783	131,903	*[25]*
Total current assets	**1,334,809**	**1,420,248**	
Assets held for sale	5,526	1,330	*[26]*
TOTAL ASSETS	**2,827,486**	**2,946,554**	

(B) Of which Euro 18,566 thousand due from holding and related companies at 12.31.2009 (Euro 32,131 thousand at 12.31.2008).

Consolidated balance sheet – Shareholders' equity and liabilities

(thousands of Euro)	12.31.2009	12.31.2008	Notes
Shareholders' equity			
Shareholders' equity attributable to the Group			[27]
Share capital	237,483	237,483	
Treasury shares	(71,734)	(69,108)	
Additional paid-in capital	65,182	65,182	
Fair value and hedging reserve	(280)	(810)	
Other reserves and retained earnings	1,084,525	980,069	
Net income for the year	121,650	155,478	
	1,436,826	**1,368,294**	
Minority interests	**18,693**	**23,459**	
Total shareholders' equity	**1,455,519**	**1,391,753**	
Liabilities			
Non-current liabilities			
Medium/long-term loans	401,095	400,310	[28]
Other medium/long-term payables	21,597	17,525	[29]
Lease financing	668	464	[30]
Retirement benefit obligations	47,357	49,178	[31]
Other medium/long-term provisions and liabilities	31,386	28,175	[32]
	502,103	**495,652**	
Current liabilities			
Trade payables	403,911	415,594	[33]
Other payables, accrued expenses and deferred income (C)	137,639	166,535	[34]
Current income tax liabilities	9,570	8,569	[35]
Other current provisions and liabilities	6,474	5,967	[36]
Current portion of lease financing	411	1,828	[37]
Current portion of medium/long-term loans	238	71	[38]
Financial payables and bank loans	311,621	460,585	[39]
	869,864	**1,059,149**	
Total liabilities	**1,371,967**	**1,554,801**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**2,827,486**	**2,946,554**	

(C) Of which Euro 25,937 thousand due to holding and related companies at 12.31.2009 (Euro 60,158 thousand at 12.31.2008).

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 interests	Total
Balances as of 12.31.2007	**237,478**	**-**	**65,155**	**(2,672)**	**946,582**	**(4,802)**	**145,330**	**27,613**	**1,414,684**
Carryforward of 2007 net income	-	-	-	-	145,330	-	(145,330)	-	-
Exercise of stock options	5	-	27	-	-	-	-	-	32
Dividends distributed as approved by Ordinary Shareholders' Meeting of 04.24.2008	-	-	-	-	(73,072)	-	-	-	(73,072)
Purchase of treasury shares	-	(69,108)	-	-	-	-	-	-	(69,108)
Valuation of put option held by minority shareholders	-	-	-	-	-	-	-	(3,277)	(3,277)
Formation of new subsidiaries and business combination	-	-	-	-	-	-	-	2,382	2,382
Dividends distributed to minority interests	-	-	-	-	-	-	-	(1,993)	(1,993)
Other changes	-	-	-	-	-	(771)	-	-	(771)
Total comprehensive income for the year	-	-	-	1,862	-	(33,198)	155,478	(1,266)	122,876
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 interests	-	-	-	-	-	-	-	(1,509)	(1,509)
Differences arising on Euro translation of financial statements of foreign consolidated companies and other movements	-	-	-	-	-	-	-	-	-
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**

Consolidated statement of cash flows

(thousands of Euro)	2009	2008
Operating activities		
Net income for the year attributable to the Group and minority interests	117,852	156,076
Net income from discontinued operations	-	1,107
Income taxes expense	67,715	56,210
Income before taxes	**185,567**	**213,393**
Adjustments for:		
- depreciation and amortization	103,671	99,680
- net capital (gains)/losses and non-monetary items (D)	16,729	(5,762)
- net provisions charged to statement of income	32,792	25,710
- use of provisions	(9,664)	(8,540)
- share of (income)/losses of associated companies	(2,262)	(229)
- net financial expenses/(income) and exchange differences	22,497	42,212
Cash flow from operating activities before changes in working capital	**349,330**	**366,464**
Cash flow provided/(used) by changes in working capital	53,405	(114,815)
Payment of taxes	(84,084)	(52,231)
Net interest paid and exchange differences	(23,136)	(39,278)
Cash flow provided by operating activities	**295,515**	**160,140**
Investing activities		
Operating investments	(124,667)	(224,483)
Operating divestments (E)	23,968	38,422
Purchases of investments and business combinations	(12,553)	(17,887)
Disposal of investments	136	171
Operations in non-current financial assets	861	(4,889)
Cash flow used by investing activities	**(112,255)**	**(208,666)**
Financing activities		
Payment of dividends	(49,762)	(75,065)
Purchase of treasury shares	(2,626)	(69,108)
Change in shareholders' equity	-	108
Net change in other sources of finance	(108,972)	183,589
Cash flow provided/(used) by financing activities	**(161,360)**	**39,524**
Net increase/(decrease) in cash and cash equivalents	**21,900**	**(9,002)**
Cash and cash equivalents at the beginning of the year	122,019	130,784
Cash in companies acquired	(9,907)	-
Translation differences and other movements	(173)	237
Cash and cash equivalents at the end of the year (*)	133,839	122,019

(D) Of which Euro 6,412 thousand due to holding and related companies in 2009.
(E) Of which Euro 17,250 thousand due to holding and related companies in 2009.
(*) Includes Euro 943 thousand in current account overdrafts (Euro 9,884 thousand in 2008).

The explanatory notes (pages 46 through 105) 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 18, 2010.

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. Milano Report S.p.A., a company which manages stores, mainly in Lombardy, selling Benetton-branded products, insofar as most of the risks and rewards of the business are attributable to Benetton itself by virtue, amongst others, of the margins earned on sales;
d. 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;
e. 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;
f. 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. Minority interests in shareholders' equity and the result for the period of consolidated subsidiaries are classified separately as "Minority interests" under shareholders' equity and as "Net income for the year attributable to minority interests" 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 reflected directly in consolidated shareholders' equity as a separate component.

Accounting standards and policies

Application of IFRS
The Group's financial statements for 2009 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.
No new material IFRSs or amendments thereto have come into effect from 2009 that are applicable to the Group. In detail:

- IAS 1 – Presentation of Financial Statements: the revised standard requires all changes arising from transactions with shareholders to be presented in a statement of changes in shareholders' equity. All changes resulting from transactions with non-shareholders must be reported in a single statement of comprehensive income or in two statements (a separate statement of income and a statement of comprehensive income); the statement of comprehensive income includes income and expenses, including all reclassification adjustments, which have not been recognized in net income for the year under other IFRSs. The Group has applied the standard retrospectively, reporting the changes resulting from transactions with non-shareholders in two statements denoted "Consolidated statement of income" and "Statement of comprehensive income" respectively. The Group has consequently revised the presentation of the statement of changes in shareholders' equity.

- IFRS 8 – Operating Segments: this standard requires the information contained in segment reporting to be based on factors used by management for taking operating decisions, meaning that operating segments must be identified on the basis of internal reports that are regularly reviewed by the entity's management for the purposes of allocating resources to the different segments and assessing their performance. The Group considers that the disclosures provided are sufficient to satisfy the standard's requirements.
- IAS 23 – Borrowing Costs: this standard removes the option of immediately recognizing as an expense in the statement of income any financial expenses incurred for assets which normally take a substantial period of time to get ready for their intended use or sale. The Group has applied this standard prospectively from January 1, 2009 without any material impact on the financial statements for the year.
- Amendment to IFRS 7 – Financial Instruments: Disclosures: the amendment, which is applicable from January 1, 2009, has been issued to improve the disclosure requirements about fair value measurements and reinforce existing principles for disclosures about the liquidity risk associated with financial instruments. In particular, the amendment introduces a three-level hierarchy for fair value measurement disclosures. The adoption of these amendments has not had any impact on the measurement and recognition of items reported in the financial statements, but only on the type of disclosures presented in the explanatory notes.

The Group carries out activities that as a whole do not involve significant seasonal or cyclical variations in total sales during the year.

New accounting standards

- On January 10, 2008 the IASB issued a revised version of IFRS 3 – Business combinations, and amended IAS 27 – Consolidated and separate financial statements. The main changes to IFRS 3 involve eliminating the requirement, in the case of acquiring a subsidiary by steps, to measure its individual assets and liabilities at fair value for each successive acquisition. In this case, goodwill will be determined immediately before acquiring control as the difference between the value of the investments, the transaction consideration and the value of the net assets acquired. In addition, if the company does not acquire 100% of the shares in the subsidiary, the percentage of net assets pertaining to minority interests can be measured either at fair value or using the method already permitted by IFRS 3. The revised standard also requires all costs associated with the business combination to be expensed to the statement of income, and liabilities for any contingent consideration to be recognized at the date of acquisition. In the amendment to IAS 27, the IASB has established that any partial disposals of interests that do not involve a loss of control must be accounted for through shareholders' equity. The amendment to IAS 27 also requires that all losses attributable to the minority are allocated to minority interests in equity, even when they exceed the minority interest in the subsidiary's equity. This amendment is applicable prospectively from January 1, 2010.
- IFRS 5 – Non-current assets held for sale and discontinued operations: the amendment, which must be applied prospectively from January 1, 2010, establishes that if an entity is engaged in a disposal program involving the loss of control of a subsidiary, all the assets and liabilities of that subsidiary must be reclassified as assets held for sale, even if the entity continues to hold a minority interest in the subsidiary after the disposal.

Valuation criteria

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 for the three-year period 2007-2009, as allowed by articles 117 *et seq.* of the Tax Consolidation Act DPR 917 dated 22 December 1986, with Edizione S.r.l. acting as the head of the tax group.
The relationships arising from participation in the above tax group 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 recorded at fair value, and gains and losses deriving from subsequent measurement are recognized in shareholders' equity. 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 remains in shareholders' equity until the financial asset is sold or otherwise transferred, in which case it is booked 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, 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 face value. The implicit interest component included in medium/long-term payables is recorded separately using an appropriate market rate.

Financial liabilities

Financial liabilities are divided into two categories:

- 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. These are recorded at fair value, with the related gains and losses booked to the statement of income;
- other liabilities, which are recorded on the basis of amortized cost.

Each type of financial liability referred to above, outstanding at the reporting date, is specifically reported 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 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, deferred in equity, 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 Children, 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 in 2009 which operate in hyperinflationary economies.

Business combinations
The Group accounts for all business combinations by applying the purchase 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 also form part of its overall cost.

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 shareholding interests to minority shareholders by the Group generates gains or losses that are recognized in the statement of income. The purchase of interests by minority shareholders is translated into goodwill, calculated as the excess of the amount paid over the share of the carrying value of the subsidiary's net assets.

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, 2009. 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, 2009 are as follows:

			Effect on:	
(thousands of Euro)	Notional amounts	Net fair value	Shareholders' equity	Statement of income
Economic exchange risk	**346,613**	**(4,472)**	**(404)**	**(4,068)**
- fair value hedges	150,988	(3,431)	-	(3,431)
- cash flow hedges	195,625	(1,041)	(404)	(637)
Transaction exchange risk	**457,557**	**(203)**	**-**	**(203)**
- fair value hedges	457,557	(203)	-	(203)
Translation exchange risk	**308,759**	**1,999**	**2,338**	**(339)**
- cash flow hedges	308,759	1,999	2,338	(339)

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 shareholders' equity relate to hedges against future purchases and sales in currencies other than the Euro (cash flow hedges) which, in accordance with international accounting standards, will be recorded in the statement of income during 2010 when the related purchases and sales take place.

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 shareholders' equity are partially offset by losses arising on the translation of shareholders' equity underlying the hedging transaction.

Sensitivity analysis

At December 31, 2009 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 approximately Euro 1 million. The potential pre-tax impact on the statement of income of a hypothetical 10% decrease in exchange rates would be not material (less than Euro 1 million). At December 31, 2008 the potential pre-tax impact on the statement of income of a hypothetical 10% decrease in exchange rates was approximately Euro 2 million, while the potential pre-tax impact on the statement of income of a hypothetical 10% increase in exchange rates was not material (less than Euro 1 million).

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

Pre-tax shareholders' equity effects	12.31.2009		12.31.2008	
(millions of Euro)	- 10%	+ 10%	- 10%	+ 10%
Economic exchange risk	10	(10)	8	(7)
Transaction exchange risk	-	-	-	-
Translation exchange risk	24	(18)	24	(20)

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, 2009.

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, 2009 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 less than Euro 2 million (approximately Euro 3 million at December 31, 2008). A similar change but in the opposite sense 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, 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	-	-	-	-

Its exposure at December 31, 2008 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)	12.31.2008	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	**28,853**	4,610	30	-	-	-	27,824	-	44	985	30
Medium/long-term financial receivables	**4,828**	-	2,465	-	-	-	4,828	-	-	-	2,465
Other medium/long-term receivables	**8,260**	15	-	3,332	-	-	4,928	-	-	-	-
Current assets											
Trade receivables	**781,458**	-	17,042	60,711	50,677	1,691	483,414	4,189	156,809	29,847	15,351
Other receivables	**53,077**	-	-	-	-	-	44,623	-	1,154	7,300	-
Financial receivables	**37,555**	-	615	-	-	-	37,555	-	-	-	615

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, 2009 the Group had Euro 360 million in unutilized "committed" credit facilities and Euro 342 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, 2009 and 2008 are analyzed by due date in the following tables; note that these amounts include cash flows arising from future financial expenses.

(thousands of Euro)	12.31.2009	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	-	-	-

(thousands of Euro)	12.31.2008	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	**449,142**	12,495	10,784	15,265	409,924	674	-
Other medium/long-term payables	**17,095**	961	2,654	6,419	109	5,683	1,269
Lease financing	**474**	-	360	114	-	-	-
Current liabilities							
Trade payables	**415,594**	415,290	80	162	-	-	62
Other payables, accrued expenses and deferred income	**85,237**	83,682	584	58	52	52	809
Current portion of lease financing	**1,886**	1,886	-	-	-	-	-
Current portion of medium/long-term loans	**80**	80	-	-	-	-	-
Financial payables and bank loans	**461,565**	459,559	2,006	-	-	-	-

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 debt-equity 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 1 or less between net financial position and equity;
- a ratio of 3.5 or less between net financial position and EBITDA.

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

December 31	Net financial position/ Shareholders' equity	Net financial position/ EBITDA
2009	0.4	1.70
2008	0.5	1.96
2007	0.3	1.42
2006	0.3	1.38
2005	0.3	1.30
2004	0.4	1.60

Comments on the principal items in the statement of income

[1] Revenues

(thousands of Euro)	2009	2008
Sales of core products	2,001,103	2,060,644
Miscellaneous sales	28,656	43,495
Royalty income	10,343	10,565
Other revenues	9,157	13,237
Total	**2,049,259**	**2,127,941**

Sales of core products are stated net of discounts.
Miscellaneous sales relate mainly to the sale of semi-finished products and sample items.
Other revenues refer mainly to the provision of services such as processing, to cost recharges and miscellaneous services.
The change in revenues relative to the comparative year is primarily due to:
- a different contribution from the collection mix, reflecting prudent consumer spending in the market as a whole;
- an unfavorable trend in emerging country currencies against the Euro's exchange rate (15 million), particularly the Korean won, Turkish lira, Russian rouble and Indian rupee;
- a net positive impact from the opening of directly operated stores.

Sales of core products, by product category

(thousands of Euro)	2009	2008
Casual apparel, accessories and footwear	1,868,194	1,930,208
Fabrics and yarns	95,279	87,251
Leisure apparel, accessories and footwear	37,630	43,185
Total	**2,001,103**	**2,060,644**

Sales of core products, by brand

(thousands of Euro)	2009	2008
United Colors of Benetton	967,198	983,265
United Colors of Benetton Children and Sisley Young	601,430	588,957
Sisley	299,549	357,984
Playlife	36,355	39,030
Killer Loop	1,292	4,157
Other sales	95,279	87,251
Total	**2,001,103**	**2,060,644**

The United Colors of Benetton brand also includes Euro 92,485 thousand in sales by the Undercolors brand (Euro 95,357 thousand in 2008). "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 include Euro 800,584 thousand (827,780 thousand in 2008) in costs incurred, net of closing inventories, for the purchase of raw materials, semi-finished products, finished products, outsourced products and related materials and Euro 168,698 thousand (169,455 thousand in 2008) in costs for subcontracted work. Despite the negative impact of exchange rates (around Euro 10.8 million), the figure for 2009 reports a significant reduction on the prior year thanks to actions taken under the reorganization plan in terms of production sources and efficiency in the supply chain, which add to the benefits of actions already taken such as the reduction in collection complexity.

[3] Other manufacturing costs

Other manufacturing costs amount to Euro 37,476 thousand compared with Euro 44,554 thousand in 2008 and reflect the decrease in energy and industrial maintenance costs, particularly in the textile segment.

[4-7] General and operating expenses

[4] 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.

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**

2008

(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	63,204	128,930	1,060	193,194
Social security contributions	22,075	33,408	301	55,784
Provision for retirement benefit obligations	1,271	1,878	63	3,212
Other payroll and related costs	1,784	3,508	-	5,292
Total	**88,334**	**167,724**	**1,424**	**257,482**

Industrial payroll costs are lower as a result of the current reorganization process, particularly in the textile segment, while non-industrial costs reflect the higher average headcount in 2009.

The number of employees is analyzed by category below:

	2009	2008	Period avarage
Management	89	94	92
White collar	5,356	5,644	5,500
Workers	2,596	2,510	2,553
Part-timers	1,470	1,518	1,494
Total	**9,511**	**9,766**	**9,639**

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:

	2009		2008	
	No. of options	Weighted exercise price	No. of options	Weighted exercise price
Circulating at the beginning of the year	100,000	8.984	220,838	8.984
Granted	-		-	-
Annulled	-		117,318	8.984
Exercised	-		3,520	8.984
Circulating at year end	100,000	8.984	100,000	8.984
Exercisable at year end	100,000	8.984	100,000	8.984

Options outstanding at December 31, 2009 have a remaining average weighted life of 3.7 years.

Key senior management

The following persons have been identified as key senior managers of the Group in 2009:

	Function
Aldo Chiaradia	Chief Information Technology Officer
Biagio Chiarolanza	Chief Operating Officer and Director of Business Unit Americas
Eric Daguin	Asset Management
Alberto Nathansohn	Chief Financial Officer
Andrea Pezzangora	General Counsel
Giovanni Di Vaio (A)	Worldwide Human Resources Director
Adolfo Pastorelli (B)	Chief Information Technology Officer

(A) Giovanni Di Vaio resigned at the end of January 2010; his duties have been temporarily allocated to the Chief Executive Officer.
(B) Adolfo Pastorelli left the Group during 2009, his duties were taken over by Aldo Chiaradia.

The following table summarizes the total remuneration of key senior managers:

(thousands of Euro)	2009
Short-term benefits	3,260
Deferred compensation	-
Other long-term benefits	-
Severance indemnity (A)	220
Stock-based compensation	-
Total	**3,480**

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

[5] Advertising and promotion

Advertising and promotion costs amount to Euro 52,585 thousand (Euro 60,922 thousand in 2008) and reflect the costs incurred for developing advertising campaigns; the reduction is due to the Group's policy of sharpening the focus of advertising campaigns while retaining high brand visibility.

[6] 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:

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**

2008

(thousands of Euro)	Industrial depreciation and amortization	Non-industrial depreciation and amortization	Total
Depreciation of property, plant and equipment	15,862	51,537	67,399
Amortization of intangible assets	189	32,092	32,281
Total	**16,051**	**83,629**	**99,680**

The useful life of certain categories of assets classified in "Furniture, fittings and electronic devices" has been revised during 2009. The increase in depreciation and amortization is mostly due to investments made in the prior year which entered service in 2009. In fact, review of the frequency with which the fittings in the Group's stores are renewed, except for specific stores in particularly strategic locations, has revealed the need to revise their useful life from 4 to 6 years. This revision has reduced the depreciation charge by around Euro 5 million in 2009.

[7] Other expenses and income

(thousands of Euro)	2009	2008
Non-industrial general costs	109,081	125,542
Other operating expenses/(income)	116,746	109,289
Additions to provisions	28,753	23,970
Other expenses/(income)	22,779	1,926
Total	**277,359**	**260,727**

Details of these amounts are provided in the following tables.

Non-industrial general costs

(thousands of Euro)	2009	2008
Other services	25,289	28,459
Consulting and advisory fees	12,843	18,284
Rental and hire costs	10,708	14,673
Maintenance and cleaning	10,662	10,343
Electricity and gas	10,566	9,827
Travel and entertainment costs	8,623	10,778
Directors and Statutory Auditors	7,321	8,189
Sundry purchases	6,150	7,169
Telephone and postage expenses	5,718	6,061
Insurance	4,313	4,607
Banking services	3,519	3,285
Surveillance and security	2,227	2,411
Other	1,142	1,456
Total	**109,081**	**125,542**

Non-industrial general costs have decreased by Euro 16,461 thousand, having particularly benefited from cost containment measures introduced at the start of 2009, which have generated savings in almost every line item of non-industrial general costs. Particularly significant reductions were reported for:

- consulting and advisory fees, which had been particularly high in 2008 because of specific projects to develop competitive structure in strategic markets;
- rental and hire costs, because of the combined effect of renegotiating contracts with certain service suppliers and of using fewer external services.

The following table reports all the remuneration, in whatever form, approved and/or earned in 2009 in respect of each individual member of the Parent Company's Board of Directors and Board of Statutory Auditors.

(thousands of Euro)			
Name and surname	**Position held**	**Duration of office (*)**	**Gross remuneration**
Luciano Benetton	Chairman	12.2009	1,600
Carlo Benetton	Deputy Chairman	12.2009	800
Alessandro Benetton	Executive Deputy Chairman	12.2009	1,100
Gerolamo Caccia Dominioni	Chief Executive Officer	12.2009	1,010
Gilberto Benetton	Directors	12.2009	100
Giuliana Benetton	Directors	12.2009	800
Luigi Arturo Bianchi	Directors	12.2009	121
Giorgio Brunetti	Directors	12.2009	107
Alfredo Malguzzi	Directors	12.2009	107
Gianni Mion	Directors	12.2009	50
Robert Singer	Directors	12.2009	77
Angelo Casò	Chairman of the Board of Statutory Auditors	12.2010	62
Antonio Cortellazzo	Statutory Auditor	12.2010	42
Filippo Duodo	Statutory Auditor	12.2010	50

(*) Until approval of the financial statements.

Other operating expenses/(income)

(thousands of Euro)	2009	2008
Operating expenses:		
- rental expense	168,860	157,783
- indirect taxes and duties	10,513	11,671
- other operating expenses	20,367	24,226
Total operating expenses	**199,740**	**193,680**
Operating income:		
- rental income	(71,627)	(67,895)
- reimbursements and compensation payments	(1,929)	(3,780)
- other operating income	(9,438)	(12,716)
Total operating income	**(82,994)**	**(84,391)**
Total	**116,746**	**109,289**

Additions to provisions

(thousands of Euro)	2009	2008
Addition to provision for doubtful accounts	21,185	16,844
Addition to provision for legal and tax risks	5,068	4,126
Addition to provision for sales agent indemnities	2,500	3,000
Total	**28,753**	**23,970**

Other expenses/(income)

(thousands of Euro)	2009	2008
Other expenses:		
- impairment of property, plant and equipment and intangible assets	20,907	6,344
- donations	2,920	3,164
- costs for expected obligations	2,816	1,603
- out-of-period expenses	1,452	1,489
- losses on disposal	1,923	1,264
- other sundry expenses	12,656	9,206
Total other expenses	**42,674**	**23,070**
Other income:		
- gains on disposals of property, plant and equipment and intangible assets	(7,700)	(7,381)
- reversal of impairment of property, plant and equipment and intangible assets	-	(6,549)
- release of provisions	(2,087)	(3,075)
- out-of-period income	(6,042)	(2,600)
- other sundry income	(4,066)	(1,539)
Total other income	**(19,895)**	**(21,144)**
Total	22,779	1,926

As already discussed in the Directors' report, there has been a significant increase in impairment recognized in 2009 following the adjustment to recoverable amount of certain commercial properties, particularly in the United States, Lithuania, Austria and Portugal.
The out-of-period income recognized in 2009 mainly refers to the release of agent commissions and employee bonuses, accrued in prior years, but no longer owed by the Group.
The non-recurring income and expenses included in this heading are detailed in the paragraph entitled "Other information – Non-recurring events and significant transactions".

[8] 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.

[9] Financial (expenses)/income

The reduction in financial expenses relative to 2008 is largely due to the significant drop in interest rates, as partly offset by an increase in average debt over the period.

Financial expenses

(thousands of Euro)	2009	2008
Financial expenses:		
- expenses from hedges of economic exchange risk	(12,012)	(12,825)
- expenses from hedges of transaction exchange risk	(375)	(19,501)
- expenses from hedges of translation exchange risk	(418)	(1,164)
- expenses from hedges of interest rate risk	-	(196)
- interest on bank loans	(16,020)	(37,586)
- early settlement trade discounts	(2,057)	(2,296)
- bank charges and commissions	(2,404)	(2,520)
- sundry other financial expenses	(937)	(2,310)
- interest on advances against receivables	(201)	(303)
- interest on loans from other lenders	(106)	(230)
- interest on bank overdrafts	(164)	(370)
Total	**(34,694)**	**(79,301)**

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)	2009	2008
Financial income:		
- income from hedges of economic exchange risk	10,558	13,475
- income from hedges of transaction exchange risk	2,600	21,613
- income from hedges of translation exchange risk	647	1,230
- income from hedges of interest rate risk	-	187
- interest income on current, currency and deposit accounts	266	895
- interest income from receivables	432	433
- sundry other financial income	243	28
Total	**14,746**	**37,861**

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.

[10] 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. The net change in this line item relative to 2008 reflects the negative contribution of hedges taken out against purchases in US dollars.

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

(thousands of Euro)	2009	2008
Economic exchange risk	(1,418)	449
Transaction exchange risk	(1,263)	(857)
Translation exchange risk	(211)	(401)
Other	343	37
Total	**(2,549)**	**(772)**

[11] Income taxes

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

(thousands of Euro)	2009	2008
Current taxes	60,341	60,265
Deferred tax income:		
- reversal of intercompany profits	2,852	(1,636)
- additions, uses and releases from provisions for risks and other charges	1,590	(1,510)
- taxes on a different depreciable/amortizable base for property, plant and equipment and intangible assets	-	(2,500)
- carried forward tax losses	2,027	1,200
- fair value of derivatives	(1,630)	837
- other	1,791	3,552
Total deferred tax income	**6,630**	**(57)**
Deferred tax expenses:		
- reversal of excess depreciation and the application of finance lease accounting	798	(4,371)
- capital gains	(68)	1,049
- distributable earnings/reserves of subsidiaries	948	487
- tax effect of business combination	(741)	(1,189)
- other	(193)	26
Total deferred tax expenses	**744**	**(3,998)**
Total	**67,715**	**56,210**

The tax charge amounts to Euro 67,715 thousand compared with Euro 56,210 thousand in 2008; the tax rate is 36.5%, up from 26.5% in 2008, mainly reflecting increased operating losses by certain foreign subsidiaries and higher impairment of property, plant and equipment and intangible assets recognized in 2009.

The reconciliation of the tax charge is as follows:

(%)	2009	2008
Theoretical tax rate	31.40	31.40
Different tax rate of companies in profit	(8.97)	(9.20)
Different tax rate of companies in loss	11.50	8.97
Tax effect of distributable earnings/reserves of subsidiaries	0.64	0.33
Effect arising from business transfers	(4.63)	(5.43)
Amortization of excess consideration associated with acquisitions	0.16	0.32
Effect of carried forward tax losses	(0.27)	(0.98)
Effect of impairment of property, plant and equipment and intangible assets	2.87	0.48
Higher rate of IRAP (Italian regional business tax)	2.10	1.25
Other net effects	1.69	(0.66)
Reported tax rate	**36.49**	**26.48**

[12] Net income from discontinued operations

This reported the post-tax income in 2008 of the sports equipment manufacturing business sold to the Tecnica group by the subsidiary Benetton Ungheria Kft.

Statement of comprehensive income

Other components of consolidated comprehensive income are analyzed as follows:

(thousands of Euro)	Shareholders of the Parent Company	Minority interests	12.31.2009	Shareholders of the Parent Company	Minority interests	12.31.2008
Gains/(losses) recognized directly in cash flow hedge reserve	(404)	-	(404)	(1,249)	-	(1,249)
Transfers from cash flow hedge reserve	1,249	-	1,249	3,669	-	3,669
Gains/(losses) recognized in cash flow hedge reserve	**845**	**-**	**845**	**2,420**	**-**	**2,420**
Gains/(losses) recognized directly in currency translation reserve	(2,257)	798	(1,459)	(33,198)	(2,971)	(36,169)
Transfers from currency translation reserve	(512)	-	(512)	-	-	-
Losses recognized in currency translation reserve	**(2,769)**	**798**	**(1,971)**	**(33,198)**	**(2,971)**	**(36,169)**
Tax effect relating to other gains/(losses)	(315)	-	(315)	(558)	-	(558)
Total other comprehensive income, net of tax	**(2,239)**	**798**	**(1,441)**	**(31,336)**	**(2,971)**	**(34,307)**

Comments on the principal asset items

Non-current assets

[13] Property, plant and equipment

The following table reports movements in 2009 and 2008 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 01.01.2008	**656,439**	**75,541**	**61,295**	**24,648**	**61,795**	**5,285**	**44,921**	**929,924**
Business combinations	4,206	1,726	41	1	8	-	1,246	7,228
Additions	67,729	19,025	32,547	1,210	54,868	-	16,131	191,510
Disposals	(24,134)	(1,852)	(934)	(2,787)	(91)	-	(1,214)	(31,012)
Depreciation	(13,596)	(15,701)	(24,670)	(1,889)	-	(433)	(11,110)	(67,399)
Impairment	-	(176)	(1,846)	-	-	-	(2,478)	(4,500)
Impairment reversals	6,549	-	-	-	-	-	-	6,549
Reclassifications and translation differences	41,117	15,294	949	2,541	(45,180)	-	2,001	16,722
Balance at 12.31.2008	**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**

Investments in property, plant and equipment in the year, totaling Euro 94,181 thousand, mainly related to:

- acquisitions of properties for commercial use and the modernization and refurbishment of points of sale for the purposes of expanding the commercial network, particularly in Russia, Italy, Turkey, India, Mexico, France and Spain;
- investments for increasing production capacity in Romania, Italy and Istria (Croatia); in addition, a grant of Euro 2,495 thousand has been obtained in respect of the production center built in Tunisia in 2008.

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

"Business combinations" reflect the acquisition of commercial operations in Italy during 2009, details of which can be found in "Other information - Business combinations".

Disposals in the year amount to Euro 15,470 thousand and mainly refer to the sale of four commercial properties in Italy.

In addition, Euro 10,233 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 depreciation and impairment and related net book value of the Group's property, plant and equipment are analyzed below:

	12.31.2009			12.31.2008		
(thousands of Euro)	Gross	Accumulated depreciation and impairment	Net	Gross	Accumulated depreciation and impairment	Net
Land and buildings	895,156	158,271	736,885	882,568	144,258	738,310
Plant, machinery and equipment	342,218	235,869	106,349	333,724	239,867	93,857
Furniture, fittings and electronic devices	234,618	161,749	72,869	212,412	145,030	67,382
Vehicles and aircraft	35,485	13,006	22,479	35,452	11,728	23,724
Assets under construction and advances	49,853	-	49,853	71,400	-	71,400
Leased assets	4,049	3,276	773	9,547	4,695	4,852
Leasehold improvements	154,113	108,544	45,569	157,738	108,241	49,497
Total	**1,715,492**	**680,715**	**1,034,777**	**1,702,841**	**653,819**	**1,049,022**

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

(thousands of Euro)	12.31.2009	12.31.2008
Commercial	607,964	607,919
Industrial	107,573	107,991
Other	21,348	22,400
Total	**736,885**	**738,310**

Leased assets are analyzed as follows:

(thousands of Euro)	12.31.2009	12.31.2008
Land and buildings	-	5,959
Plant, machinery and equipment	236	236
Furniture, fittings and electronic devices	3,566	3,105
Leasehold improvements	247	247
(Accumulated depreciation)	(3,276)	(4,695)
Total	**773**	**4,852**

The long-term portion of the outstanding principal contained in lease repayments at December 31, 2009 is recognized as "Lease financing" under non-current liabilities, while the short-term portion is reported in current liabilities.
A portion of property, plant and equipment has been pledged with banking institutions as collateral against loans whose outstanding repayments total Euro 399,6 million at December 31, 2009.

[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 01.01.2008	**28,458**	**3,333**	**18,123**	**149,797**	**41,020**	**240,731**
Business combinations	6,912	-	-	10,493	6	17,411
Additions	2,418	153	1,931	20,606	11,455	36,563
Disposals	-	-	(61)	(272)	(133)	(466)
Amortization	-	(350)	(3,030)	(18,870)	(10,031)	(32,281)
Impairment	-	-	-	(1,830)	(14)	(1,844)
Reclassifications and translation differences	104	(534)	226	2,174	(1,952)	18
Balance at 12.31.2008	**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**

Investments in intangible assets in the year, totaling Euro 22,390 thousand, mainly related to:

- the acquisition of deferred commercial charges, for developing the commercial network, particularly in Italy and Mexico;
- investments in Information Technology, of which the most significant were those in implementing and developing the SAP application software at certain Italian and foreign subsidiaries and in developing software for the various production, logistics, commercial and product areas.

"Business combinations" reflect the acquisition of commercial operations in Italy during 2009, details of which can be found in "Other information - Business combinations".

Disposals in the year amount to Euro 1,324 thousand and mainly refer to the sale of certain "fonds de commerce" in France.

In addition, Euro 10,674 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:

	12.31.2009			12.31.2008		
(thousands of Euro)	Gross	Accumulated amortization and impairment	Net	Gross	Accumulated amortization and impairment	Net
Goodwill and other intangible assets of indefinite useful life	59,837	16,774	43,063	50,386	12,494	37,892
Industrial patents and intellectual property rights	6,155	3,745	2,410	6,021	3,419	2,602
Concessions, licenses, trademarks and similar rights	68,862	50,913	17,949	65,394	48,205	17,189
Deferred charges	291,809	136,627	155,182	274,096	111,998	162,098
Other	99,588	65,015	34,573	95,257	54,906	40,351
Total	**526,251**	**273,074**	**253,177**	**491,154**	**231,022**	**260,132**

"Goodwill and other intangible assets of indefinite useful life" consist of consolidation differences and residual amounts of goodwill arising on the consolidation of acquired companies.
"Deferred charges" mainly consist of lease surrender payments to obtain the lease of buildings for use as stores ("key money"), which are amortized over the term of the related lease contracts (with the exception of "fonds de commerce" which are amortized over 20 years). "Other" mainly comprises Euro 27,521 thousand in costs for the purchase and development of software (of which Euro 5,425 thousand generated internally) and Euro 6,118 thousand in costs for assets under construction and advances (of which Euro 366 thousand generated internally).

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

(thousands of Euro)	12.31.2009	12.31.2008
Killer Loop	7,649	8,487
United Colors of Benetton	4,492	3,023
Sisley	522	518
Other	555	618
Total	**13,218**	**12,646**

Killer Loop is the subject of a specific brand repositioning plan meaning that, despite the modest results achieved in 2009, its book value is fully supported by future forecast cash flows.
A portion of intangible assets has been pledged with banking institutions as collateral against loans whose outstanding repayments total Euro 399.6 million at December 31, 2009.

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 2009 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	3,227	-	3,227
- plant, machinery and equipment	155	-	155
- furniture, fittings and electronic devices	3,285	-	3,285
- leasehold improvements	3,566	-	3,566
Total property, plant and equipment	**10,233**	**-**	**10,233**
Intangible assets:			
- goodwill and other intangible assets of indefinite useful life	3,603	-	3,603
- intangible assets of finite useful life	7,071	-	7,071
Total intangible assets	**10,674**	**-**	**10,674**
Total	**20,907**	**-**	**20,907**

The principal impairment losses and reversals recognized in 2009 as a result of impairment testing were as follows:

- commercial assets: all the impairment losses for the year refer solely to this class of assets and 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. The only exceptions to this method of testing relate to the "fonds de commerce" and "buildings", whose valuation was based on the fair value determined by expert appraisals. Impairment losses recognized in 2009 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 the United States, Germany, India, France, Austria and Italy. A pre-tax rate of 8% (7.4% in 2008) was used for the purposes of discounting cash flows except in Turkey where a rate of 15.79% was applied (14.6% in 2008). As a result of the various appraisals, impairment losses totaling Euro 3,227 thousand were recognized against the value of two buildings, located in Vilnius and Porto respectively.

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

Nature of goodwill	12.31.2008	Changes/ (Impairment)	12.31.2009	Pre-tax discount rate	Specific planning period (years)	Growth rate beyond the specific planning period
Acquisition Mari GmbH (Germany)	6,323	-	6,323	8.0%	5	-
Acquisition 50% Benetton Giyim Sanayi A.S. (Turkey)	5,708	-	5,708	15.8%	4	2.0%
Acquisition 50% Milano Report S.p.A. (Italy)	19,731	-	19,731	8.0%	4	2.0%
Acquisition 100% Business combination USA	3,613	(3,613)	-	8.0%	5	2.0%
Acquisition 100% Business combination Canada	296	37	333	8.0%	5	2.0%
Acquisition 90% Ben-Mode A.G. (Switzerland)	1,360	(86)	1,274	8.0%	4	2.0%
Acquisition 60% Aerre S.r.l. e S.C. Anton Industries S.r.l. (Italy, Romania)	861	-	861			
Acquisition 100% My Market S.r.l. e Benver S.r.l. (Italy)	-	8,833	8,833			
Total	**37,892**	**5,171**	**43,063**			

Goodwill relating to the subsidiaries My Market S.r.l and Benver S.r.l., acquired from Bencom S.r.l., Aerre S.r.l. and S.C. Anton Industries S.r.l. was not tested for impairment, since these are all recent acquisitions supported by appraisals and have an insignificant amount of goodwill.
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 1 million in higher 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 or were in liquidation at the balance sheet date. Investments in other companies are stated at cost and refer to minority stakes in a number of companies in Switzerland, Japan and Italy. The change in this balance is mainly due to completion in 2009 of the acquisition of the subsidiary My Market S.r.l. for which an advance had been paid at the end of 2008. Details are as follows:

(thousands of Euro)	12.31.2009	12.31.2008
Chesa Paravicini S.A.	1,479	1,479
Korea Fashion Physical Distribution	-	109
Other investments and advances for acquiring investments	502	4,489
Total	**1,981**	**6,077**

[16] Guarantee deposits

The guarantee deposits reported at December 31, 2009 primarily relate to lease contracts entered into by Indian and Japanese subsidiaries in particular.

[17] Medium/long-term financial receivables

The overall balance of 4,711 thousand euro includes loans mostly given by Group subsidiaries to third parties, which earn interest at market rates. A total of Euro 1,658 thousand in new loans were granted during the year, of which Euro 164 thousand repayable in 2010 and classified as current assets.

(thousands of Euro)	12.31.2009	12.31.2008
From 1 to 5 years	4,036	3,810
Beyond 5 years	675	1,018
Total	**4,711**	**4,828**

[18] Other medium/long-term receivables

This line item, totaling Euro 9,413 thousand, includes Euro 4,803 thousand in customer trade receivables (stated net of Euro 2,661 thousand in provisions for doubtful accounts), Euro 2,133 thousand in receivables for fixed asset disposals, Euro 2,388 thousand in VAT recoverable and sundry other receivables for immaterial amounts.

[19] Deferred tax assets

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

(thousands of Euro)	12.31.2008	Increases	Decreases	Translation differences and other movements	12.31.2009
Tax effect of eliminating intercompany profits	7,756	4,904	(7,756)	-	4,904
Tax effect of provisions, costs and revenues relating to future periods for fiscal purposes	31,622	11,924	(13,482)	602	30,666
Deferred taxes on reversal of excess depreciation and application of finance lease accounting	(5,381)	(5,014)	4,217	23	(6,155)
Deferred taxes on capital gains taxable over a number of accounting periods	(3,935)	(1,914)	1,982	(140)	(4,007)
Different basis for depreciation/amortization	129,223	7,400	(7,400)	-	129,223
Benefit on carried forward tax losses	20,178	497	(2,524)	(734)	17,417
Deferred taxes on distributable earnings/reserves	(8,065)	(948)	-	-	(9,013)
Tax effect of business combination	(6,908)	-	741	1	(6,166)
Total	**164,490**	**16,849**	**(24,222)**	**(248)**	**156,869**

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 243 million (about Euro 237 million in 2008) but has been adjusted by Euro 226 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)	12.31.2009
From 1 to 3 years	12,899
From 4 to 6 years	25,843
From 7 to 9 years	8,768
Beyond 10 years	40,970
Unlimited	137,547
Total	**226,027**

Current assets

[20] Inventories

Inventories are analyzed as follows:

(thousands of Euro)	12.31.2009	12.31.2008
Raw materials, other materials and consumables	73,337	94,610
Work in progress and semi-finished products	44,830	50,786
Finished products	182,274	211,170
Advances to suppliers	188	2,372
Total	**300,629**	**358,938**

The reduction in inventories is also attributable to the positive impact of actions taken under the reorganization plan in terms of production sources and supply chain efficiency.
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)	12.31.2008	Additions	Uses	Translation differences and other movements	12.31.2009
Raw materials, other materials and consumables	6,438	8,725	(6,451)	31	8,743
Work in progress and semi-finished products	1,330	830	(1,330)	-	830
Finished products	16,817	13,559	(13,798)	81	16,659
Total	**24,585**	**23,114**	**(21,579)**	**112**	**26,232**

[21] Trade receivables

Short-term and long-term trade receivables and the related provisions recognized for doubtful accounts, are as follows at December 31, 2009:

(thousands of Euro)	12.31.2009	12.31.2008
Current trade receivables	844,357	838,024
(Provision for current doubtful accounts)	(57,881)	(56,566)
Current trade receivables	**786,476**	**781,458**
Non-current trade receivables	7,464	8,980
(Provision for non-current doubtful accounts)	(2,661)	(3,799)
Non-current trade receivables	**4,803**	**5,181**
Total	**791,279**	**786,639**

The total provision for doubtful accounts corresponds to 7.1% of trade receivables, staying in line with the prior year. Movements in this provision during the year are summarized below:

(thousands of Euro)	12.31.2008	Additions	Uses	Releases to income	Exchange differences and other changes	12.31.2009
Provision for doubtful accounts	60,365	19,203	(17,254)	(118)	(1,654)	60,542

Trade receivables also include Euro 111 thousand in amounts due from the holding company Edizione S.r.l.
A total of Euro 4,697 thousand in receivables not yet due had been factored without recourse at December 31, 2009 (Euro 7,423 thousand at December 31, 2008).

[22] Tax receivable

This balance includes:

(thousands of Euro)	12.31.2009	12.31.2008
VAT recoverable	23,143	19,196
Tax credits	5,169	4,026
Other tax receivables	2,919	1,993
Total	**31,231**	**25,215**

[23] Other receivables, accrued income and prepaid expenses

This balance includes:

(thousands of Euro)	12.31.2009	12.31.2008
Other receivables:		
- other	25,989	35,947
- receivables from holding and related companies	18,065	32,131
Total other receivables	**44,054**	**68,078**
Accrued income:		
- rental income and operating leases	3,212	1,116
- other income	62	204
Total accrued income	**3,274**	**1,320**
Prepaid expenses:		
- rental expense and operating leases	8,552	10,684
- other operating costs	1,777	1,745
- insurance policies	1,343	1,299
- taxes and duties	3,117	626
- advertising and sponsorships	605	619
- rental and hire costs	444	508
- Directors' emoluments	257	300
Total prepaid expenses	**16,095**	**15,781**
Total	**63,423**	**85,179**

Other receivables, which amount to Euro 44,054 thousand (Euro 68,078 thousand at December 31, 2008), mainly refer to advances given to various suppliers and employees, receivables from social security institutions as well as receivables for fixed asset disposals. Receivables from holding and related companies mainly include the receivables due from Edizione S.r.l. in relation to the group tax election for Italian companies.

Prepaid expenses for taxes and duties include Euro 2,497 thousand for the flat-rate tax that released from further tax the higher values arising on the business combination of My Market S.r.l. in June 2009. The prepaid tax will be released to the statement of income over the amortization/depreciation period of the associated assets, while the total amount of the tax itself will be paid in June 2010.

[24] Financial receivables

(thousands of Euro)	12.31.2009	12.31.2008
Other current financial receivables and assets	9,225	11,361
Differentials on forward exchange contracts	7,673	24,913
Current financial receivables from third parties	1,369	1,281
Total	**18,267**	**37,555**

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)	12.31.2009	12.31.2008
Economic exchange risk:		
- fair value hedges	738	5,018
- cash flow hedges	853	5,598
Total economic exchange risk	**1,591**	**10,616**
Transaction exchange risk:		
- fair value hedges	3,092	12,504
Translation exchange risk:		
- cash flow hedges	2,990	1,793
Total	**7,673**	**24,913**

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)	12.31.2009	12.31.2008
Checks	83,545	76,146
Bank and post office current accounts in Euro	28,687	30,458
Bank current accounts in other currencies	21,890	23,889
Time deposits	153	761
Cash in hand	508	649
Total	**134,783**	**131,903**

Checks refer to amounts received from customers in the last few days of the reporting year.
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 factory in Piedimonte that is no longer operating, and the factory in Piobesi Torinese which ceased manufacturing activity in the first half of 2009.

Movements in this balance over the year are as follows:

(thousands of Euro)	
Balance at 01.01.2009	**1,330**
Assets sold	(74)
Reclassification from property, plant and equipment and intangible assets	4,270
Balance at 12.31.2009	**5,526**

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 20, 2009 to pay a dividend of Euro 0.28 per share, totaling Euro 48,253 thousand; the shares went ex-div on April 27, 2009.
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, 2009 and consists of 182,679,012 shares with a par value of Euro 1.30 each.

Treasury shares

Following on from program authorized in 2008, the Shareholders' Meeting of April 20, 2009 renewed the authority for the Board of Directors to buy back and dispose of the Company's ordinary shares, having revoked, with effect from April 20, 2009, the unexecuted part of the previous authority granted on April 24, 2008. The authority has been granted for a period of 18 months and refers to the purchase of a maximum number of shares representing no more than 10% of share capital, including those shares already held. The minimum purchase price may not be 30% below the official share price reported in the trading session prior to each individual transaction, while the maximum purchase price may not be 20% above such official share price; the disposal price may not be less than 90% of the official share price reported in the trading session prior to each individual transaction. Between the date the buy-back program commenced on May 14, 2008, under a resolution adopted by the Board of Directors, and December 31, 2009, Benetton Group S.p.A. bought 10,345,910 treasury shares, corresponding to 5.663% of share capital, for Euro 71,734 thousand (including commissions), of which 462,998 shares were purchased in 2009 at a corresponding purchase cost of Euro 2,626 thousand (including commissions).

Fair value and hedging reserve

This reserve presents a debit balance of Euro 280 thousand at December 31, 2009, which is stated net of Euro 125 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 1,084,525 thousand (Euro 980,069 thousand at December 31, 2008) and include:

- Euro 47,500 thousand relating to the Parent Company's legal reserve;
- Euro 563,600 thousand relating to other reserves of the Parent Company (Euro 541,072 thousand at December 31, 2008);
- 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 488,706 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 41,540 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

	12.31.2009		12.31.2008	
(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	908,102	43,099	915,892	70,781
Portion of shareholders' equity and net income of consolidated subsidiaries attributable to the Group, net of the carrying value of the related investments	1,005,793	141,337	921,311	193,098
Reversal of gains on transfer of businesses, net of deferred tax assets	(538,415)	-	(538,415)	2,500
Reversal of write-down of investments by the Parent Company	6,777	29,318	12,366	12,358
Reversal of dividends paid to the Parent Company by consolidated subsidiaries	-	(86,872)	-	(115,000)
Deferred taxes on profits/reserves distributable by subsidiaries	(9,013)	(948)	(8,065)	(486)
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	87,849	(2,615)	90,282	(4,334)
Reversal of intercompany profits/(losses) on transfers of property, plant and equipment, net of the related tax effect	855	(253)	1,199	362
Effect of applying finance lease accounting to leased assets, net of the related tax effect	13,136	418	12,718	627
Elimination of intercompany profits included in the inventories of consolidated subsidiaries, net of the related tax effect	(22,021)	(1,791)	(20,230)	(5,699)
Valuation of put option held by minority shareholders	(16,373)	1,804	(18,177)	(60)
Net effect of other consolidation entries	136	(1,847)	(587)	1,331
Per the Group consolidated financial statements	**1,436,826**	**121,650**	**1,368,294**	**155,478**

Minority interests

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

(%)	12.31.2009	12.31.2008
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)	50	50
- Benlim Ltd. (Hong Kong)	-	50
- Shanghai Sisley Trading Co. Ltd. (China)	-	50
- Filatura di Vittorio Veneto S.r.l. (Italy)	50	50
- Fynlab S.r.l. (Italy)	40	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

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)	12.31.2009	12.31.2008
Loan from Intesa Sanpaolo S.p.A.	149,846	149,788
Loan from UniCredit Banca d'Impresa S.p.A.	149,846	149,788
Loan from BNL S.p.A. (BNP Paribas group)	99,897	99,859
Loan from Ministry of Industry, Italian Law no. 46/1982	77	151
Other loans	1,429	724
Total	**401,095**	**400,310**

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

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

Year	12.31.2009
2011	189
2012	399,640
2013	528
2014	69
2015 and beyond	669
Total	**401,095**

[29] Other medium/long-term payables

(thousands of Euro)	12.31.2009	12.31.2008
Other payables due to third parties	12,500	13,292
Non-current liabilities for the purchase of fixed assets	5,625	760
Guarantee deposits received	3,472	3,473
Total	**21,597**	**17,525**

"Other payables due to third parties" include the value attributed to the put options held by minority shareholders in 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)	**12.31.2009**	**12.31.2008**	**12.31.2009**	**12.31.2008**
Within 1 year	529	1,886	411	1,828
From 1 to 5 years	915	474	668	464
Beyond 5 years	-	-	-	-
Total	**1,444**	**2,360**	**1,079**	**2,292**

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

(thousands of Euro)	**12.31.2009**	**12.31.2008**
Minimum lease payments	1,444	2,360
(Outstanding financial expenses)	(365)	(68)
Present value of lease financing	**1,079**	**2,292**

The Group has purchased mainly plant, machinery, furniture and fittings using lease financing. The average length of lease contracts is approximately seven 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 43,899 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 01.01.2009	**49,178**
Unrecognized actuarial (gains)/losses	(1,942)
Present value of obligation at 01.01.2009	**47,236**
Expense charged to the statement of income	3,310
Actuarial (gains)/losses for the year	(349)
Indemnities paid in the year	(5,033)
Exchange differences and other changes	(98)
Present value of obligation at 12.31.2009	**45,066**
Unrecognized actuarial (gains)/losses	(2,291)
Balance at 12.31.2009	**47,357**

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

(thousands of Euro)	12.31.2009	12.31.2008
Current service cost	955	1,007
Financial expenses	2,355	2,213
Amortization of actuarial (gains)/losses	-	(8)
Past service cost	-	-
Total	**3,310**	**3,212**

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:

	12.31.2009	12.31.2008
Discount rate	1.4%-4.75%	1.5%-5.0%
Inflation rate	2.0%	2.0%
Expected rate of salary increases	0.8%-3.0%	1.0%-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 01.01.2009	**5,682**	**21,354**	**1,139**	**28,175**
Additions to provisions	3,899	2,500	179	6,578
Releases to income	(828)	-	(58)	(886)
Utilizations and other changes	(1,893)	(299)	(289)	(2,481)
Balance at 12.31.2009	**6,860**	**23,555**	**971**	**31,386**

This item relates to the liabilities and probable risks which the Group does not expect will be resolved by the end of 2010.
Since it operates in a number of sectors on a global scale, the Benetton Group has an inherent exposure to legal risks. The areas of greatest current exposure relate to claims filed by former commercial partners, former employees, subcontractors, and third parties with industrial property rights in potential conflict with products distributed by the Benetton Group or with similar rights to those of the Group. During 2009 the provision for legal and tax risks was utilized to the extent of Euro 1,889 thousand and increased by Euro 3,899 thousand for disputes, particularly tax ones, arising in the year. In detail, this refers to a dispute emerging in 2008 relating to an assessment raised by the Treviso Revenue Office involving the alleged disallowance for income tax purposes of certain sponsorship costs paid to amateur sports associations and of commissions paid to agents resident in low-tax jurisdictions. The total amount of extra tax being disputed is approximately Euro 3 million, plus penalties and interest. During 2009 the Treviso Provincial Tax Commission passed a ruling at the first stage of the appeals process. The judges partially accepted the appeal presented by Benetton Group S.p.A. and duly reduced the amount claimed by the Revenue Office to around Euro 1.5 million plus penalties and interest. The Company has already presented an appeal at the next stage up of the appeals process. In view of the outcome at the first stage of appeal, and the receipt of two demands for payment of the tax and penalties, the Company's management has decided to recognize a provision of Euro 3,070 thousand against tax risks, even though they are convinced that the Company behaved correctly and that the next stages of appeal will confirm the unsubstantiated nature of the claims both in substance and in law.

The sum of Euro 828 thousand, provided in prior periods, was released to income during 2009 after the related legal disputes were settled in the Group's favor.
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 299 thousand and increased by Euro 2,500 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 14 thousand over the year. In addition, the sum of Euro 58 thousand, provided in prior years against planned store closures, was released to income during 2009 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 403,911 thousand (Euro 415,594 thousand at December 31, 2008).

[34] Other payables, accrued expenses and deferred income

(thousands of Euro)	12.31.2009	12.31.2008
Other payables:		
- other payables due to holding and related companies	25,828	60,158
- payables for the purchase of fixed assets	21,818	35,449
- other payables due to third parties	21,713	22,728
- VAT	21,011	3,079
- other payables due to employees	18,631	18,868
- payables due to social security and welfare institutions	9,503	9,742
- other payables due to tax authorities	9,033	8,317
Total other payables	**127,537**	**158,341**
Accrued expenses:		
- lease installments	6,971	5,340
- other expenses	262	322
- consulting and other fees	57	120
Total accrued expenses	**7,290**	**5,782**
Deferred income:		
- rental income	1,121	780
- revenue from concession of rights	336	437
- other income	1,355	1,195
Total deferred income	**2,812**	**2,412**
Total	**137,639**	**166,535**

"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 third parties" include non-trade related payables, amongst which: remuneration owed to Directors, payables due to insurance companies, current guarantee deposits received, and the liability representing the valuation of put options held by minority shareholders in Group subsidiaries.
"Other payables due to employees" refer to amounts accruing and not paid at the end of December.

"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 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 01.01.2009	**4,403**	**1,564**	**5,967**
Additions to provisions	1,168	2,637	3,805
Releases to income	(797)	(285)	(1,082)
Uses and other changes	(1,055)	(1,161)	(2,216)
Balance at 12.31.2009	**3,719**	**2,755**	**6,474**

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.
Provisions for other liabilities mostly refer to the costs for terminating manufacturing activities at the textile factory in Piobesi Torinese as well as the costs that the Group expects to incur for the corporate reorganization plan currently in progress.

[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)	12.31.2009	12.31.2008
Loan from Ministry of Industry, Italian Law no. 46/1982	74	71
Other loans	164	-
Total	**238**	**71**

[39] Financial payables and bank loan

(thousands of Euro)	12.31.2009	12.31.2008
Financial payables due to banks	288,960	426,390
Negative differentials on forward exchange contracts	10,308	10,816
Other current financial liabilities	9,925	12,433
Financial payables due to third parties	1,485	1,062
Current account overdrafts	943	9,884
Total	**311,621**	**460,585**

Financial payables due to banks mainly refer to drawdowns of Euro 202,400 thousand against committed credit facilities (of which Euro 200,000 thousand relating to the club deal) and of Euro 86,560 thousand 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)	12.31.2009	12.31.2008
Economic exchange risk:		
- fair value hedges	4,153	3,088
- cash flow hedges	1,258	6,847
Total economic exchange risk	**5,411**	**9,935**
Transaction exchange risk:		
- fair value hedges	4,246	881
Translation exchange risk:		
- cash flow hedges	651	-
Total	**10,308**	**10,816**

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 349,330 thousand in the year, compared with Euro 366,464 thousand in 2008, reflecting the slight deterioration in EBITDA.
Changes in working capital provided Euro 53,405 thousand in cash flow (Euro 114,815 thousand used in 2008), mostly reflecting:
- an increase in net trade receivables, despite slightly lower revenues, due to the growth in business in emerging countries, combined with a slight worsening of receivables turnover for current collections and higher receivables for the new commercial initiatives in the textile segment;
- a reduction in inventories, thanks to actions under the reorganization plan in terms of production sources and supply chain efficiency;
- a decrease in trade payables which, despite fewer purchases in fourth quarter 2009, benefited from the actions taken to extend average payment terms;
- an increase in net other payables, mainly because of higher balances owed by Italian subsidiaries to the tax authorities for VAT.

Cash flow used to pay taxes amounted to Euro 84,084 thousand.
Operating activities provided Euro 295,515 thousand in cash flow compared with Euro 160,140 thousand provided in the prior year.
Cash flow used by investing activities amounted to Euro 112,255 thousand (Euro 208,666 thousand in 2008), due to greater focus on the Group's operating investments, of which:
- Euro 86,371 thousand in the commercial network, mainly in markets such as Italy, Spain and France, as well as the priority growth markets of Russia, Mexico, Turkey and India; priority was given to refurbishing and expanding existing stores, while the purchase of new buildings and commercial operations was pursued more selectively. This figure also includes Euro 12,456 thousand in cash flow absorbed by non-current financial assets for the purchase of commercial operations in Italy;
- Euro 30,829 thousand in investments in production, mostly relating to the production centers in Romania, Italy and Istria (Croatia);
- Euro 11,825 thousand in other investments, most of which in information technology; among the most important were those in implementing and developing the SAP application software at certain Italian and foreign subsidiaries and in developing software for the various production, logistics, commercial and product areas.

Cash flow used by financing activities includes the payment of Euro 49,762 thousand in dividends, of which Euro 48,253 thousand to shareholders of Benetton Group S.p.A., and the purchase of treasury shares for Euro 2,626 thousand.

Comparing the two years, there was an overall improvement in cash flows of more than Euro 320 million.

The explanatory notes to the consolidated financial statements contain further information of an economic and financial nature, including the reconciliation of shareholders' equity and net income of the Parent Company with the corresponding consolidated amounts as well as comments on research and development activities.

Supplementary information

Financial position

Net debt amounted to Euro 556,272 thousand at the end of 2009, having decreased by Euro 132,700 thousand since December 31, 2008. It is analyzed as follows:

(thousands of Euro)	12.31.2009	12.31.2008	Change
Cash and banks	134,783	131,903	2,880
A Liquid assets	**134,783**	**131,903**	**2,880**
B Current financial receivables	**18,267**	**37,555**	**(19,288)**
Current portion of medium/long-term loans	(238)	(71)	(167)
Financial payables, bank loans and lease financing	(312,032)	(462,413)	150,381
C Current financial payables	**(312,270)**	**(462,484)**	**150,214**
D = A+B+C Current financial indebtedness	**(159,220)**	**(293,026)**	**133,806**
E Non-current financial receivables	**4,711**	**4,828**	**(117)**
Medium/long-term loans	(401,095)	(400,310)	(785)
Lease financing	(668)	(464)	(204)
F Non-current financial payables	**(401,763)**	**(400,774)**	**(989)**
G = E+F Non-current financial indebtedness	**(397,052)**	**(395,946)**	**(1,106)**
H = D+G Net debt	**(556,272)**	**(688,972)**	**132,700**

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 83,545 thousand relating to checks received from customers at the end of December 2009.

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 club deal	
Amount	Euro 500 million (revolving credit facility)
Duration	2005-2010
Cost	1/2/3/6 month Euribor + 27.5/60 basis points (A)
Financial covenants (B)	EBITDA/Net financial expenses: min 4 Net financial position/EBITDA: max 3.5 Net financial position/Equity: max 1
Drawdown at 12.31.2009	Euro 200 million (repayment expected within one month, with new drawdowns)

Uncommitted credit facilities	
Amount	Euro 430 million
Cost	Interbank (or prime) rate + spread
Drawdown at 12.31.2009	Euro 88 million

On December 17, 2009 the Group agreed a committed revolving credit facility with Banca Popolare di Vicenza under the following terms:

Committed credit facility	
Amount	Euro 60 million (revolving credit facility)
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 financial position/EBITDA: max 3,5
Drawdown at 12.31.2009	Not drawn down

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 financial position/EBITDA: max 3.5
Drawdown at 12.31.2009	Euro 400 million

(A) Depending on the ratio Net financial position/EBITDA.
(B) Calculated every six months.

The committed club deal of Euro 500 million, the three long-term loans totaling Euro 400 million and the new credit facility with Banca Popolare di Vicenza not only carry the financial covenants set out above but also other covenants 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 - 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 interests				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

Segment results - 2008

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	2,034	94	-	2,128
Inter-segment revenues	2	136	(138)	-
Total revenues	2,036	230	(138)	2,128
Cost of sales	1,071	211	(136)	1,146
Gross operating profit	965	19	(2)	982
Selling costs	148	8	(1)	155
Contribution margin	817	11	(1)	827
General and operating expenses	565	8	-	573
- of which non-recurring expenses/(income)	*1*	*(2)*	-	*(1)*
Operating profit	252	3	(1)	254
Financial (expenses)/income				(41)
Net foreign currency hedging (losses)/gains and exchange differences				(1)
Income before taxes				212
Income taxes				56
Net income from continuing operations				156
Net income from discontinued operations				1
Net income for the year attributable to the Group and minority interests				157
Depreciation and amortization	89	11	-	100
Other non-monetary costs (net impairment)	-	-	-	-
EBITDA	341	14	(1)	354
Total assets	2,843	145	(41)	2,947
Total liabilities	1,504	97	(46)	1,555
Capital employed	2,020	63	(2)	2,081
Total gross operating investments	210	18	-	228

Apparel segment results

(millions of Euro)	2009	%	2008	%	Change	%
Revenues from third parties	1,947		2,034		(87)	(4.2)
Inter-segment revenues	3		2		1	15.1
Total revenues	1,950	100.0	2,036	100.0	(86)	(4.2)
Cost of sales	1,027	52.6	1,071	52.6	(44)	(4.2)
Gross operating profit	923	47.4	965	47.4	(42)	(4.3)
Selling costs	143	7.4	148	7.3	(5)	(2.5)
Contribution margin	780	40.0	817	40.1	(37)	(4.6)
General and operating expenses	572	29.3	565	27.7	7	1.1
- of which non-recurring expenses/(income)	*20*	*1.0*	*1*	*0.1*	*19*	*n.s.*
Operating profit	208	10.7	252	12.4	(44)	(17.4)

Textile segment results

(millions of Euro)	2009	%	2008	%	Change	%
Revenues from third parties	102		94		8	8.2
Inter-segment revenues	105		136		(31)	(22.6)
Total revenues	207	100.0	230	100.0	(23)	(10.0)
Cost of sales	188	90.6	211	91.6	(23)	(11.0)
Gross operating profit	19	9.4	19	8.4	-	0.6
Selling costs	7	3.5	8	3.7	(1)	(13.8)
Contribution margin	12	5.9	11	4.7	1	11.8
General and operating expenses	15	7.5	8	3.4	7	96.9
- of which non-recurring expenses/(income)	*3*	*1.5*	*(2)*	*(1.0)*	*5*	*n.s.*
Operating profit	(3)	(1.6)	3	1.3	(6)	n.s.

The number of employees in each segment is detailed below:

	12.31.2009	12.31.2008	Period average
Apparel	7,896	8,206	8,051
Textile	1,615	1,560	1,588
Total	**9,511**	**9,766**	**9,639**

The increase for the textile segment since December 31, 2008 is due to development of the textile production center in Tunisia.

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	903	92.7	685	97.3	69	99.3	279	97.4	11	77.7	1,947
Textile	71	7.3	19	2.7	1	0.7	7	2.6	4	22.3	102
Total revenues 2009	**974**	**100.0**	**704**	**100.0**	**70**	**100.0**	**286**	**100.0**	**15**	**100.0**	**2,049**
Total revenues 2008	**1,016**		**742**		**66**		**290**		**14**		**2,128**
Change	(42)		(38)		4		(4)		1		(79)

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

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.

Balance sheet information by geographical area – 2008

(thousands of Euro)	Italy	Rest of Europe	The Americas	Asia	Rest of the world	Total
Total assets	1,882	712	59	234	60	2,947
Gross operating investments	112	43	8	49	16	228

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

Other information

Business combinations

On January 20, 2009 the Group, through its subsidiary Bencom S.r.l., acquired 100% of My Market S.r.l., a company which manages 41 stores selling Benetton Group products in Tuscany and Liguria. My Market S.r.l. controls all of Benver S.r.l., the owner of another four stores.
At the same time that Bencom S.r.l. acquired this interest, My Market S.r.l. and Benver S.r.l. entered an arrangement with third parties to lease the entire business comprising the 45 stores owned by the two companies.
As part of the process of simplifying the Group's corporate structure, My Market S.r.l. and Benver S.r.l. were merged into Bencom S.r.l. with effect from June 27, 2009 (effective from January 20, 2009 for tax and accounting purposes).
The figures relating to this transaction can be summarized as follows:

(thousands of Euro)	Pre-combination value	Adjustments to fair value	Fair value
Property, plant and equipment	4,159	-	4,159
Intangible assets	44	-	44
Deferred and commercial charges	196	8,114	8,310
Guarantee deposits	1,622	-	1,622
Other receivables	14,867	-	14,867
Liabilities	(21,247)	-	(21,247)
Fair value of assets acquired			**7,755**
Goodwill			8,800
Acquisition cost			**16,555**

The goodwill arises from recognition of the acquired enterprise's commercial and organizational know-how. The pre-tax loss arising from the business combination has been Euro 1 million since the date of acquisition.

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 for the three-year period 2007-2009, as allowed by articles 117 *et seq.* of the Tax Consolidation Act DPR 917 dated 22 December 1986, with Edizione S.r.l. acting as the head of the tax group.

The relationships arising from participation in the above tax group are governed by specific rules, approved and signed by all participating companies.
The related details are shown below:

(thousands of Euro)	12.31.2009	12.31.2008
Property sales	17,250	-
Receivables	18,811	34,423
- of which for group tax election under Edizione S.r.l.	18,035	32,313
Payables	28,322	61,349
- of which for group tax election under Edizione S.r.l.	25,828	60,158
Purchases of raw materials	2,423	5,740
Other costs and services (*)	17,521	16,897
Product sales	864	81
Revenue from services and other income	280	1,250

(*) Of which Euro 10,768 thousand in advertising and promotion costs, corresponding to 20.5% of total advertising costs in 2009 (Euro 10,530 thousand in 2008).

Transactions have also taken place between companies directly or indirectly controlled by the Parent Company or between such companies and the Parent Company itself. The Parent Company's management considers that such transactions have been conducted on an arm's-length basis. In particular, it is reported that a transaction was completed during the months of October and November – approved by the Board of Directors of Benetton Group S.p.A. in accordance with the Group Procedure for related party transactions – which involved selling Fondazione Benetton four commercial properties owned by the subsidiaries Bencom S.r.l. (one property) and S.I.G.I. S.r.l. (three properties). Four Benetton megastores were run and continue to be run out of each of the properties sold, which are located in Avellino, Biella, Caltanissetta and Catania respectively.
The transaction also involved making new leases between Fondazione Benetton, the new owner, and Bencom S.r.l., the tenant.
In compliance with the Group Procedure for related party transactions, two appraisals were performed for each property by leading international firms in this sector. The total sale price of Euro 17,250 thousand plus VAT reflects the average values reported in these appraisals. The transaction generated an overall capital gain of Euro 6,412 thousand, as well as additional financial resources for commercial development, while also allowing the Group to retain long-term control, under basically the same terms and conditions, over the stores located in the properties sold.

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 22,523 thousand in 2009, of which Euro 15,744 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)	2009	2008
Other expenses and income		
- non-recurring other expenses/(income)		
- impairment of property, plant and equipment and intangible assets	20,907	6,344
- store early closure expenses	1,149	924
- indemnity for early termination of lease	-	3,516
- compensation for early termination of a lease in 2008	(3,255)	-
- other reorganization costs	3,637	-
- redundancy incentives	6,445	518
- reversal of impairment of property, plant and equipment and intangible assets	-	(6,549)
- net gains on disposals of property, plant and equipment and intangible assets	(6,360)	(5,381)
Total non-recurring expenses/(income)	**22,523**	**(628)**

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:

	12.31.2009	12.31.2008
Earnings used for calculating basic earnings per share (*)	121,650	155,478
Dilutive effects of potential ordinary shares (*)	-	-
Earnings used for calculating diluted earnings per share (*)	**121,650**	**155,478**
Weighted average number of ordinary shares used for calculating basic earnings per share	172,353,974	179,807,450
Dilutive effects of potential ordinary shares: stock option plan	-	-
Weighted average number of ordinary shares used for calculating diluted earnings per share	**172,353,974**	**179,807,450**

(*) In thousands of Euro.

Research cost

The costs incurred by the Group in 2009 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 2008.

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 2009 amount respectively to Euro 168,860 thousand (of which the variable portion is Euro 10,540 thousand) and Euro 71,627 thousand (of which Euro 55,708 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)	12.31.2009
Within 1 year	145,236
Between 1 and 5 years	479,161
Beyond 5 years	416,403
Total	**1,040,800**

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)	12.31.2009
Within 1 year	65,530
Between 1 and 5 years	144,915
Beyond 5 years	38,119
Total	**248,564**

Significant events following the close of the financial year

There are no significant events to report following the close of the financial year.

Guarantees given, commitments and other contingent liabilities

(thousands of Euro)	12.31.2009
Unsecured guarantees given:	
- sureties	261,973
Commitments:	
- purchase commitments	1,732
- sale commitments	1,181
Total commitments	**2,913**
Total	**264,886**

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.), 25% by Mr. Chang Sue Kim (a natural person) and 25% by F & F Co., Ltd. (a Korean company).

The shareholder agreement gives Benetton a call option over the shares held by the two Korean shareholders. This option may be exercised at any time because there is a mechanism for calculating the price which takes account of shareholders' equity at the option exercise date and a perpetuity calculated on the basis of average net income in the previous two years.

The likelihood of exercising this option is currently considered to be remote.

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.

Milano Report S.p.A. (Italy)

Benetton Retail Italia S.r.l. purchased 50% of the shares in Milano Report S.p.A. in August 2006 and then sold them to Bencom S.r.l. in 2007.

The shareholder agreement gives Benetton a call option over the remaining 50% of the shares, which may be exercised only after three years have elapsed from the date Benetton purchased its 50% and only in the event of "deadlock" over the company's management. Likewise, Smalg S.p.A., 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 10% or 20% depending on the circumstances;
- likewise, if Smalg S.p.A. exercises its put option, the price receivable would be the fair value less 10 or 20%.

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 2010 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 an estimated Euro 27.9 million in contingent liabilities associated with ongoing legal disputes, against which it has made no provision, believing the likelihood of any outlay to be remote.

Following the bankruptcy of Lehman Brothers Commercial Corporation (LBCC), the Group concentrated all its debtor and creditor positions with LBCC in a single subsidiary, Benetton International S.A. This process has produced a net creditor balance of around Euro 0.9 million, which was written down in full in 2008. In September, Benetton International S.A. tendered proof of its creditor position as part of LBCC's liabilities. However, as part of the Chapter 11 proceedings, it is possible that the above offsetting could be contested by the official receivers, meaning that a liability of around Euro 2 million to LBCC might re-emerge along with a receivable for an equal amount. The Group believes such an event is unlikely and so has not made any provision against this liability in its financial statements.

The subsidiary Bencom S.r.l. had a partial tax inspection at the end of 2007 by the Venice Tax Police for tax periods 2004-2005-2006 in relation to IRES (Italian corporate income tax), IRAP (Italian regional business tax) and VAT. The related report, received on October 18, 2007, raised issues regarding the alleged evasive nature of permanent establishments set up abroad upon the introduction of the "Tremonti" reform and the partial deductibility of sponsorship paid to amateur sports associations.

On May 25, 2009 the Venice Tax Police sent Bencom S.r.l. another notice for tax periods 2004-2005-2006-2007 in relation to VAT, IRES and IRAP. The related report disputes the tax deductibility of certain costs amongst which: i) commissions paid to agents resident in tax havens (from 2004 to 2007); ii) sponsorship costs incurred in respect of amateur sports associations; iii) costs associated with tax avoidance involved in the setting up of permanent establishments abroad (2007).

The reports dated October 18, 2007 and May 25, 2009 quantify the extra tax payable by Bencom S.r.l. as Euro 89.3 million.

At the end of December 2009 the Revenue Office sent the company a notice of assessment for IRES and IRAP relating to tax period 2004, which quantified the extra tax payable at around Euro 20.5 million, plus penalties and interest.

It is reported that the Revenue Office has not pursued the matter relating to sponsorship costs incurred in respect of amateur sports associations.

Lastly, the subsidiary Benind S.p.A. also had a partial tax inspection in 2008 by the Treviso Revenue Office for tax period 2005 in relation to IRES, IRAP and VAT. The related report, received on October 15, 2008, raises issues regarding the non-business related nature of certain costs, resulting in an estimated Euro 3.4 million in additional tax.
In addition, the subsidiary Benind S.p.A. has been in dispute since April 2007 with the Italian customs authorities, which could give rise to a liability of approximately Euro 7.5 million, plus penalties.
Up until now 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 under dispute.
A second-level sentence is currently pending following appeal by the Treviso Customs Agency and the subsequent responses presented by the Company.

The Boards of Directors of Bencom S.r.l. and Benind S.p.A. consider the matters raised to be unsubstantiated and so have decided not to make any provision against tax contingencies, also on the strength of authoritative external professional advice.

Certification of the consolidated financial statements

Certification of the consolidated financial statements pursuant to art. 154 bis of Italian Legislative Decree 58/98

The undersigned Gerolamo Caccia Dominioni as "Chief Executive Officer", 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, 2009
- 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, 2009 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

- 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;

- 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 18, 2010

Chief Executive Officer
Gerolamo Caccia Dominioni

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

Auditors’ report

Auditors’ Report in accordance with Artiche n. 156 of Law Decree n. 58 dated 24 February 1998

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 2009, 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 n° 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, the amounts of which are presented for comparative purposes and have been reclassified to reflect the changes to the financial statement presentation introduced by IAS 1, reference should be made to our report dated 2 April 2009.

3. In our opinion, the consolidated financial statements of Benetton Group SpA as of 31 December 2009 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 n° 38/2005; accordingly, they have been drawn up 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 the report on operations and corporate governance report and ownership structure in accordance with 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 n° 58/1998, included in the corporate governance report and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n° 001 issued by the Italian Accounting Profession (CNDCEC) 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 n° 58/1998 included in the corporate governance report and ownership structure are consistent with the consolidated financial statements of Benetton Group SpA as of 31 December 2009.

Treviso, 6 April 2010

PricewaterhouseCoopers SpA

Signed by

Roberto Adami
(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, 2009;
- 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, 2009

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%
_ Benair S.p.A.	Ponzano Veneto (Tv)	Eur	1,548,000	100%
_ 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	60%
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%
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.	Milano	Eur	1,000,000	50%
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	165,654,000	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 Ungheria Kft.	Nagykálló	Eur	89,190	100%
_ Benetton India Pvt. Ltd.	Gurgaon	Inr	2,600,000,000	100%
_ Benetton Canada Inc.	Montréal	Cad	7,500,000	100%
_ Benetton Denmark A.p.S.	Copenhagen	Dkk	125,000	100%
_ United Colors Communication S.A.	Paradiso	Chf	1,000,000	100%
_ Benetton International Emirates L.L.C. [2]	Dubai	Aed	300,000	100%
_ Benetton Giyim Sanayi ve Ticaret A.S.	Istanbul	Try	7,000,000	50%
_ Benetton International Kish P.J.S.C.	Kish Island	Irr	100,000,000	100%
_ Benetton Manufacturing Holding N.V.	Amsterdam	Eur	225,000	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%

Company name	Location	Currency	Share capital	Group interest [1]
_ Benetton Croatia D.O.O.	Osijek	Hrk	2,000,000	100%
_ Benetton Istria D.O.O.	Labin	Hrk	155,750,000	100%
_ Benetton Mexicana S.A. de C.V.	Mexico City	Mxn	297,000,405	100%
_ Benetton Trading Taiwan Ltd.	Taipei	Twd	115,000,000	100%
_ Benetton Trading USA Inc.	Lawrenceville	Usd	679,147,833	100%
_ Lairb Property Ltd.	Dublin	Eur	260,000	100%
_ Benetton Pars P.J.S.C. [4]	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	11,700,000	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.	St. Petersburg	Rub	10,000	100%
_ Benetton Real Estate Austria GmbH	Vienna	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%
_ Hotel Union L.L.C. [5]	Pristina	Eur	3,200,000	100%
_ Kazan Real Estate Z.A.O.	Moscow	Rub	10,000	100%
_ Benetton Real Estate Belgique S.A.	Brussels	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.	Samara	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 [6]:				
Bensec S.c. a r.l. [4]	Ponzano Veneto (Tv)	Eur	110,000	78%
_ Benetton Beograd D.O.O. [3]	Belgrade	Eur	500	100%
_ Benetton Real Estate CSH S.r.l. [3]	Chisinau	Mdl	30,000	100%
_ Benetton Realty Netherlands N.V. [3]	Amsterdam	Eur	45,000	100%
_ Benetton Realty Sukhbaatar L.L.C. [3]	Ulaanbaatar	Mnt	115,000	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] Newly-acquired company.
[6] 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
Prato, Italy	Wool spinning
Caserta, Italy	Wool spinning
Valdagno, Italy	Wool spinning and dyeworks
Grumolo delle Abbadesse, Italy	Dyeworks
Travesio, Italy	Weaving factory
Soave, Italy	Dyeworks
Ponzano Veneto, Italy	Laundry, dyeworks, weaving and production of fabrics
Follina, Italy	Dyeworks
Vittorio Veneto, Italy	Spinning works
Vittorio Veneto, Italy	Wool and cotton apparel
Osijek, Croatia	Wool apparel, weaving, dyeworks
Labin, Croatia	Wool apparel and weaving
Navrangpur (Gurgaon), India	Cotton apparel
Sahline, Tunisia	Cotton and woven apparel, textile production
Kasserine, Tunisia	Cotton and woven apparel, cutting and printing
Sibiu, Romania	Wool apparel
Arad, Romania	Dyeworks, fastening and sewing
Iasi, Romania	Weaving, cutting and finishing
Nagykálló, Hungary	Cotton and woven apparel, cutting and printing

Retired production facilities held for sale
Gorizia, Italy
Piobesi Torinese, Italy

Commercial buildings

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

(thousands of Euro)	12.31.2009	12.31.2008
Italy	158,422	170,391
East European and ex Soviet Union countries	136,371	136,165
France	106,136	109,578
Spain	66,709	66,987
Japan	34,109	36,247
Portugal	21,884	23,440
Iran	18,519	19,752
Belgium	17,909	18,241
Turkey	17,346	-
Austria	15,642	15,840
India	9,113	9,037
Kosovo	3,613	-
Switzerland	2,191	2,241
Total	**607,964**	**607,919**

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)	2009
Audit fees:	
- Benetton Group S.p.A.	49
- subsidiaries	1,465
Total audit fees	**1,514**
Other services (*):	
- subsidiaries	128
Total fees	**1,642**

(*) Other services mostly refer to tax advice.

Exchange rate table

The principal exchange rates used at December 31, 2009 are listed below.

		Exchange rate at 12.31.2009	Average exchange rate in 2009
Gbp	British Pound	0.8881	0.89093
Jpy	Japanese Yen	133.16	130.3366
Usd	US Dollar	1.4406	1.39478
Hkd	Hong Kong Dollar	11.1709	10.8114
Cny	Chinese Renminbi	9.835	9.5277
Inr	Indian Rupee	67.04	67.36445
Krw	Korean Won	1,666.97	1,772.90
Rub	Russian Rouble	43.154	44.13763

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 Children, 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 financial indebtedness.

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 financial indebtedness
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.

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.

Executive Committee
Governing body for the administration of a company.
Benetton Group S.p.A. Executive Committee was set up in 2003 to ease and quicken the decisional processes of the Group. One of the Executive Committee's tasks is to define, upon proposal by the Chief Executive Officer, company and group industrial and financial plans, strategies, the annual budget and interim adjustments for subsequent submittal to the Board of Directors. The Executive Committee also examines and approves particularly important investment and disinvestment plans, lines of credit facilities, the furnishing of guarantees and analyses the chief problems connected with company performance, so that the Board of Directors can accomplish its legal duties more efficiently.

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

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

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

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

Investor relations
E-mail: ir@benetton.it
Tel. +39 0422 519412
Fax +39 0422 519740

www.benettongroup.com