

Benetton Group  
First quarter 2008 report

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

**Index****3 The Benetton Group**

Directors and other officers

**4 Disclaimer**

Key financial data - highlights

**6 Directors' report**

Events and results in first quarter 2008

Brands

**7 Markets**

Investments

Supplementary information

- Dividend distribution

- Stock option plan

**8 - Treasury shares**

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

**9 - Directors**

- Principal organizational and corporate changes

- Significant events after March 31, 2008

- Outlook for the full year

**10 Consolidated Group results**

- Consolidated statement of income

**13 - Business segments****16 - Balance sheet and financial position highlights****18 Consolidated financial statements****19 Consolidated statement of income****20 Consolidated balance sheet - Assets****21 Consolidated balance sheet - Shareholders' equity and liabilities****22 Shareholders' equity - Statement of changes****23 Consolidated cash flow statement****24 Explanatory notes**

Summary of main accounting standards and policies

**27 Comments on the principal items in the statement of income****32 Comments on the principal asset items****36 Comments on the principal items in shareholders' equity and liabilities****38 Commentary on the cash flow statement****39 Supplementary information**

- Financial position

**41 - Segment information****43 - Other information****46 Declaration by the manager responsible for preparing the company's financial reports**

## 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.

**Disclaimer**

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

**Key financial data - highlights**

The Group's financial statements for the first quarter 2008 and comparative periods have been drawn up in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union which are in force at the date of preparing this report. These standards do not differ, in any material respect, from those issued by the International Accounting Standards Board (IASB), meaning that any application of the latter would not have any significant effect on the Group's financial statements. Details of the accounting policies and consolidation methods used for preparing the first-quarter report can be found in the section containing the Explanatory notes.

On April 1, 2008 the Group sold its sports equipment manufacturing business to third parties, meaning that the income and expenses of the discontinued operations have been reclassified and reported in a single line in the statement of income "Net income from discontinued operations". The related figures for the corresponding period in 2007 have also been reclassified to make them comparable with 2008; the explanatory notes to this quarterly report contain a reconciliation between the actual and reclassified statements of income for 2007. As a result of this sale, the other and unallocated segment is no longer material, meaning that the segment information has also been reclassified by including the residual amounts from this segment in the apparel segment.

In addition, management has decided to present working capital in the strict sense of the term, meaning that direct taxation has now been excluded, also in keeping with requests from the financial community. As a result, the following items have been reclassified from "Other operating receivables/(payables)" to "Other assets/(liabilities)": deferred tax assets and liabilities, receivables due from the tax authorities for direct taxes and receivables and payables from/to holding companies in relation to the group tax election.

Key operating data (millions of Euro)	1st quarter 2008		1st quarter 2007 pro-forma		Change	Full year 2007 pro-forma		
		%		%			%	
Revenues	465	100.0	450	100.0	15	3.4	2,048	100.0
Gross operating profit	214	46.1	192	42.7	22	11.5	908	44.3
Contribution margin	179	38.6	160	35.6	19	12.1	762	37.2
EBITDA <sup>(A)</sup>	65	14.0	63	14.0	2	3.2	340	16.6
Ordinary EBITDA <sup>(A)</sup>	65	14.1	56	12.5	9	16.8	336	16.4
Operating profit	47	10.2	41	9.2	6	14.6	243	11.9
Net income for the period attributable to the Group	29	6.3	27	6.0	2	8.6	145	7.1

Key financial data (millions of Euro)	03.31.2008	12.31.2007	03.31.2007
Working capital	667	631	671
Net assets held for sale	29	6	4
Net capital employed	1,987	1,889	1,838
Net financial indebtedness	565	475	472
Total shareholders' equity	1,422	1,414	1,366
Free cash flow	(84)	(34)	(105)
Net operating investments/Capex	74	225	37

Share and market data	03.31.2008	12.31.2007	03.31.2007
Basic earnings per share (Euro)	0.16	0.80	0.15
Shareholders' equity per share (Euro)	7.66	7.59	7.36
Price at period end (Euro)	9.00	12.29	12.12
Screen traded price: period high (Euro)	11.88	14.82	14.82
Screen traded price: period low (Euro)	8.22	10.77	11.85
Market capitalization (thousands of Euro)	1,644,111	2,245,082	2,214,027
Average no. of shares outstanding	182,676,768	182,675,492	182,675,492
No. of shares outstanding	182,679,012	182,675,492	182,675,492
<b>Number of personnel</b>	<b>03.31.2008</b>	<b>12.31.2007</b>	<b>03.31.2007</b>
Total employees	9,461	8,896	8,687

<sup>(A)</sup> In addition to the standard financial indicators required by IFRS, this document also contains a number of alternative performance indicators for the purposes of allowing a better appreciation of the Group's financial and economic results. These indicators must not, however, be treated as replacing the standard ones required by IFRS.

The following table shows how EBITDA and ordinary EBITDA are made up.

Key operating data (millions of Euro)	1st quarter 2008	1st quarter 2007 pro-forma	Change	Full year 2007 pro-forma
A Operating profit	47	41	6	243
B - of which non-recurring expenses/(income)	(6)	(7)	1	3
C Depreciation and amortization	24	22	2	90
D Other non-monetary costs (net impairment losses/(reversals))	(6)	-	(6)	7
E - of which non-recurring	(6)	-	(6)	7
F = A+C+D EBITDA	65	63	2	340
G = F+B-E Ordinary EBITDA	65	56	9	336

## Directors' report

### Events and results in first quarter 2008

The Group's revenues increased by 3.4% to 465 million in first quarter 2008, in line with the annual revenue forecast previously announced. This improvement reflected:

- new delivery schedules for spring/summer collections developed to take advantage of new business opportunities in a market with ever faster changing styles and trends;
- conversion of certain USA stores into directly operated ones; the resulting absence of spring/summer collection sales in this period had a temporary impact on the results in the quarter, which will be reversed in subsequent months.

The appreciation of the euro, particularly against the Korean won and US dollar, had a negative impact on sales in the period.

Gross operating profit reported a margin of 46.1% on revenues, compared with 42.7% in first quarter 2007, thanks to the growth in sales volumes and more efficient management of the supply chain and sourcing, while still paying constant attention to product quality.

Contribution margin was 179 million compared with 160 million in first quarter 2007, improving from 35.6% of revenues to 38.6% this year.

Operating profit was 6 million higher at 47 million, representing a margin of 10.2% on revenues compared with 9.2% in first quarter 2007, also benefiting from non-recurring income that was nonetheless lower than in first quarter 2007.

Ordinary EBITDA increased by 9 million to 65 million, corresponding to 14.1% of revenues compared with 12.5% in the comparative quarter.

Net income rose by 8.6% to 29 million.

Working capital was 4 million lower than at March 31, 2007, reflecting the combined effect of:

- an increase of 36 million in net trade receivables, associated with the growth in business;
- a reduction of 18 million in inventories, also affected by the new scheduling of collections;
- a decrease of 22 million in trade payables, partly due to the higher proportion of goods purchased for resale and of transport costs with shorter-than-average terms of payment;
- a net change of 44 million in other receivables and payables.

Net capital employed was 98 million higher than at December 31, 2007, mainly as a result of a cyclical growth in working capital and the net increase in property, plant and equipment and intangible assets.

Net financial indebtedness was in line with targets for the year at 565 million, compared with 475 million at December 31, 2007 and 472 million at March 31, 2007.

### Brands

UCB Adult started to benefit in the quarter from the strategy of placing fresh emphasis on product categories as drivers of growth, offering complete ranges for individual product sectors both in terms of breadth and quality: for example, shirts have seen their sales increase by over 40% in two seasons.

UCB Children has consolidated its diversification by age band and introduced the new System store fittings concept, specially designed to enhance product display.

Benetton Baby, targeting the "baby - 5 years" age band, is being further developed, also thanks to the addition of 13 more stores during spring/summer 2008.

Sisley Young has successfully developed the business opportunities offered by young consumers attracted by sophisticated, out-of-the-ordinary products and has strengthened its position after sales of its spring/summer 2008 collection were over 50% higher than in spring/summer 2007.

Having increased the number of trend-setting proposals in 2007, Sisley has completed its offer by opening its first two accessory stores.

The clear identity of the Playlife brand, based on an American preppy look, is being further enhanced by new store openings in spring/summer 2008.

### Markets

The Italian market has reported positive growth in line with full-year forecasts, benefiting from the different scheduling of collections.

Sales in the quarter on the Group's five priority growth markets (India, Turkey, former Soviet Union countries, Latin America and China) were in line with three-year growth targets, which call for a doubling in sales. The commercial structure in the former Soviet Union has been enhanced with the opening of the Moscow agency's new offices, occupying more than 1,500 square meters of floor space. The new operational headquarters in the United States were also opened in the quarter, in Miami, which will coordinate commercial activities and sourcing in the two Americas.

Growth on mature markets was in line with expectation; France, Greece and the United Kingdom all reported strong sales growth.

### Investments

Net operating investments came to 74 million in first quarter 2008 compared with 37 million in the corresponding period of 2007.

Most of the expenditure related to the commercial network, with 48 million spent on purchasing and refitting stores, particularly in Italy, France and the United States as well as in the priority growth markets like India, Russia and Turkey. Investments in production amounted to 12 million and mainly involved increasing the capacity of the production center in Tunisia and of the logistics hub in Castrette di Villorba (Italy).

Other investments amounted to 9 million, most of which in information technology (introduction of SAP sales/logistics management software and its installation at foreign subsidiaries).

The divestments of 3 million in the period mostly related to the disposal of manufacturing plant and machinery.

### Supplementary information

**Dividend distribution.** The Shareholders' Meeting of Benetton Group S.p.A. resolved on April 24, 2008 to pay a dividend per share of Euro 0.40 (pre-tax), totaling Euro 73 million. The shares went ex-div on May 5, 2008 and were paid on May 8, 2008.

**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 March 31, 2008 there were still 100,000 unexercised options left.

Details of the rules of this stock option plan can be found under "Regulations & Codes" in the Governance section of the Investor Relations website [www.benettongroup.com/investors/](http://www.benettongroup.com/investors/).

- 2004 stock option plan

	Options outstanding as of 01.01.2008	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 03.31.2008	Of which exercisable as of 03.31.2008
No. of options	220,838	-	3,520	-	117,318	100,000	100,000
Allocation ratio (%)	0.121		0.002		0.064	0.055	0.055
Weighted average exercise price (Euro)	8.984		8.984		-	8.984	8.984
Market price (Euro)	12.29		8.74		-	9.00	9.00

**Treasury shares.** During the period in question, Benetton Group S.p.A. neither bought nor sold any treasury shares, or shares or stock in holding companies, either directly or through subsidiaries, trustees or other intermediaries.

The Shareholders' Meeting of April 24, 2008 granted the Board of Directors the authority to buy back and dispose of up to 18,000,000 Benetton ordinary shares, provided these are no more than 10% of share capital. This authority was granted for a period of 18 months commencing May 6, 2008. 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.

**Relations with the holding company, its subsidiaries and other related parties.** The Benetton Group has trade dealings with Edizione Holding S.p.A. (the holding company), with subsidiary companies of the same and with other parties which, directly or indirectly, are linked by common interests with the majority shareholder. Trading relations with such parties are conducted on an arm's-length basis and using the utmost transparency, in compliance with the Group Procedure for related party transactions. The total value of such transactions was nonetheless not significant in relation to the total value of the Group's production. These transactions mostly relate to the purchase and sale of goods and services. The Group's Italian companies have elected to file for tax on a group basis as allowed by articles 117 et seq. of the Tax Consolidation Act DPR 917/86, based on a proposal by the consolidating company Ragione S.A.p.A. di Gilberto Benetton e C., which decided to opt for this type of tax treatment on June 15, 2007. The election lasts for three years, starting from the 2007 financial year and represents a renewal of the previous election for the 2004-2006 tax period under Edizione Holding S.p.A. The relationships arising from participation in the group tax election are governed by specific rules, approved and signed by all participating companies. Transactions have also taken place between companies directly or indirectly controlled by the Parent Company or between such companies and the Parent Company itself. The Parent Company's management considers that such transactions have been conducted on an arm's length basis. Lastly, Edizione Holding S.p.A., the majority shareholder, purchased a total of 634,351 shares in Benetton Group S.p.A. on January 17 and 18, 2008.

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

**Directors.** Parent Company Directors as of March 31, 2008 were as follows:

Name and surname	Date of birth	Appointed	Office
Luciano Benetton	05.13.1935	1978	Chairman
Carlo Benetton	12.26.1943	1978	Deputy Chairman
Alessandro Benetton	03.02.1964	1998	Executive Deputy Chairman
Gerolamo Caccia Dominioni	01.09.1955	2007	Chief Executive Officer
Giuliana Benetton	07.08.1937	1978	Director
Gilberto Benetton	06.19.1941	1978	Director
Gianni Mion	09.06.1943	1990	Director
Luigi Arturo Bianchi	06.03.1958	2000	Director
Giorgio Brunetti	01.14.1937	2005	Director
Robert Singer	01.30.1952	2006	Director
Alfredo Malguzzi	08.31.1962	2007	Director

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

Luciano Benetton, Chairman of the Board of Directors, and Gerolamo Caccia Dominioni, Chief Executive Officer, purchased 330,000 and 50,000 shares respectively in Benetton Group S.p.A. on January 16 and 17, 2008.

**Principal organizational and corporate changes.** The delisting/deregistering of the Benetton stock from the New York Stock Exchange became effective from January 21, 2008. As a result, the Company no longer has to comply with the reporting requirements relating to the NYSE and SEC established by US law. All the documentation will continue to be published in English on the Company's website. The process of delisting from the Deutsche Börse in Frankfurt was started on February 21, 2008.

An agreement was made in New York on February 29, 2008 which redefines the Group's relationship with its principal customer in the United States and Canada. Under this agreement the management of 54 stores previously operated by this customer was transferred to Benetton USA Corp. and to the newly-formed company of Benetton Canada Inc.

Lastly, the process of winding up Benetton Austria GmbH, an Austrian registered company, was completed in the period.

**Significant events after March 31, 2008.** There have been no significant events since March 31, 2008.

**Outlook for the full year.** In view of the solid results for the quarter, the Group confirms its objectives for 2008, with revenues expected to grow by between 6% and 8% (on a like-for-like basis), thanks to good sales of the spring/summer 2008 collections and the progress in orders for the fall/winter 2008 collections, reflecting not only the opening of new stores but also continued improvement in the performance of existing ones.

Margins are forecasted to grow at least 7% in comparison with 2007.

Investment of around 250 million should be made throughout the year, focusing on:

- complete the doubling of logistics hub in Castrette (Italy) and of production center in Tunisia;
- new store openings, in strategic markets;
- continue roll-out of Information Technology to enhance the evolution of the business.

Net financial indebtedness should amount approximately to 650 million at the end of the current year.

## Consolidated Group results

**Consolidated statement of income.** Highlights from the Group's statements of income for first quarters 2008 and 2007 and for full year 2007 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. As stated previously, after the amounts relating to the discontinued sports equipment operations were reclassified, the figures for 2007 have been restated to make them consistent with those in 2008. Details of these reclassifications are summarized in "Other information" contained in the explanatory notes to this quarterly report.

(millions of Euro)	1st quarter 2008		1st quarter 2007 pro-forma		Change		Full year 2007 pro-forma	
		%		%		%		%
<b>Revenues</b>	<b>465</b>	<b>100.0</b>	<b>450</b>	<b>100.0</b>	<b>15</b>	<b>3.4</b>	<b>2,048</b>	<b>100.0</b>
Materials and subcontracted work	214	45.9	222	49.2	(8)	(3.5)	1,000	48.8
Payroll and related costs	22	4.8	21	4.7	1	6.6	82	4.0
Industrial depreciation and amortization	4	0.9	4	1.0	-	(6.5)	16	0.8
Other manufacturing costs	11	2.3	11	2.4	-	(2.7)	42	2.1
<b>Cost of sales</b>	<b>251</b>	<b>53.9</b>	<b>258</b>	<b>57.3</b>	<b>(7)</b>	<b>(2.7)</b>	<b>1,140</b>	<b>55.7</b>
<b>Gross operating profit</b>	<b>214</b>	<b>46.1</b>	<b>192</b>	<b>42.7</b>	<b>22</b>	<b>11.5</b>	<b>908</b>	<b>44.3</b>
Distribution and transport	15	3.2	15	3.2	-	3.3	60	2.9
Sales commissions	20	4.3	17	3.9	3	12.9	86	4.2
<b>Contribution margin</b>	<b>179</b>	<b>38.6</b>	<b>160</b>	<b>35.6</b>	<b>19</b>	<b>12.1</b>	<b>762</b>	<b>37.2</b>
Payroll and related costs	41	8.8	39	8.6	2	5.1	156	7.6
Advertising and promotion	18	3.9	18	4.0	-	(0.9)	61	3.0
Depreciation and amortization	20	4.3	17	3.9	3	14.6	74	3.6
Other expenses and income	53	11.4	45	9.9	8	20.1	228	11.1
- of which non-recurring expenses/(income)	(6)	(1.2)	(7)	(1.5)	1	(16.1)	3	0.2
<b>General and operating expenses</b>	<b>132</b>	<b>28.4</b>	<b>119</b>	<b>26.4</b>	<b>13</b>	<b>11.2</b>	<b>519</b>	<b>25.3</b>
- of which non-recurring expenses/(income)	(6)	(1.2)	(7)	(1.5)	1	(16.1)	3	0.2
<b>Operating profit <sup>(A)</sup></b>	<b>47</b>	<b>10.2</b>	<b>41</b>	<b>9.2</b>	<b>6</b>	<b>14.6</b>	<b>243</b>	<b>11.9</b>
Financial (expenses)/income	(8)	(1.6)	(5)	(1.1)	(3)	48.3	(30)	(1.5)
Net foreign currency hedging (losses)/gains and exchange differences	(2)	(0.5)	(2)	(0.5)	-	(4.2)	(10)	(0.5)
<b>Income before taxes</b>	<b>37</b>	<b>8.1</b>	<b>34</b>	<b>7.6</b>	<b>3</b>	<b>10.8</b>	<b>203</b>	<b>9.9</b>
Income taxes	10	2.2	8	1.7	2	36.5	53	2.6
<b>Net income from continuing operations</b>	<b>27</b>	<b>5.9</b>	<b>26</b>	<b>5.9</b>	<b>1</b>	<b>3.4</b>	<b>150</b>	<b>7.3</b>
Net income from discontinued operations	-	-	-	-	-	n.s.	-	-
Net income for the period attributable to:	27	5.9	26	5.9	1	3.4	150	7.3
- shareholders of the Parent Company	<b>29</b>	<b>6.3</b>	<b>27</b>	<b>6.0</b>	<b>2</b>	<b>8.6</b>	<b>145</b>	<b>7.1</b>
- minority interests	(2)	(0.4)	(1)	(0.1)	(1)	n.s.	5	0.2

<sup>(A)</sup> Operating profit before non-recurring items is 41 million, representing 9.0% of revenues (34 million in first quarter 2007, representing 7.7% of revenues, and 246 million in 2007 representing 12.1% of revenues).

Group revenues amounted to 465 million in first quarter 2008, having increased by 15 million (+3.4%) on the figure of 450 million reported in first quarter 2007, with growth driven by the apparel segment.

Apparel segment sales to third parties came to 444 million, an increase of 15 million (+3.5%) on the figure of 429 million in first quarter 2007.

This improvement reflected:

- new delivery schedules for spring/summer collections developed to take advantage of new business opportunities in a market with ever faster changing styles and trends;
- conversion of certain USA stores into directly operated ones; the resulting absence of spring/summer collection sales in this period had a temporary impact on the results in the quarter, which will be reversed in subsequent months.

The appreciation of the euro, particularly against the Korean won and US dollar, had a negative impact of 7 million on sales.

The textile segment reported 21 million in revenues from third parties, down 0.5% confirming the growing demand for yarn and textiles from markets with cheaper labor costs.

Cost of sales decreased by 7 million to 251 million, representing 53.9% of revenues compared with 57.3% in the comparative period. The individual segments reported the following trends in the cost of sales:

- apparel: cost of sales amounted to 235 million compared with 244 million in first quarter 2007, with improved production efficiency and exchange rate trends helping bring down the cost of sales margin to 52.8% from 56.8% in the corresponding period of 2007;
- textile: cost of sales decreased by 6 million, with the margin rising to 89.8% from 87.5% in first quarter 2007.

Gross operating profit confirmed its recovery by reporting a margin of 46.1% compared with 42.7% in the corresponding period of 2007. Trends in the individual segments were as follows:

- apparel: gross operating profit amounted to 210 million, representing 47.2% of revenues compared with 43.2% in first quarter 2007, having benefited from increased volumes and ever more efficient management of the supply chain and sourcing, while still paying constant attention to product quality;
- textile: gross operating profit was 6 million, representing 10.2% of revenues compared with 12.5% in first quarter 2007.

Selling costs (distribution, transport and sales commissions) increased by 3 million to 35 million, representing 7.5% of revenues, up from 7.1% in the prior year. In particular, sales commissions were up because of higher sales in the apparel segment, while distribution and transport costs stayed largely the same despite the growth in sales.

Contribution margin was 179 million compared with 160 million in first quarter 2007, representing 38.6% of revenues, up from 35.6% in the prior year. The individual segments reported the following trends in contribution margin:

- apparel: contribution margin came to 177 million compared with 155 million in the corresponding period of 2007, and improved from 36.1% to 39.8% of revenues;
- textile: contribution margin was 4 million, representing 6.5% of revenues, down from 9.4% in the prior year.

General and operating expenses amounted to 132 million, up from 119 million in first quarter 2007, and accounted for 28.4% of revenues compared with 26.4% in the corresponding prior year period. The individual segments reported the following trends in general and operating expenses:

- apparel: these expenses rose by 14 million to 130 million, also reflecting expansion of the direct channel; they accounted for 29.2% of revenues compared with 27.1% in the corresponding period of 2007;
- textile: these expenses amounted to 2 million, representing 3.9% of revenues.

General and operating expenses are discussed in more detail below:

- Non-industrial payroll and related costs increased by 2 million to 41 million, accounting for 8.8% of revenues, up from 8.6% in first quarter 2007. Analysis of these costs by individual segment shows that the increase was mainly attributable to the apparel segment, also as a result of expanding the direct commercial network.
- Advertising and promotion costs were in line with first quarter 2007 at 18 million, while decreasing from 4.0% to 3.9% of revenues; the goal in this area continues to focus on developing campaigns to fit brand positioning.
- Non-industrial depreciation and amortization increased by 3 million on the corresponding period of 2007 to 20 million mainly because of investments made in prior years that entered service during the period.
- Other expenses and income amounted to 53 million, corresponding to 11.4% of revenues compared with 9.9% in first quarter 2007. This line item includes non-industrial general costs, additions to provisions, net operating expenses and other expenses and income, details of which are as follows:
  - non-industrial general costs amounted to 28 million, having increased by 4 million on first quarter 2007 due to a rise in costs for electricity and gas, rental and hire, consulting and advisory fees and other services; these costs represented 6.0% of revenues, compared with 5.4% in the prior year;
  - additions to provisions increased from 3 million in first quarter 2007 to 4 million this year, of which 3 million for doubtful accounts; the provision for doubtful accounts covers 7.7% of total trade receivables;
  - net operating and other expenses increased from 17 million in first quarter 2007 to 21 million this year, representing 4.6% of revenues compared with 3.7% in the prior year. The largest item included in the first quarter 2008 figure refers to 21 million in net rental expense (net of rental income), which reported an increase of 2 million attributable to the apparel segment. Other income includes over 6 million in reversals of impairment booked in 2005 against a property owned by the Group, now due to be sold in the next quarter after entering a preliminary sale agreement on March 31, 2008.

Operating profit was 47 million compared with 41 million in first quarter 2007, reporting an increase in margin from 9.2% to 10.2%; operating profit in the individual segments was as follows:

- the apparel segment reported 47 million in operating profit compared with 39 million in first quarter 2007, with the margin rising from 9.0% to 10.6%;
- the textile segment reported 2 million in operating profit, with a margin of 2.6% compared with 5.7% in first quarter 2007.

The increase of 3 million in net financial expenses was largely due to the rise in interest rates and average indebtedness over the period, in turn mostly because of the growth in business and higher investments. Net foreign currency hedging losses and exchange differences were largely the same as in first quarter 2007; the net amount reflects the higher euro exchange rate relative to existing currency hedges, particularly those against dollar purchases invoiced in first quarter 2008.

Income taxes amounted to 10 million compared with 8 million in the corresponding period of 2007, representing a tax rate of 27.3%, up from 22.1% in first quarter 2007; this increase reflects higher tax charges reported by the foreign manufacturing and commercial companies, and the larger impact of losses generated in the quarter by certain foreign subsidiaries.

Net income from continuing operations amounted to 27 million compared with 26 million in first quarter 2007, continuing to represent 5.9% of revenues.

Net income from discontinued operations was basically a breakeven and reflects the post-tax results of the sports equipment business sold by a Hungarian subsidiary to the Tecnica group on April 1, 2008.

Net income for the period attributable to the Group was 29 million compared with 27 million in first quarter 2007, representing 6.3% of revenues compared with 6.0% in the corresponding period of 2007.

The average number of employees in each segment during the period was as follows:

- apparel: 7,901 (of whom 3,886 in the retail channel), compared with 7,443 (of whom 3,684 in the retail channel) in first quarter 2007;
- textile: 1,278 compared with 1,348 in first quarter 2007.

**Business segments.** As already described, after a Hungarian subsidiary sold its sports equipment business, the other and unallocated segment was no longer material. This is why the segment information has been reclassified by including the residual amounts from this segment in the apparel segment.

The Group's activities are now divided into two segments in order 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 business 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.

Segment results for first quarters 2008 and 2007 and for full year 2007 are shown below, adopting the classification criteria described above.

- Segment results – first quarter 2008

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	444	21	-	465
Inter-segment revenues	1	37	(38)	-
Total revenues	445	58	(38)	465
Cost of sales	235	52	(36)	251
Gross operating profit	210	6	(2)	214
Selling costs	33	2	-	35
Contribution margin	177	4	(2)	179
General and operating expenses	130	2	-	132
- of which non-recurring income	(6)	-	-	(6)
Operating profit	47	2	(2)	47
Depreciation and amortization	21	3	-	24
Other non-monetary costs (net impairment reversal)	(6)	-	-	(6)
EBITDA	62	5	(2)	65

- Segment results – first quarter 2007 (pro-forma)

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	429	21	-	450
Inter-segment revenues	-	45	(45)	-
Total revenues	429	66	(45)	450
Cost of sales	244	58	(44)	258
Gross operating profit	185	8	(1)	192
Selling costs	30	2	-	32
Contribution margin	155	6	(1)	160
General and operating expenses	116	3	-	119
- of which non-recurring income	(7)	-	-	(7)
Operating profit	39	3	(1)	41
Depreciation and amortization	19	3	-	22
Other non-monetary costs (net impairment)	-	-	-	-
EBITDA	58	6	(1)	63

- Segment results – full year 2007 (pro-forma)

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	1,960	88	-	2,048
Inter-segment revenues	2	137	(139)	-
Total revenues	1,962	225	(139)	2,048
Cost of sales	1,075	203	(138)	1,140
Gross operating profit	887	22	(1)	908
Selling costs	140	8	(2)	146
Contribution margin	747	14	1	762
General and operating expenses	511	8	-	519
- of which non-recurring expenses	3	-	-	3
Operating profit	236	6	1	243
Depreciation and amortization	78	12	-	90
Other non-monetary costs (net impairment)	7	-	-	7
EBITDA	321	18	1	340

- Apparel segment results

(millions of Euro)	1st quarter 2008		1st quarter 2007 pro-forma		Change		Full year 2007 pro-forma	
		%		%		%		%
Revenues from third parties	444		429		15	3.5	1,960	
Inter-segment revenues	1		-		1	35.5	2	
Total revenues	445	100.0	429	100.0	16	3.6	1,962	100.0
Cost of sales	235	52.8	244	56.8	(9)	(3.8)	1,075	54.8
Gross operating profit	210	47.2	185	43.2	25	13.3	887	45.2
Selling costs	33	7.4	30	7.1	3	8.7	140	7.1
Contribution margin	177	39.8	155	36.1	22	14.2	747	38.1
General and operating expenses	130	29.2	116	27.1	14	11.6	511	26.1
- of which non-recurring expenses/(income)	(6)	(1.3)	(7)	(1.6)	1	(16.1)	3	0.2
Operating profit	47	10.6	39	9.0	8	21.7	236	12.0
EBITDA	62	14.0	58	13.3	4	8.6	321	16.4

- Textile segment results

(millions of Euro)	1st quarter 2008		1st quarter 2007		Change		Full year 2007	
		%		%		%		%
Revenues from third parties	21		21		-	(0.5)	88	
Inter-segment revenues	37		45		(8)	(16.8)	137	
Total revenues	58	100.0	66	100.0	(8)	(11.6)	225	100.0
Cost of sales	52	89.8	58	87.5	(6)	(9.3)	203	90.1
Gross operating profit	6	10.2	8	12.5	(2)	(27.7)	22	9.9
Selling costs	2	3.7	2	3.1	-	7.7	8	3.7
Contribution margin	4	6.5	6	9.4	(2)	(39.2)	14	6.2
General and operating expenses	2	3.9	3	3.7	(1)	(8.5)	8	3.7
- of which non-recurring expenses/(income)	-	-	-	-	-	-	-	-
Operating profit	2	2.6	3	5.7	(1)	(59.7)	6	2.5
EBITDA	5	7.0	6	10.4	(1)	(40.1)	18	7.7

**Balance sheet and financial position highlights.** The most significant elements of the balance sheet and financial position, compared with those at December 31, 2007 and March 31, 2007, are presented in the following table. Management has decided to present working capital in the strict sense of the term, meaning that direct taxation has now been excluded, also in keeping with requests from the financial community. As a result, the following items have been reclassified from "Other receivables/(payables)" to "Other assets/(liabilities)": deferred tax assets and liabilities, receivables due from the tax authorities for direct taxes and receivables and payables from/to holding companies in relation to the group tax election.

(millions of Euro)	03.31.2008	12.31.2007	Change	03.31.2007
Working capital	667	631	36	671
- trade receivables	713	686	27	677
- inventories	328	336	(8)	346
- trade payables	(347)	(385)	38	(369)
- other receivables/(payables) <sup>(A)</sup>	(27)	(6)	(21)	17
Assets/(liabilities) held for sale	29	6	23	4
Property, plant and equipment and intangible assets <sup>(B)</sup>	1,215	1,171	44	1,047
Non-current financial assets <sup>(C)</sup>	25	23	2	21
Other assets/(liabilities) <sup>(D)</sup>	51	58	(7)	95
<b>Net capital employed</b>	<b>1,987</b>	<b>1,889</b>	<b>98</b>	<b>1,838</b>
Net financial indebtedness <sup>(E)</sup>	565	475	90	472
<b>Total shareholders' equity</b>	<b>1,422</b>	<b>1,414</b>	<b>8</b>	<b>1,366</b>

<sup>(A)</sup> 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 purchase etc.

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

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

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

<sup>(E)</sup> Net financial indebtedness includes cash and cash equivalents and all short and medium/long-term financial assets and liabilities.

Working capital was 4 million lower than at March 31, 2007, reflecting the combined effect of:

- an increase of 36 million in net trade receivables, associated with the growth in revenues;
- a reduction of 18 million in inventories, also affected by the new scheduling of collections;
- a decrease of 22 million in trade payables, partly due to the higher proportion of goods purchased for resale and of transport costs with shorter-than-average terms of payment;
- a net change of 44 million in other receivables and payables, arising from:
  - an increase of 17 million in other payables due to receipt of the deposit against the preliminary property sale agreement and to higher payables for the Group's operating investments;
  - a decrease of 27 million in other receivables, mainly after reclassifying to assets under construction the advances associated with the Group's commercial development in Iran and Kosovo.

Apart from the changes in working capital discussed above, net capital employed increased by 153 million, mainly reflecting a net increase in property, plant and equipment and intangible assets.

Net capital employed was 98 million higher than at December 31, 2007, mainly as a result of a cyclical growth in working capital and the net increase in property, plant and equipment and intangible assets, reflecting 69 million in gross operating investments during the period, 2 million in divestments at net book value, and 24 million in depreciation and amortization.

The Group's net financial indebtedness is discussed in detail in the Explanatory notes.

Cash flows during first quarter 2008 are summarized below with comparative figures for the same period of last year:

(millions of Euro)	1st quarter 2008	1st quarter 2007
Cash flow from operating activities before changes in working capital	66	58
Cash flow used by changes in working capital	(62)	(113)
Net interest paid - exchange differences	(12)	(9)
Payment of taxes	-	(3)
<b>Cash flow used by operating activities</b>	<b>(8)</b>	<b>(67)</b>
Net operating investments/Capex	(74)	(37)
Non-current financial assets	(2)	(1)
<b>Cash flow used by investing activities</b>	<b>(76)</b>	<b>(38)</b>
<b>Free cash flow</b>	<b>(84)</b>	<b>(105)</b>
Cash flow provided/(used) by financing activities of which:		
- payment of dividends	(1)	(1)
- net change in other sources of finance	38	1
<b>Cash flow provided by financing activities</b>	<b>37</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(47)</b>	<b>(105)</b>

Cash flow from operating activities before changes in working capital amounted to 66 million in the period compared with 58 million in first quarter 2007, partly reflecting the improvement in EBITDA.

Changes in working capital used 62 million in cash flow (113 million in first quarter 2007) and mostly reflect:

- the increase in trade receivables, associated with the growth in revenues;
- the decrease in trade payables, partly due to the higher proportion of goods purchased for resale and of transport costs with shorter-than-average terms of payment.

Operating activities used 8 million in cash flow compared with 67 million in the comparative period, benefiting from the smaller amount of cash absorbed by working capital.

Cash flow used by investing activities increased from 38 million in first quarter 2007 to 76 million this year, mainly due to 48 million in investments in the commercial network, particularly in markets such as Italy, France and the United States, as well as the priority growth markets of India, Russia and Turkey. Investments in production, amounting to 12 million, mostly referred to the production center in Tunisia and to the logistics hub in Castrette di Villorba (Italy). Other investments amounted to 9 million, most of which in information technology (introduction of SAP sales/logistics management software and its installation at foreign subsidiaries).

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

**Consolidated financial statements**

**Consolidated statement  
of income**

(thousands of Euro)	Ist quarter 2008 <sup>(A)</sup>	Ist quarter 2007 pro-forma <sup>(A)</sup>	Full year 2007 pro-forma <sup>(A)</sup>	Notes
<b>Revenues</b>	<b>465,098</b>	<b>449,993</b>	<b>2,048,632</b>	<b>1</b>
Materials and subcontracted work	213,645	221,415	1,000,321	2
Payroll and related costs	22,495	21,112	81,567	3
Industrial depreciation and amortization	4,001	4,277	16,583	5
Other manufacturing costs	10,773	11,067	41,701	
<b>Cost of sales</b>	<b>250,914</b>	<b>257,871</b>	<b>1,140,172</b>	
<b>Gross operating profit</b>	<b>214,184</b>	<b>192,122</b>	<b>908,460</b>	
Distribution and transport	15,013	14,529	60,031	
Sales commissions	19,711	17,460	86,237	
<b>Contribution margin</b>	<b>179,460</b>	<b>160,133</b>	<b>762,192</b>	
Payroll and related costs	40,913	38,917	155,907	3
Advertising and promotion	17,924	18,088	61,019	4
Depreciation and amortization	19,864	17,333	73,634	5
Other expenses and income	53,324	44,417	228,835	6
- of which non-recurring expenses/(income)	(5,756)	(6,859)	3,096	
<b>General and operating expenses</b>	<b>132,025</b>	<b>118,755</b>	<b>519,395</b>	
- of which non-recurring expenses/(income)	(5,756)	(6,859)	3,096	
<b>Operating profit</b>	<b>47,435</b>	<b>41,378</b>	<b>242,797</b>	
Share of income/(losses) of associated companies	(19)	7	43	
Financial (expenses)/income	(7,574)	(5,108)	(29,735)	
Net foreign currency hedging (losses)/gains and exchange differences	(2,169)	(2,264)	(10,333)	
<b>Income before taxes</b>	<b>37,673</b>	<b>34,013</b>	<b>202,772</b>	
Income taxes	10,277	7,530	52,578	7
<b>Net income from continuing operations</b>	<b>27,396</b>	<b>26,483</b>	<b>150,194</b>	
Net income from discontinued operations	41	54	195	8
Net income for the period attributable to:	27,437	26,537	150,389	
- shareholders of the Parent Company	<b>29,374</b>	<b>27,037</b>	<b>145,330</b>	
- minority interests	(1,937)	(500)	5,059	
Basic earnings per share (Euro)	0.16	0.15	0.80	
Diluted earnings per share (Euro)	0.16	0.15	0.80	

<sup>(A)</sup> On April 1, 2008 the Group sold its sports equipment manufacturing business to third parties, meaning that the income and expenses of the discontinued operations have been reclassified and reported in a single line in the statement of income "Net income from discontinued operations". The related figures for the corresponding period in 2007 have also been reclassified to make them comparable with 2008 (the explanatory notes to this quarterly report contain a reconciliation between the actual and reclassified statements of income for 2007).

**Consolidated balance sheet**  
**- Assets**

(thousands of Euro)	03.31.2008	12.31.2007	03.31.2007	Notes
<b>Non-current assets</b>				
<b>Property, plant and equipment</b>				<b>9</b>
Land and buildings	653,613	656,439	615,412	
Plant, machinery and equipment	71,971	75,541	70,344	
Furniture, fittings and electronic devices	59,938	61,295	55,514	
Vehicles and aircraft	24,522	24,648	10,595	
Assets under construction and advances	104,591	61,795	18,341	
Leased assets	5,179	5,285	5,658	
Leasehold improvements	45,232	44,921	42,292	
	<b>965,046</b>	<b>929,924</b>	<b>818,156</b>	
<b>Intangible assets</b>				<b>10</b>
Goodwill and other intangible assets of indefinite useful life	31,883	28,458	28,458	
Intangible assets of finite useful life	218,057	212,273	200,426	
	<b>249,940</b>	<b>240,731</b>	<b>228,884</b>	
<b>Other non-current assets</b>				
Investments	1,968	2,066	2,534	11
Guarantee deposits	26,851	25,157	22,558	
Medium/long-term financial receivables	4,949	5,147	3,099	12
Other medium/long-term receivables	33,604	33,996	47,049	13
Deferred tax assets	162,694	163,050	168,819	14
	<b>230,066</b>	<b>229,416</b>	<b>244,059</b>	
<b>Total non-current assets</b>	<b>1,445,052</b>	<b>1,400,071</b>	<b>1,291,099</b>	
<b>Current assets</b>				
Inventories	327,714	336,063	346,106	15
Trade receivables	708,560	680,741	664,166	16
Tax receivables	27,618	27,586	37,510	17
Other receivables, accrued income and prepaid expenses	64,579	88,051	89,670	18
Financial receivables	34,483	19,288	33,707	19
Cash and banks	88,474	133,841	78,076	20
<b>Total current assets</b>	<b>1,251,428</b>	<b>1,285,570</b>	<b>1,249,235</b>	
Assets held for sale	34,108	5,771	4,592	21
<b>TOTAL ASSETS</b>	<b>2,730,588</b>	<b>2,691,412</b>	<b>2,544,926</b>	

**Consolidated balance sheet -  
Shareholders' equity  
and liabilities**

(thousands of Euro)	03.31.2008	12.31.2007	03.31.2007	Notes
<b>Shareholders' equity</b>				
<b>Shareholders' equity attributable to the Group</b>				<b>22</b>
Share capital	237,483	237,478	237,478	
Additional paid-in capital	65,182	65,155	65,155	
Fair value and hedging reserve	(7,754)	(2,672)	(2,026)	
Other reserves and retained earnings	1,074,772	941,780	1,017,372	
Net income for the period	29,374	145,330	27,037	
	<b>1,399,057</b>	<b>1,387,071</b>	<b>1,345,016</b>	
<b>Minority interests</b>	<b>23,163</b>	<b>27,613</b>	<b>20,735</b>	
<b>Total shareholders' equity</b>	<b>1,422,220</b>	<b>1,414,684</b>	<b>1,365,751</b>	
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Medium/long-term loans	399,592	399,553	341	23
Other medium/long-term payables	44,801	58,248	29,960	24
Lease financing	1,842	2,292	4,385	
Retirement benefit obligations	49,935	50,784	53,739	25
Other medium/long-term provisions and liabilities	25,665	26,380	27,558	26
	<b>521,835</b>	<b>537,257</b>	<b>115,983</b>	
<b>Current liabilities</b>				
Trade payables	346,664	385,401	369,313	27
Other payables, accrued expenses and deferred income	131,770	111,171	98,296	28
Current income tax liabilities	8,716	8,622	9,993	29
Other current provisions and liabilities	3,246	3,291	2,810	30
Current portion of lease financing	2,543	2,952	3,868	
Current portion of medium/long-term loans	68	68	500,018	
Financial payables and bank loans	288,731	227,966	78,894	31
	<b>781,738</b>	<b>739,471</b>	<b>1,063,192</b>	
<b>Total liabilities</b>	<b>1,303,573</b>	<b>1,276,728</b>	<b>1,179,175</b>	
Liabilities held for sale	4,795	-	-	
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>2,730,588</b>	<b>2,691,412</b>	<b>2,544,926</b>	

## Shareholders' equity - Statement of changes

(thousands of Euro)	Share capital	Additional paid-in capital	Fair value and hedging reserve	Other reserves and retained earnings	Currency translation reserve	Net income/(loss)	Minority interests	Total
<b>Balances as of 01.01.2007</b>	<b>237,478</b>	<b>65,155</b>	<b>(2,396)</b>	<b>889,258</b>	<b>4,312</b>	<b>124,914</b>	<b>22,288</b>	<b>1,341,009</b>
Carryforward of 2006 net income	-	-	-	124,914	-	(124,914)	-	-
Changes in the period (IAS 39)	-	-	370	-	-	-	-	370
Dividends distributed to minority interests	-	-	-	-	-	-	(894)	(894)
Differences arising on Euro translation of financial statements of foreign consolidated companies	-	-	-	-	(1,112)	-	(159)	(1,271)
Net income for the period	-	-	-	-	-	27,037	(500)	26,537
<b>Balances as of 03.31.2007</b>	<b>237,478</b>	<b>65,155</b>	<b>(2,026)</b>	<b>1,014,172</b>	<b>3,200</b>	<b>27,037</b>	<b>20,735</b>	<b>1,365,751</b>
Dividends distributed as approved by Ordinary Shareholders' Meeting of 04.26.2007	-	-	-	(67,590)	-	-	-	(67,590)
Changes in the period (IAS 39)	-	-	(646)	-	-	-	-	(646)
Formation of new subsidiaries	-	-	-	-	-	-	638	638
Dividends distributed to minority shareholders	-	-	-	-	-	-	(74)	(74)
Increase in share capital	-	-	-	-	-	-	1,500	1,500
Differences arising on Euro translation of financial statements of foreign consolidated companies	-	-	-	-	(8,002)	-	(745)	(8,747)
Net income for the period	-	-	-	-	-	118,293	5,559	123,852
<b>Balances as of 12.31.2007</b>	<b>237,478</b>	<b>65,155</b>	<b>(2,672)</b>	<b>946,582</b>	<b>(4,802)</b>	<b>145,330</b>	<b>27,613</b>	<b>1,414,684</b>
Carryforward of 2007 net income	-	-	-	145,330	-	(145,330)	-	-
Changes in the period (IAS 39)	-	-	(5,082)	-	-	-	-	(5,082)
Exercise of stock options	5	27	-	-	-	-	-	32
Dividends distributed to minority interests	-	-	-	-	-	-	(908)	(908)
Differences arising on Euro translation of financial statements of foreign consolidated companies	-	-	-	-	(12,338)	-	(1,605)	(13,943)
Net income for the period	-	-	-	-	-	29,374	(1,937)	27,437
<b>Balances as of 03.31.2008</b>	<b>237,483</b>	<b>65,182</b>	<b>(7,754)</b>	<b>1,091,912</b>	<b>(17,140)</b>	<b>29,374</b>	<b>23,163</b>	<b>1,422,220</b>

**Consolidated  
cash flow statement**

(thousands of Euro)	1st quarter 2008	1st quarter 2007
<b>Operating activities</b>		
Net income for the period attributable to the Group and minority interests	27,396	26,483
Net income from discontinued operations	41	54
Income taxes expense	10,277	7,530
<b>Income before taxes</b>	<b>37,714</b>	<b>34,067</b>
Adjustments for:		
- depreciation and amortization	23,865	21,610
- net capital (gains)/losses and non-monetary items	(7,008)	(7,022)
- net provisions charged to statement of income	4,531	5,419
- use of provisions	(2,990)	(3,813)
- exchange differences	2,169	2,264
- share of (income)/losses of associated companies	19	(7)
- net financial expenses	7,574	5,108
<b>Cash flow from operating activities before changes in working capital</b>	<b>65,874</b>	<b>57,626</b>
Cash flow used by changes in working capital	(61,597)	(113,448)
Payment of taxes	(297)	(2,786)
Net interest paid/received	(9,622)	(6,703)
Exchange differences	(2,169)	(2,264)
<b>Cash flow used by operating activities</b>	<b>(7,811)</b>	<b>(67,575)</b>
<b>Investing activities</b>		
Operating investments	(77,210)	(51,324)
Operating divestments	3,298	14,642
Business combinations	-	(102)
Operations in non-current financial assets	(1,949)	(809)
<b>Cash flow used by investing activities</b>	<b>(75,861)</b>	<b>(37,593)</b>
<b>Financing activities</b>		
Net change in other sources of finance	37,537	658
Payment of dividends	(908)	(894)
<b>Cash flow provided/(used) by financing activities</b>	<b>36,629</b>	<b>(236)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(47,043)</b>	<b>(105,404)</b>
Cash and cash equivalents at the beginning of the period	130,784	179,219
Translation differences and other movements	(926)	(53)
Cash and cash equivalents at the end of the period <sup>(A)</sup>	82,815	73,762

<sup>(A)</sup> Includes Euro 5,660 thousand in current account overdrafts (4,314 in first quarter 2007).

The Explanatory notes (pages 24 through 45) are to be considered an integral part of this report.

## Explanatory notes

### 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 and Frankfurt stock exchanges.

The process of delisting from the Deutsche Börse in Frankfurt was started on February 21, 2008.

### Form and content of the consolidated financial statements

The statement of income format used for the consolidated financial statements and interim financial reports of the Benetton Group differs from the one used by Benetton Group S.p.A. for its individual annual financial statements. This is because this Company principally acts as a financial holding company and provider of services to its subsidiaries.

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

- a. Benetton Korea Inc., since the effective voting rights held by Benetton total 51% of all voting rights;
- b. Benetton Giyim Sanayi ve Ticaret A.S. (a Turkish company), since the licensing and distribution agreements grant Benetton a dominant influence over the company, as well as the majority of risks and rewards linked to its business activities;
- c. 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. Benlim Ltd., a company based in Hong Kong 50% controlled by Benetton Asia Pacific Ltd. set up for the purpose of manufacturing Sisley products under license in China and marketing and distributing them in this country through Shanghai Sisley Trading Co. Ltd., a Chinese company wholly-owned by Benlim Ltd. Benlim Ltd. has been consolidated because most of the risks and rewards of its business and that of its subsidiary are attributable to Benetton. In particular, the licensing and distribution agreements between the parties give the Group a dominant influence over these companies;
- f. Shanghai Sisley Trading Co. Ltd., 50% controlled by the Group by virtue of the arrangements described in the previous point.

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.  
Unrealized intercompany profits and gains and losses arising from transactions between Group companies are also eliminated.
- d. 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 "Income attributable to minority interests" in the consolidated statement of income.
- e. 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. 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 first quarter 2008 and comparative periods have been drawn up in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union, which are in force at the date of preparing this report; more specifically, as required by IAS 34 (*Interim Financial Reporting*) a condensed reporting format has been adopted.

As permitted by the recently introduced art. 154 ter to Italy's Consolidated Law on Finance, the Group could publish an "interim management statement" for the first quarter of the year, containing fewer and simplified minimum reporting requirements to quarterly reports published up until the end of 2007.

The Group will nonetheless continue to provide the same information as that contained in previous quarterly reports, both in terms of quality and quantity; this decision is based on the desire to ensure continuity in our published periodic financial information and reports.

The Group's consolidated quarterly financial statements have been prepared using the same accounting policies and methods as those used for the last annual financial statements; no new material IFRSs or amendments thereto have come into effect from 2008.

On April 1, 2008 the Group sold its sports equipment manufacturing business to third parties, meaning that the income and expenses of the discontinued operations have been reclassified and reported in a single line in the statement of income called "Net income from discontinued operations". The related figures for the corresponding period in 2007 have also been reclassified to make them comparable with 2008; the explanatory notes to this quarterly report contain a reconciliation between the actual and reclassified statements of income for 2007. As a result of this sale, the other and unallocated segment is no longer material, meaning that the segment information has also been reclassified by including the residual amounts from this segment in the apparel segment.

The Group carries out activities that as a whole do not involve significant seasonal or cyclical variations in total sales during the year. When preparing the interim financial report, the Group must nonetheless make estimates and assumptions that affect the amount of revenues, costs, assets and liabilities and the disclosures relating to contingent assets and liabilities at the interim balance sheet date. If in the future such estimates and assumptions, which are based on the Group's best judgment, should differ from the actual circumstances, they will be amended as appropriate in the period in which such circumstances have changed.

In addition, some of these estimation processes, particularly the more complex ones such as determining any impairment losses on non-current assets, are usually carried out completely only at the time of drawing up the annual financial statements, when all the necessary information is available, unless there is evidence of impairment requiring an immediate evaluation of the related losses.

Income taxes have been recognized in the quarterly financial statements using the best estimate of the weighted average rate expected for the entire year.

**Business segments.** As already described, after a Hungarian subsidiary sold its sports equipment business, the other and unallocated segment was no longer material. This is why the segment information has been reclassified by including the residual amounts from this segment in the apparel segment.

The Group's activities are now divided into two segments in order 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 business 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.

## Comments on the principal items in the statement of income

### [1] Revenues

(thousands of Euro)	Ist quarter 2008	Ist quarter 2007 pro-forma
Sales of core products	448,906	434,104
Miscellaneous sales	10,072	9,448
Royalty income	2,619	2,981
Other revenues	3,501	3,460
<b>Total</b>	<b>465,098</b>	<b>449,993</b>

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.

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

#### Sales of core products, by brand

(thousands of Euro)	Ist quarter 2008	Ist quarter 2007 pro-forma
United Colors of Benetton	211,393	202,722
United Colors of Benetton Children and Sisley Young	116,182	117,356
Sisley	89,351	86,250
Playlife	10,870	6,262
Killer Loop	1,888	3,277
Other sales	19,222	18,237
<b>Total</b>	<b>448,906</b>	<b>434,104</b>

The United Colors of Benetton brand also includes Euro 25,146 thousand in sales by the Undercolors brand (Euro 19,340 thousand in first quarter 2007). "Other sales" refer to the sale of fabrics and yarns.

### Cost of sales

- [2] Materials and subcontracted work**

These include Euro 180,167 thousand (160,406 thousand in first quarter 2007 pro-forma) in costs for the purchase of raw materials, semi-finished products, finished products and related materials and Euro 33,478 thousand (61,009 thousand in first quarter 2007 pro-forma) in costs for subcontracted work.

## General and operating expenses

### • [3] Payroll and related costs

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

#### First quarter 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	15,876	31,230	293	47,399
Social security contributions	5,874	8,516	87	14,477
Provision for retirement benefit obligations	324	391	19	734
Other payroll and related costs	421	776	-	1,197
<b>Total</b>	<b>22,495</b>	<b>40,913</b>	<b>399</b>	<b>63,807</b>

#### First quarter 2007 (pro-forma)

(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	15,146	30,323	262	45,731
Social security contributions	4,870	6,855	79	11,804
Provision for retirement benefit obligations	867	1,083	15	1,965
Other payroll and related costs	229	656	-	885
<b>Total</b>	<b>21,112</b>	<b>38,917</b>	<b>356</b>	<b>60,385</b>

Payroll and related costs have increased partly as a result of growth in the number of directly operated stores.

The number of employees is analyzed by category below:

	03.31.2008	03.31.2007	Period average
Management	101	101	101
White collar	5,250	4,703	4,977
Workers	2,459	2,470	2,465
Part-timers	1,651	1,413	1,531
<b>Total</b>	<b>9,461</b>	<b>8,687</b>	<b>9,074</b>

### • [4] Advertising and promotion

Advertising and promotion costs amount to Euro 17,924 thousand (Euro 18,088 thousand in first quarter 2007) and reflect the costs incurred for developing advertising campaigns for the Group.

**[5] Depreciation and amortization**

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

**First quarter 2008**

(thousands of Euro)	Industrial depreciation/ amortization	Non-industrial depreciation/ amortization	Total
Depreciation of property, plant and equipment	3,962	12,151	16,113
Amortization of intangible assets	39	7,713	7,752
<b>Total</b>	<b>4,001</b>	<b>19,864</b>	<b>23,865</b>

**First quarter 2007 (pro-forma)**

(thousands of Euro)	Industrial depreciation/ amortization	Non-industrial depreciation/ amortization	Total
Depreciation of property, plant and equipment	4,241	11,136	15,377
Amortization of intangible assets	36	6,197	6,233
<b>Total</b>	<b>4,277</b>	<b>17,333</b>	<b>21,610</b>

- [6] Other expenses and income**

(thousands of Euro)	Ist quarter 2008	Ist quarter 2007 pro-forma
Non-industrial general costs	27,815	24,147
Other operating expenses/(income)	26,510	23,320
Additions to provisions	4,187	3,463
Other expenses/(income)	(5,188)	(6,513)
<b>Total</b>	<b>53,324</b>	<b>44,417</b>

Details of these amounts are provided in the following tables.

**Non-industrial general costs**

(thousands of Euro)	Ist quarter 2008	Ist quarter 2007 pro-forma
Other services	6,496	4,787
Rental and hire costs	3,454	2,602
Consulting and advisory fees	2,944	3,012
Travel and entertainment costs	2,478	2,277
Electricity and gas	2,468	1,870
Maintenance and cleaning	2,183	2,075
Directors and Statutory Auditors	1,896	1,773
Sundry purchases	1,600	1,607
Telephone and postage expenses	1,381	1,301
Insurance	1,042	1,023
Banking services	622	667
Surveillance and security	542	478
Other	709	675
<b>Total</b>	<b>27,815</b>	<b>24,147</b>

## Other operating expenses/(income)

(thousands of Euro)	1st quarter 2008	1st quarter 2007 pro-forma
Operating expenses:		
- rental expense	39,536	33,271
- indirect taxes and duties	2,994	2,351
- other operating expenses	6,225	4,298
<b>Total operating expenses</b>	<b>48,755</b>	<b>39,920</b>
Operating income:		
- rental income	(18,673)	(14,445)
- reimbursements and compensation payments	(712)	(404)
- other operating income	(2,860)	(1,751)
<b>Total operating income</b>	<b>(22,245)</b>	<b>(16,600)</b>
<b>Total</b>	<b>26,510</b>	<b>23,320</b>

## Additions to provisions

(thousands of Euro)	1st quarter 2008	1st quarter 2007
Addition to provision for doubtful accounts	3,127	2,963
Addition to provision for legal and tax risks	560	-
Addition to provision for sales agent indemnities	500	500
<b>Total</b>	<b>4,187</b>	<b>3,463</b>

## Other expenses/(income)

(thousands of Euro)	1st quarter 2008	1st quarter 2007
Other expenses:		
- donations	882	863
- out-of-period expenses	687	619
- impairment of property, plant and equipment and intangible assets	275	26
- losses on disposal	114	165
- costs for expected obligations	-	5
- other sundry expenses	1,625	877
<b>Total other expenses</b>	<b>3,583</b>	<b>2,555</b>
Other income:		
- reversal of impairment of property, plant and equipment and intangible assets	(6,549)	-
- gains on disposals of property, plant and equipment and intangible assets	(1,002)	(8,146)
- out-of-period income	(618)	(591)
- release of provisions	(391)	(13)
- other sundry income	(211)	(318)
<b>Total other income</b>	<b>(8,771)</b>	<b>(9,068)</b>
<b>Total</b>	<b>(5,188)</b>	<b>(6,513)</b>

The non-recurring income and expenses included in this heading are detailed in the paragraph entitled "Supplementary information – Non-recurring events and significant transactions".

**[7] Income taxes**

The tax charge amounts to Euro 10,277 million compared with Euro 7,530 million in the corresponding period of 2007, representing a tax rate of 27.3%, up from 22.1% in first quarter 2007; this increase reflects higher tax charges reported by the foreign manufacturing and commercial companies, and the larger proportion of losses generated in the quarter by certain foreign subsidiaries.

**[8] Net income from discontinued operations**

This line item summarizes the post-tax income of the sports equipment manufacturing business sold to the Tecnica group on April 1, 2008 by the subsidiary Benetton Ungheria Kft. The Benetton Group continued this manufacturing activity throughout the first quarter until March 31, 2008; the uncompleted orders at the sale date will be completed and subsequently transferred to the Tecnica group. The statement of income and balance sheet figures relating to this discontinued operation (which was classified in the other and unallocated segment up until December 31, 2007) are presented in the following tables:

(thousands of Euro)	1st quarter 2008	1st quarter 2007	Full year 2007
Revenues	6,335	9,925	36,640
Cost of sales	6,112	9,706	35,772
Gross operating profit	223	219	868
Contribution margin	223	219	868
General and operating expenses	138	116	489
Operating profit	85	103	379
Income before taxes	85	103	379
Income taxes	44	49	184
<b>Net income from discontinued operations</b>	<b>41</b>	<b>54</b>	<b>195</b>

The capital gain arising on disposal, which is immaterial, has not been recognized in the first quarter because it was realized in the second quarter of 2008.

All the assets and liabilities relating to the sports equipment business, for a net total of Euro 9,850 thousand, have been classified as assets and liabilities held for sale at March 31, 2008, details of which are as follows:

(thousands of Euro)	03.31.2008
Property, plant and equipment	9,196
Inventories	5,449
<b>Total assets held for sale</b>	<b>14,645</b>
Trade payables	(1,771)
Other payables, accrued expenses and deferred income	(3,024)
<b>Total liabilities held for sale</b>	<b>(4,795)</b>
<b>Net value of discontinued operations</b>	<b>9,850</b>

The discontinued operation had an immaterial amount of cash flow in first quarter 2008.

## Comments on the principal asset items

### Non-current assets

- **[9] Property, plant and equipment**

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

(thousands of Euro)	03.31.2008			12.31.2007		
	Gross	Accumulated depreciation and impairment	Net	Gross	Accumulated depreciation and impairment	Net
Land and buildings	788,226	134,613	653,613	800,316	143,877	656,439
Plant, machinery and equipment	305,641	233,670	71,971	317,588	242,047	75,541
Furniture, fittings and electronic devices	186,076	126,138	59,938	183,627	122,332	61,295
Vehicles and aircraft	35,600	11,078	24,522	35,394	10,746	24,648
Assets under construction and advances	104,591	-	104,591	61,795	-	61,795
Leased assets	9,547	4,368	5,179	9,547	4,262	5,285
Leasehold improvements	142,995	97,763	45,232	142,040	97,119	44,921
<b>Total</b>	<b>1,572,676</b>	<b>607,630</b>	<b>965,046</b>	<b>1,550,307</b>	<b>620,383</b>	<b>929,924</b>

Investments in property, plant and equipment in the period, totaling Euro 51,192 thousand, mainly related to:

- acquisitions of properties for commercial use and the modernization and refurbishment of stores for the purposes of expanding the commercial network, particularly in India, Italy and Russia;
- investments for increasing capacity of the production center in Tunisia and of the logistics hub in Castrette di Villorba (Italy).
- the purchase of furniture and fittings for stores, particularly in the United States and Turkey.

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

Disposals in the period mainly referred to the sale of production machinery, particularly in Italy.

The impairment recognized in 2005 against the value of a property owned by the Group was reversed during the period, after entering a preliminary sale agreement on March 31, 2008, under which the property will be sold in the next quarter and whose terms mean that the previous impairment loss is no longer relevant. In addition, Euro 275 thousand in impairment has been recognized to adjust certain commercial assets to their recoverable amount.

Except as specified above, no other signs were reported during the quarter that property, plant and equipment might be impaired; this is why, in compliance with IAS 36, no impairment testing has been carried out at March 31, 2008.

- **[10] Intangible assets**

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

(thousands of Euro)	03.31.2008			12.31.2007		
	Gross	Accumulated amortization and impairment	Net	Gross	Accumulated amortization and impairment	Net
Goodwill and other intangible assets of indefinite useful life	44,377	12,494	31,883	40,952	12,494	28,458
Industrial patents and intellectual property rights	5,993	3,175	2,818	6,443	3,110	3,333
Concessions, licenses, trademarks and similar rights	63,517	45,963	17,554	63,366	45,243	18,123
Deferred charges	254,728	95,899	158,829	241,490	91,693	149,797
Other	86,108	47,252	38,856	85,979	44,959	41,020
<b>Total</b>	<b>454,723</b>	<b>204,783</b>	<b>249,940</b>	<b>438,230</b>	<b>197,499</b>	<b>240,731</b>

A total of Euro 17,605 thousand was invested in intangible assets during the period, most of which relating to:

- the acquisition of commercial operations in the United States and Canada on February 29, 2008, details of which can be found in the section "Other information – Business combinations";
- the acquisition of commercial operations in Italy and France;
- the development and implementation of SAP sales/logistics management software and its installation at foreign subsidiaries.

"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.

"Intangible assets of finite useful life" include:

- "Concessions, licenses, trademarks and similar rights", which include the net book value of the following brands: United Colors of Benetton, Sisley and Killer Loop;
- "Deferred charges", mainly consisting of costs associated with the acquisition of commercial activities, which are amortized over the term of the related lease agreements (with the exception of "fonds de commerce" which are amortized over 20 years). This line item also includes costs incurred for the early vacation of third party premises, as well as expenses for taking over property and business leases, which are amortized over the term of the related lease contracts;
- "Other", mainly consisting of costs relating to the purchase and development of software for implementation, the purchase of computer programs and applications and the value of assets under development and advances.

There have been no signs in the quarter indicating any potential impairment of intangible assets; this is why, in compliance with IAS 36, no impairment testing has been carried out at March 31, 2008.

- **Other non-current assets**

**[11] 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 Italy, Japan, Korea and Switzerland.

**[12] Medium/long-term financial receivables.** This line item refers to the long-term portion of financial receivables, which earn interest at market rates.

**[13] Other medium/long-term receivables.** This line item, totaling Euro 33,604 thousand, includes Euro 19,188 thousand in receivables due from Ragione S.A.p.A. di Gilberto Benetton e C. for current taxes, calculated on taxable losses, as allowed in the rules governing participation in the group tax election for Italian companies. This line item also includes Euro 4,558 thousand in customer trade receivables (stated net of Euro 3,937 thousand in provisions for doubtful accounts), Euro 5,494 thousand in receivables due for fixed asset disposals and Euro 3,952 thousand in recoverable VAT, while the remainder relates to other sundry receivables.

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

### Current assets

**[15] Inventories.** Inventories, totaling Euro 327,714 thousand (Euro 336,063 thousand at December 31, 2007), are shown net of the related write-down provision.

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

**[16] Trade receivables.** Current trade receivables, net of the related provision for doubtful accounts, amount to Euro 708,560 thousand (Euro 680,741 thousand at December 31, 2007). The provision for doubtful accounts amounts to Euro 55,459 thousand (Euro 60,135 thousand at December 31, 2007) and has been determined on the basis of a prudent assessment of the risks associated with outstanding receivables at period end.

Trade receivables also include Euro 338 thousand in amounts due from holding, associated and related companies.

A total of Euro 16,802 thousand in receivables not yet due had been factored without recourse at March 31, 2008 (Euro 23,435 thousand at December 31, 2007).

**[17] Tax receivables.** This balance includes:

(thousands of Euro)	03.31.2008	12.31.2007
VAT recoverable	22,158	20,370
Tax credits	3,417	6,273
Other tax receivables	2,043	943
<b>Total</b>	<b>27,618</b>	<b>27,586</b>

**[18] Other receivables, accrued income and prepaid expenses.** This balance includes:

(thousands of Euro)	03.31.2008	12.31.2007
Other receivables:		
- other	27,787	52,033
- receivables from holding and related companies	22,478	22,024
<b>Total other receivables</b>	<b>50,265</b>	<b>74,057</b>
Accrued income and prepaid expenses:		
- accrued income and prepaid expenses on operating leasing	9,240	9,593
- other accrued income and prepaid expenses	5,074	4,401
<b>Total accrued income and prepaid expenses</b>	<b>14,314</b>	<b>13,994</b>
<b>Total</b>	<b>64,579</b>	<b>88,051</b>

Other receivables, which total Euro 50,265 thousand (Euro 74,057 thousand at December 31, 2007), include Euro 21,483 thousand in amounts owed by Edizione Holding S.p.A. in relation to the group tax election for Italian companies; the rest of this balance mostly refers to advances given to various suppliers and employees, as well as receivables for fixed asset disposals and other sundry items. The decrease since December 31, 2007 includes the reclassification of Euro 22,231 thousand in advances for the Group's commercial development in Iran and Kosovo from this line item to "Assets under construction and advances" forming part of property, plant and equipment.

**[19] Financial receivables.** This line item mostly refers to:

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

**[20] Cash and banks**

(thousands of Euro)	03.31.2008	12.31.2007
Bank and post office current accounts in Euro	25,931	37,914
Checks	28,953	75,790
Bank current accounts in other currencies	32,960	18,729
Time deposits	1	-
Cash in hand	629	1,408
<b>Total</b>	<b>88,474</b>	<b>133,841</b>

The time deposits are liquid funds belonging to the finance companies and the Parent Company. Average interest rates reflect market returns for the various currencies concerned. The amount of checks is the result of customer payments, received in the last few days of the reporting period.

**[21] Assets held for sale.** This balance includes the following amounts, reported at the lower of net book value and fair value less costs to sell:

- Euro 14,931 thousand for a property owned by the Group, for which a preliminary sale agreement was entered on March 31, 2008 and which will complete in May 2008. The value of this property was increased by Euro 6,549 thousand in the period after reversing the former impairment loss recognized in 2005, no longer relevant in view of the sale transaction;
- Euro 14,645 thousand for the entire value of the sports equipment business, discussed earlier in the note on "Net income from discontinued operations";
- Euro 2,048 thousand in relation to the factory in Piedimonte that is no longer operating after commencing plans to restructure the textile sector at the end of 2005;
- Euro 2,484 thousand for an aircraft owned by one of the Group's Italian subsidiaries.

### Comments on the principal items in shareholders' equity and liabilities

#### Shareholders' equity

- **[22] Shareholders' equity attributable to the Group**

The Shareholders' Meeting of Benetton Group S.p.A. resolved on April 24, 2008 to pay a dividend of Euro 0.40 per share, totaling Euro 73,072 thousand; this dividend was paid on May 8, 2008.

Changes in shareholders' equity during the period are detailed in the statement of changes contained in the "Consolidated financial statements" section.

**Share capital.** The share capital of Benetton Group S.p.A. amounts to Euro 237,482,715.60 at March 31, 2008 and consists of 182,679,012 shares with a par value of Euro 1.30 each. This amount increased by Euro 4,576 during the first quarter after 3,520 options were exercised under the 2004 stock option plan.

#### Liabilities

- **Non-current liabilities**

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

- **[24] Other medium/long-term payables**

(thousands of Euro)	03.31.2008	12.31.2007
Other payables due to holding and related companies	32,351	46,026
Other payables due to third parties	7,673	7,552
Guarantee deposits received	3,667	3,802
Non-current liabilities for the purchase of fixed assets	1,110	868
<b>Total</b>	<b>44,801</b>	<b>58,248</b>

"Other payables due to holding and related companies" at March 31, 2008 all refer to amounts owed to Ragione S.A.p.A. di Gilberto Benetton e C. for current taxes calculated on taxable income, as required under the rules governing relationships between companies participating in the group tax election.

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

**[25] Retirement benefit obligations.** These refer to provisions for post-employment benefit plans relating to Group employees, of which Euro 47,199 thousand relates to provisions for employee termination indemnities (TFR) reported by the Group's Italian companies.

**[26] Other medium/long-term provisions and liabilities.** This line item includes Euro 19,047 thousand in provisions for sales agent indemnities, Euro 5,458 thousand in provisions for legal and tax risks; the remainder relates to provisions made in previous years for the closure of a number of directly operated stores.

### Current liabilities

**[27] Trade payables.** These represent the Group's liabilities for the purchase of goods and services amounting to Euro 346,664 thousand. (Euro 385,401 thousand at December 31, 2007).

### [28] Other payables, accrued expenses and deferred income

(thousands of Euro)	03.31.2008	12.31.2007
Other payables:		
- payables for the purchase of fixed assets	27,426	36,301
- other payables due to holding and related companies	36,649	15,819
- other payables due to employees	22,290	19,103
- other payables due to third parties	17,851	11,210
- payables due to social security and welfare institutions	7,032	9,773
- other payables due to tax authorities	5,614	7,120
- VAT	5,061	2,319
<b>Total other payables</b>	<b>121,923</b>	<b>101,645</b>
Accrued expenses and deferred income:		
- accrued expenses and deferred income on operating leasing	5,908	7,867
- other accrued expenses and deferred income	3,939	1,659
<b>Total accrued expenses and deferred income</b>	<b>9,847</b>	<b>9,526</b>
<b>Total</b>	<b>131,770</b>	<b>111,171</b>

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

"Other payables due to holding and related companies" entirely refer to amounts owed to Edizione Holding S.p.A. and Ragione S.A.p.A. di Gilberto Benetton e C. under the group tax election.

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

"Other payables due to third parties" include non-trade related payables, amongst which: 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. Payables due to social security and welfare institutions relate to amounts owed to these institutions by Group companies and their employees.

**[29] 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.

**[30] Other current provisions and liabilities.** This line item relates to the Group's provisions against legal and tax disputes or liabilities that it expects to be resolved or settled within one year.

The provision for legal and tax risks mostly refers to legal disputes likely to be settled in the short term.

Other provisions mostly refer to the costs foreseen to be incurred by the Group for the closure of certain stores.

**[31] Financial payables and bank loans.** These mainly refer to:

- short-term loans from third parties;
- negative differentials on forward exchange contracts, mainly relating to the adjustment to period-end rates of outstanding hedges against economic, transaction and translation exchange risks;
- interest on loans and derivatives, particularly those relating to interest rate risk;
- bank loans and overdrafts.

### Commentary on the cash flow statement

Cash flow from operating activities before changes in working capital amounted to Euro 65,874 thousand in the period, compared with Euro 57,626 thousand in first quarter 2007, partly reflecting the improvement in EBITDA. Changes in working capital used Euro 61,597 thousand in cash flow (Euro 113,448 thousand in the comparative period), mostly reflecting:

- the increase in trade receivables, associated with the growth in revenues;
- the decrease in trade payables, partly due to the higher proportion of goods purchased for resale and of transport costs with shorter-than-average terms of payment.

Operating activities used Euro 7,811 thousand in cash flow compared with Euro 67,575 thousand in the comparative period, benefiting from the smaller amount of cash absorbed by working capital.

Cash flow used by investing activities increased to Euro 75,861 thousand (Euro 37,593 thousand in the comparative period) mainly due to the higher amount of operating investments in the first quarter 2008. These investments mainly related to:

- the commercial network, particularly in markets such as Italy, France and the United States, as well as in the priority growth countries of India, Russia and Turkey.
- development of the production center in Tunisia and the logistics hub in Castrette di Villorba (Italy);
- information technology (introduction of SAP sales/logistics management software and its installation at foreign subsidiaries).

Divestments in the period mostly related to the textile segment and referred to disposals of manufacturing plant and machinery. Cash flow used by financing activities included the payment of Euro 908 thousand in dividends to minority shareholders of subsidiary companies and the net change in other sources of finance of Euro 37,537 thousand.

**Supplementary  
information****Financial position**

Net financial indebtedness increased by Euro 90,135 thousand since December 31, 2007 to Euro 564,870 thousand at the end of March 2008, compared with Euro 472,624 thousand a year earlier. It is analyzed as follows:

(thousands of Euro)	03.31.2008	12.31.2007	Change	03.31.2007
Cash and banks	88,474	133,841	(45,367)	78,076
<b>A Liquid assets</b>	<b>88,474</b>	<b>133,841</b>	<b>(45,367)</b>	<b>78,076</b>
<b>B Current financial receivables</b>	<b>34,483</b>	<b>19,288</b>	<b>15,195</b>	<b>33,707</b>
Current portion of medium/long-term loans	(68)	(68)	-	(500,018)
Financial payables, bank loans and lease financing	(291,274)	(230,918)	(60,356)	(82,762)
<b>C Current financial payables</b>	<b>(291,342)</b>	<b>(230,986)</b>	<b>(60,356)</b>	<b>(582,780)</b>
<b>D = A+B+C Current financial indebtedness</b>	<b>(168,385)</b>	<b>(77,857)</b>	<b>(90,528)</b>	<b>(470,997)</b>
<b>E Non-current financial receivables</b>	<b>4,949</b>	<b>5,147</b>	<b>(198)</b>	<b>3,099</b>
Medium/long-term loans	(399,592)	(399,553)	(39)	(341)
Lease financing	(1,842)	(2,292)	450	(4,385)
<b>F Non-current financial payables</b>	<b>(401,434)</b>	<b>(401,845)</b>	<b>411</b>	<b>(4,726)</b>
<b>G = E+F Non-current financial indebtedness</b>	<b>(396,485)</b>	<b>(396,698)</b>	<b>213</b>	<b>(1,627)</b>
<b>H = D+G Net financial indebtedness</b>	<b>(564,870)</b>	<b>(474,555)</b>	<b>(90,315)</b>	<b>(472,624)</b>

Most of the balance reported in "Cash and banks" refers to ordinary current accounts and short-term or overnight bank deposits, with Euro 28,953 thousand relating to checks received from customers at the end of March 2008.

Financial payables, bank loans and lease financing mostly consist of short-term payables due to the banking system: of which Euro 130 million drawn down against uncommitted credit lines and Euro 100 million drawn down against the committed credit line of Euro 500 million maturing in June 2010. This facility carries interest of one, two, three or six-month Euribor plus a spread ranging between 27.5 and 60 basis points depending on the ratio between net financial position and EBITDA, and calls for compliance with three 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;
- a ratio of 1 or less between net financial position and equity.

Medium/long-term loans mostly refer to three five-year loans 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.

Both the committed credit facility of Euro 500 million and the three loans totaling Euro 400 million also carry other covenants by Benetton Group S.p.A. and, in some cases, by other Group companies, that are typically used in international finance, amongst which:

- a. negative pledge clauses, which require any existing or future secured guarantees over assets in relation to lending transactions, bonds and other instruments of credit to be extended to the above transactions on an equal footing;
- b. pari passu clauses, under which no obligations may be taken on that are senior to those assumed in the two transactions described above;
- c. periodic reporting obligations;
- d. cross default clauses, which entitle the lender to demand immediate repayment of the sums lent in the event of certain types of default by other financial instruments issued by the Group;
- e. restrictions on major asset disposals;
- f. other clauses generally found in transactions of this kind.

These covenants are nevertheless subject to several exceptions and restrictions.

There are no relationships of a financial nature with the tax group consolidating companies Edizione Holding S.p.A. and Ragione S.A.p.A. di Gilberto Benetton e C.

### Segment information

As already described, after a Hungarian subsidiary of the Group sold its sports equipment business, the other and unallocated segment was no longer material. This is why the segment information has been reclassified by including the residual amounts from the "other" segment in the apparel segment.

#### • Segment results – first quarter 2008

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	444	21	-	465
Inter-segment revenues	1	37	(38)	-
Total revenues	445	58	(38)	465
Cost of sales	235	52	(36)	251
Gross operating profit	210	6	(2)	214
Selling costs	33	2	-	35
Contribution margin	177	4	(2)	179
General and operating expenses	130	2	-	132
- of which non-recurring income	(6)	-	-	(6)
Operating profit	47	2	(2)	47

#### • Segment results – first quarter 2007 (pro-forma)

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	429	21	-	450
Inter-segment revenues	-	45	(45)	-
Total revenues	429	66	(45)	450
Cost of sales	244	58	(44)	258
Gross operating profit	185	8	(1)	192
Selling costs	30	2	-	32
Contribution margin	155	6	(1)	160
General and operating expenses	116	3	-	119
- of which non-recurring income	(7)	-	-	(7)
Operating profit	39	3	(1)	41

#### • Apparel segment results

(millions of Euro)	Ist quarter 2008	%	Ist quarter 2007 pro-forma	%	Change	%	Full year 2007 pro-forma	%
Revenues from third parties	444		429		15	3.5	1,960	
Inter-segment revenues	1		-		1	35.5	2	
Total revenues	445	100.0	429	100.0	16	3.6	1,962	100.0
Cost of sales	235	52.8	244	56.8	(9)	(3.8)	1,075	54.8
Gross operating profit	210	47.2	185	43.2	25	13.3	887	45.2
Selling costs	33	7.4	30	7.1	3	8.7	140	7.1
Contribution margin	177	39.8	155	36.1	22	14.2	747	38.1
General and operating expenses	130	29.2	116	27.1	14	11.6	511	26.1
- of which non-recurring expenses/(income)	(6)	(1.3)	(7)	(1.6)	1	(16.1)	3	0.2
Operating profit	47	10.6	39	9.0	8	21.7	236	12.0

- Textile segment results

(millions of Euro)	1st quarter 2008		1st quarter 2007		Change		Full year 2007	
		%		%		%		%
Revenues from third parties	21		21		-	(0.5)	88	
Inter-segment revenues	37		45		(8)	(16.8)	137	
Total revenues	58	100.0	66	100.0	(8)	(11.6)	225	100.0
Cost of sales	52	89.8	58	87.5	(6)	(9.3)	203	90.1
Gross operating profit	6	10.2	8	12.5	(2)	(27.7)	22	9.9
Selling costs	2	3.7	2	3.1	-	7.7	8	3.7
Contribution margin	4	6.5	6	9.4	(2)	(39.2)	14	6.2
General and operating expenses	2	3.9	3	3.7	(1)	(8.5)	8	3.7
- of which non-recurring expenses/(income)	-	-	-	-	-	-	-	-
Operating profit	2	2.6	3	5.7	(1)	(59.7)	6	2.5

The number of employees in each segment is detailed below:

	03.31.2008	12.31.2007	Period average
Apparel	8,173	7,628	7,901
Textile	1,288	1,268	1,278
<b>Total</b>	<b>9,461</b>	<b>8,896</b>	<b>9,179</b>

#### Information by geographical area

- Revenues by geographical area and business segment

(thousands of Euro)	Italy	%	Rest of Europe	%	The Americas	%	Asia	%	Rest of the world	%	Total
Apparel	200,409	93.7	153,474	97.3	12,060	99.8	75,476	96.2	2,629	84.5	444,048
Textile	13,408	6.3	4,188	2.7	27	0.2	2,946	3.8	481	15.5	21,050
<b>Total revenues</b>											
1st quarter 2008	213,817	100.0	157,662	100.0	12,087	100.0	78,422	100.0	3,110	100.0	465,098
<b>Total revenues</b>											
1st quarter 2007											
pro-forma	205,922		154,085		15,682		72,032		2,272		449,993
Change	7,895		3,577		(3,595)		6,390		838		15,105

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

### Other information

**Business combinations.** On February 29, 2008 the Group acquired, through its subsidiaries Benetton USA Corp. and Benetton Canada Inc., 54 Benetton stores in the United States and Canada, previously operated by a commercial partner.

The figures relating to this transaction can be summarized as follows:

(thousands of Euro)	
Acquisition cost	10,948
Fair value of assets acquired	7,523
<b>Goodwill</b>	<b>3,425</b>

The above figures are still provisional, since the procedures for determining the final allocation of the acquisition cost have not yet been completed. Nonetheless, the final figures are not expected to differ significantly from those presented above.

The goodwill arises from recognition of the acquired enterprise's commercial and organizational know-how.

**Relations with the holding company, its subsidiaries and other related parties.** The Group's relations with related parties are discussed more fully in the Directors' report.

**Non-recurring events and significant transactions.** As required by CONSOB Circular DEM/6064293 of July 28, 2006, the impact on the statement of income of the Group's non-recurring events and transactions has resulted in net income of Euro 5,756 thousand in first quarter 2008 (Euro 6,859 thousand in first quarter 2007), of which Euro 6,274 thousand relates to the reversal of impairment previously recognized against a property; in fact, a preliminary sale agreement was entered on March 31, 2008, the terms of which made the former impairment irrelevant.

**Atypical and/or unusual transactions.** As required by the CONSOB Circular dated July 28, 2006, the Group has not undertaken any atypical and/or unusual transactions, meaning those whose significance/materiality, nature of the counterparties, purpose, method of determining the transfer price and timing, might give rise to doubts as to: the fairness/completeness of the information contained in the financial statements, conflicts of interest, the safekeeping of assets and interests of minority shareholders.

**Significant events after March 31, 2008.** There have been no significant events since March 31, 2008.

**Contingent liabilities.** The Group has an estimated Euro 44 million in contingent liabilities associated with ongoing legal disputes. The Group does not consider it necessary to make any provision against such liabilities because it believes the likelihood of any outlay to be remote.

The subsidiary Bencom S.r.l. has had a partial tax inspection at the end of 2007 by the Tax Police for tax years 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 raises 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 costs paid to amateur sports associations. These matters correspond to an estimated Euro 65 million in additional tax. The Company's Board of Directors considers the matters raised to be unsubstantiated and so has decided not to make any provision against tax contingencies, also on the strength of authoritative external professional advice.

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 6.5 million, plus as yet unquantified penalties. The Board of Directors of Benind S.p.A. has just made provision, in 2007, against the related legal costs, believing it unlikely that any sum will be paid in respect of this dispute, also based on the opinion of a respected outside consultant.

**Statement of income reconciliation.** As already described, on April 1, 2008 the Group sold its sports equipment manufacturing business to third parties, meaning that the income and expenses of the discontinued operations have been reclassified and reported in a single line in the statement of income. The related figures for the corresponding period in 2007 have also been reclassified to make them comparable with 2008; the related reconciliation is presented below.

## Reconciliation 1st quarter 2007

(thousands of Euro)	1st quarter 2007	of which sports equipment	1st quarter 2007 pro-forma
<b>Revenues</b>	<b>459,918</b>	<b>9,925</b>	<b>449,993</b>
Materials and subcontracted work	230,099	8,684	221,415
Payroll and related costs	21,543	431	21,112
Industrial depreciation and amortization	4,473	196	4,277
Other manufacturing costs	11,462	395	11,067
<b>Cost of sales</b>	<b>267,577</b>	<b>9,706</b>	<b>257,871</b>
<b>Gross operating profit</b>	<b>192,341</b>	<b>219</b>	<b>192,122</b>
Distribution and transport	14,529	-	14,529
Sales commissions	17,460	-	17,460
<b>Contribution margin</b>	<b>160,352</b>	<b>219</b>	<b>160,133</b>
Payroll and related costs	38,946	29	38,917
Advertising and promotion	18,088	-	18,088
Depreciation and amortization	17,335	2	17,333
Other expenses and income	44,502	85	44,417
- of which non-recurring expenses/(income)	(6,859)	-	(6,859)
<b>General and operating expenses</b>	<b>118,871</b>	<b>116</b>	<b>118,755</b>
- of which non-recurring expenses/(income)	(6,859)	-	(6,859)
<b>Operating profit</b>	<b>41,481</b>	<b>103</b>	<b>41,378</b>
Share of income/(losses) of associated companies	7	-	7
Financial (expenses)/income	(5,108)	-	(5,108)
Net foreign currency hedging (losses)/gains and exchange differences	(2,264)	-	(2,264)
<b>Income before taxes</b>	<b>34,116</b>	<b>103</b>	<b>34,013</b>
Income taxes	7,579	49	7,530
<b>Net income from continuing operations</b>	<b>26,537</b>	<b>(54)</b>	<b>26,483</b>
Net income from discontinued operations	-	54	54
Net income for the period attributable to:	26,537	-	26,537
- shareholders of the Parent Company	<b>27,037</b>	-	<b>27,037</b>
- minority interests	(500)	-	(500)

**Reconciliation  
full year 2007**

(thousands of Euro)	Full year 2007	of which sports equipment	Full year 2007 pro-forma
<b>Revenues</b>	<b>2,085,272</b>	<b>36,640</b>	<b>2,048,632</b>
Materials and subcontracted work	1,032,103	31,782	1,000,321
Payroll and related costs	83,257	1,690	81,567
Industrial depreciation and amortization	17,388	805	16,583
Other manufacturing costs	43,196	1,495	41,701
<b>Cost of sales</b>	<b>1,175,944</b>	<b>35,772</b>	<b>1,140,172</b>
<b>Gross operating profit</b>	<b>909,328</b>	<b>868</b>	<b>908,460</b>
Distribution and transport	60,031	-	60,031
Sales commissions	86,237	-	86,237
<b>Contribution margin</b>	<b>763,060</b>	<b>868</b>	<b>762,192</b>
Payroll and related costs	156,035	128	155,907
Advertising and promotion	61,019	-	61,019
Depreciation and amortization	73,642	8	73,634
Other expenses and income	229,188	353	228,835
- of which non-recurring expenses/(income)	3,096	-	3,096
<b>General and operating expenses</b>	<b>519,884</b>	<b>489</b>	<b>519,395</b>
- of which non-recurring expenses/(income)	3,096	-	3,096
<b>Operating profit</b>	<b>243,176</b>	<b>379</b>	<b>242,797</b>
Share of income/(losses) of associated companies	43	-	43
Financial (expenses)/income	(29,735)	-	(29,735)
Net foreign currency hedging (losses)/gains and exchange differences	(10,333)	-	(10,333)
<b>Income before taxes</b>	<b>203,151</b>	<b>379</b>	<b>202,772</b>
Income taxes	52,762	184	52,578
<b>Net income from continuing operations</b>	<b>150,389</b>	<b>(195)</b>	<b>150,194</b>
Net income from discontinued operations	-	195	195
Net income for the period attributable to:	150,389	-	150,389
- shareholders of the Parent Company	<b>145,330</b>	-	<b>145,330</b>
- minority interests	5,059	-	5,059

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

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

## Corporate information

### Headquarters

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

### Legal data

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

### Media & communications department

E-mail: [info@benetton.it](mailto:info@benetton.it)  
Tel. +39 0422 519036  
Fax +39 0422 519930

### Investor relations

E-mail: [ir@benetton.it](mailto:ir@benetton.it)  
Tel. +39 0422 519412  
Fax +39 0422 519740

[www.benettongroup.com](http://www.benettongroup.com)