1st Quarter 2008

UNITED COLORS OF BENETTON.

2008 first quarter results approved by the Board of Directors

BENETTON GROUP CONSOLIDATED REVENUES INCREASE TO 465 MILLION EURO (+3.4%), NET INCOME RISES TO 29 MILLION EURO (+8.6%)

Ponzano 14 May, 2008 – The Benetton Group Board of Directors, meeting today and chaired by Luciano Benetton, examined and approved the consolidated results for the first quarter of 2008.

Group **net revenues** in first quarter 2008 increased by 465 million euro (+3.4%), in line with the already-announced full year forecast. Growth in the quarter was influenced by:

- new delivery schedules for the spring and summer collections, developed to take advantage of new business opportunities in a market in which styles and trends change ever more quickly;
- the conversion of some USA stores from wholesale to retail which had a temporary impact on the quarter due to the lack of spring/summer invoicing in the early months of the year and which will be recovered in subsequent months;
- revaluation of the euro in relation to other major currencies.

Values in millions of euro

	1st Qtr. 08 (*)	**1st Qtr. 07 pro-forma(*)**
Revenues	**465**	**450**
Change	*3.4%*	
Gr. operating profit	214	192
Change	*11.5%*	
Contribution margin	179	160
Change	*12.1%*	
Ordinary operating profit	41	34
Change	*20.7%*	
Operating Profit	47	41
Change	*14.6%*	
Income before taxes	37	34
Change	*10.8%*	
Net income	**29**	**27**
Change	*8.6%*	
Ordinary EBITDA	65	56
Change	*16.8%*	

Gross operating profit was 46.1% of revenues compared with 42.7% in the first quarter of 2007, due in particular to the increase in sales volumes and greater efficiency in management of the supply chain and sourcing activities, in a context of constant attention to product quality.

The **contribution margin** was 179 million euro against 160 million in the previous period, increasing to 38.6% of revenues from 35.6%.

Operating profit increased by 6 million euro to 47 million, 10.2% of revenues compared with 9.2% in the first quarter of 2007, also benefiting from non-recurring income which was in any case less than that in the first quarter of 2007.

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

Net income, of 29 million euro, grew by 8.6%.

Compared with March 31, 2007, **working capital** decreased by 4 million, due to the combined effects of:

- an increase in net trade receivables of 36 million, associated with the increase in business;
- a reduction in inventories of 18 million, also influenced by the new schedules for the collections;
- a reduction in trade payables of 22 million, due in part to the increased impact of merchandised product purchases and of transport costs with terms of payment shorter than the average;
- a net change of 44 million in other receivables and payables.

Compared with December 31, 2007, **capital employed** increased by 98 million, driven by an increase in working capital associated with the cyclical nature of the business, as well as by the increase in net fixed assets.

In the period, Group **net operating capital expenditure** was 74 million, compared with 37 million in the first quarter of 2007. **Capital expenditure** was predominantly for the commercial network (48 million) for the purchase and renovation of stores, in particular in markets such as Italy, France and the United States, as well as in countries significant for development such as India, Russia and Turkey. Production capital expenditure (12 million) was mainly devoted to increasing capacity in the Tunisian production centre and the Castrette di Villorba logistics hub in Italy.

The **net financial indebtedness** was 565 million euro compared with 475 million euro at December 31, 2007 and 472 million at March 31, 2007, in line with the objectives for the year.

(*) On April 1, 2008, the Group sold activities connected with the production of sports equipment to third parties; for this reason, all income and expenses connected to operating activities subject to the sale have been reclassified and shown in a separate line in the statement of income called "Net income from discontinued operations". This reclassification has also been made for comparative periods in 2007 to make them consistent with 2008.

BRANDS

During the quarter, **UCB Adult** began to benefit from the strategy of placing new emphasis on product categories as drivers for growth, offering complete ranges for individual product sectors in terms of both breadth and depth of the proposal; for example, shirts registered an increase in sales of over 40% in two seasons.

Children
UCB children has consolidated the diversification of its offer by age band and has introduced the new System furnishing concept, specially designed to enhance the user-friendliness of its proposals.
Benetton Baby, targeting the "newborn to 5 years" age band, is being further developed, also with the addition of 13 more stores during spring/summer 2008.
Sisley Young has successfully grasped the business opportunity offered by young consumers attracted by sophisticated and out-of-the ordinary products and has gained in strength with more than 50% growth in the spring/summer collection compared with spring/summer 2007.

Sisley, enriched in 2007 with an increase in its "trend" proposals, completed its offer with the opening of the first two accessory stores.

The clear-cut identity of the **Playlife** brand, inspired by the American college world, is being further reinforced by new targeted openings in spring/summer 2008.

MARKETS

Italy showed positive growth in line with expectations for the full year and influenced by the new scheduling of the collections.

The five priority markets for Group growth (India, Turkey, Countries of the former Soviet Union, Central and South America, and China) had a quarterly performance in line with the three-year development targets, which anticipate the doubling of sales. In particular, the commercial organization in the ex-Soviet Union has been strengthened by the opening of the Moscow agency's new offices, occupying more than 1,500 m^2 of floor space. During the quarter, the new operational headquarters in the United States, in Miami, were also opened; these will coordinate commercial activities and sourcing in the two Americas.

In established markets, growth was in line with expectations. There were significant rates of growth in France, Greece and the UK.

OUTLOOK

In the light of the sound results in the quarter, the Group confirms the objectives for the 2008 financial year:

- 6 to 8% growth in revenues on a like for like basis;
- increase in EBITDA and net income of at least 7%;
- capital expenditure of around 250 million euro;
- indebtedness of around 650 million euro.

Benetton Group consolidated results
(unaudited)

Consolidated statement of income
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.

(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**
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
Cost of sales	**251**	**53.9**	**258**	**57.3**	**(7)**	**(2.7)**	**1,140**	**55.7**
Gross operating profit	**214**	**46.1**	**192**	**42.7**	**22**	**11.5**	**908**	**44.3**
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
Contribution margin	**179**	**38.6**	**160**	**35.6**	**19**	**12.1**	**762**	**37.2**
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*
General and operating expenses	**132**	**28.4**	**119**	**26.4**	**13**	**11.2**	**519**	**25.3**
- of which non-recurring expenses/(income)	*(6)*	*(1.2)*	*(7)*	*(1.5)*	*1*	*(16.1)*	*3*	*0.2*
Operating profit [A]	**47**	**10.2**	**41**	**9.2**	**6**	**14.6**	**243**	**11.9**
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)
Income before taxes	**37**	**8.1**	**34**	**7.6**	**3**	**10.8**	**203**	**9.9**
Income taxes	10	2.2	8	1.7	2	36.5	53	2.6
Net income from continuing operations	**27**	**5.9**	**26**	**5.9**	**1**	**3.4**	**150**	**7.3**
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	**29**	**6.3**	**27**	**6.0**	**2**	**8.6**	**145**	**7.1**
- minority interests	(2)	(0.4)	(1)	(0.1)	(1)	n.s.	5	0.2

[A] 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).

Balance sheet and financial position highlights

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) (A)	(27)	(6)	(21)	17
Assets/(liabilities) held for sale	29	6	23	4
Property, plant and equipment and intangible assets (B)	1,215	1,171	44	1,047
Non-current financial assets (C)	25	23	2	21
Other assets/(liabilities) (D)	51	58	(7)	95
Net capital employed	**1,987**	**1,889**	**98**	**1,838**
Net financial indebtedness (E)	565	475	90	472
Total shareholders' equity	**1,422**	**1,414**	**8**	**1,366**

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

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

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

(D) Other assets/(liabilities) include retirement benefit obligations, provisions for legal and tax risks, the provision for sales agent indemnities, other provisions, current 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.

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

Financial position

(millions of Euro)	03.31.2008	12.31.2007	Change	03.31.2007
Cash and banks	88	134	(46)	78
A **Liquid assets**	**88**	**134**	**(46)**	**78**
B **Current financial receivables**	**35**	**19**	**16**	**33**
Current portion of medium/long-term loans	-	-	-	(500)
Financial payables, bank loans and lease financing	(291)	(231)	(60)	(82)
C **Current financial payables**	**(291)**	**(231)**	**(60)**	**(582)**
D = A+B+C **Current financial indebtedness**	**(168)**	**(78)**	**(90)**	**(471)**
E **Non-current financial receivables**	**5**	**5**	**-**	**3**
Medium/long-term loans	(400)	(400)	-	-
Lease financing	(2)	(2)	-	(4)
F **Non-current financial payables**	**(402)**	**(402)**	**-**	**(4)**
G = E+F **Non-current financial indebtedness**	**(397)**	**(397)**	**-**	**(1)**
H = D+G **Net financial indebtedness**	**(565)**	**(475)**	**(90)**	**(472)**

Cash flow statement

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

Alternative performance indicators

The following table shows how EBITDA and ordinary EBITDA are composed.

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

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 press release corresponds to the document results, books and accounting records.

Disclaimer

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

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