1st half 2009

UNITED COLORS OF BENETTON.

2009 first half results approved by the Board of Directors

BENETTON GROUP CONSOLIDATED REVENUES AT 882 MILLION EURO

- **Benetton Group confirms the strength of its brand in a challenging economic climate.**
- **Growth in Spring/Summer orders (+1% on previous year), marginal reduction expected for Fall/Winter (-3% on previous year).**
- **Comprehensive reorganization launched to improve customer service, product and store appeal and efficiency of industrial and sourcing activities, as well as organization, with important benefits from 1H/09.**
- **In the context of improved service to the distribution network, shipments of the Fall/Winter collection were rescheduled, with significant revenues shifted from Q2 to Q3.**
- **H1/09 revenues impacted by the rescheduling of shipments for an amount of €88 million. Net of the shipment effect, revenues were down by 3%.**
- **Operating Profit at €43 million, substantially in line with 1H/08 net of effect of rescheduled shipment, non-recurring costs (€11 million of costs vs. €8 million of income in 2008) and the foreign exchange impact.**
- **Cash generation improved (+€92 million against the comparable period), in spite of important investments.**

Ponzano, August 5, 2009 – The Benetton Group Board of Directors examined and approved the consolidated results for H1/09 and reviewed the first goals achieved by the reorganization plan implemented in previous months.

Consolidated income statement

Group **net revenues** for the first half of 2009 were €882 million (-11.4% against the comparable half year, corresponding to €114 million), impacted by a major change in the timing of shipments for the Fall/Winter collections, which saw a rescheduling of over €88 million of deliveries to the third quarter, to better match seasonality, provide improved service to clients and improve management of transport and logistics. The overall variation was also impacted by the deterioration in exchange rates (Korean won, Turkish lira, Indian rupee and the rouble among others) against the euro (-0.6%), and a worsening of mix, caused by the rescheduling of deliveries.
Textile segment sales increased by €3 million to €51 million, while apparel sales were €831 million, €117 million lower than H1/08. Of the latter, €132 million was attributable to the wholesale channel, in which the entire delivery rescheduling was concentrated, offset by growth of €15 million in direct sales, mostly resulting from the new openings.

Established markets, net of the effect of the rescheduling, which impacted the most on them, largely maintained their position; Italy, in particular, the Group's main market, demonstrated receptiveness to the new commercial proposals.
Emerging markets grew by 5.8% at constant exchange rates. The following individual markests are noteworthy: India, which recorded very good growth, driven by 95 new openings, and China, which reflected the first effects of the refocusing process with positive growth (on a like-for-like basis) in the second quarter of the year. Mexico benefited from the opening of 120 corners and 18 new stores in the first year of operations, with a positive result in spite of the disruptions caused by swine flu. Turkey confirmed the strength of its business, with repositioning and enlargement of some stores in prime commercial locations; the opening of a flagship store in Istanbul is expected in October. In Russia, finally, the start-up of the commercial trading activity has facilitated the introduction of new product segments and new network support services. There have been 9 openings in the country in the last twelve months. Total net openings in priority markets constitute around half of the over 350 additional stores opened worldwide in the last twelve months, the majority managed by third parties.

Gross operating profit, amounting to €401 million (45.5% of net revenues) was down in both absolute value (-€61 million) and percentage terms (-0.9%), largely due to the effect of the previously mentioned rescheduling of deliveries (-€38 million) and, to a lesser extent, due to the exchange impact (-€19 million), largely caused by the revaluation of the US Dollar against the Euro. Further negative effects were due to mix, while there was a positive impact of €24 million from both actions already planned and those included in the reorganization plan relating to sourcing and production efficiencies.

The **contribution margin** was €336 million (38.2% of revenues), down compared with €390 million in the corresponding period of 2008 (-€54 million and 39.1%), mainly due to lower commissions paid in respect of the reduction in revenues.

The incisive actions implemented at the beginning of 2009 to reduce **general and administrative expenses** have started to generate savings during H1/09, most evidently in the areas of cost of: temporary work, third party and consultancy services, advertising due to lower rates, notwithstanding the expected increase in depreciation and amortization, resulting from investments completed in the last financial year.

In addition**, non-recurring items** worsened by a total of €19 million (from a recorded one-time income of around €8 million, to a total expense of €11 million), including around €10 million of reorganization costs.

As a result, **operating profit (EBIT)** was €43 million (it would have been €74 million without the rescheduling of deliveries), down from €116 million in the corresponding period of 2008. Overall, the following significant items impacted on this result: on the positive side €12

million was generated by the reorganization plan already taken; on the negative side €31 million was due to the temporary delay in shipments, another €11 million resulted from the exchange rate trends (with a corresponding income from foreign currency hedging which will be commented on later), and finally €19 million due to higher non-recurring expenses.

Financial management highlights were: a significant reversal in the trend for foreign currency hedging, which produced €4 million of profit, partially compensating the negative impact of previously mentioned currencies on revenues and margin, compared with a loss of over €7 million in the corresponding period of 2008; and also a significant improvement in net financial expenses due to the effect of lower interest rates, more than offsetting an increase in the average position in the half year.

Net income, finally, was €29 million (3.2% of revenues), compared with €72 million (7.2%) in the corresponding period of 2008. Without the shipments rescheduling, it would have been €51 million.

Consolidated financial situation

Capital employed was down by €45 million, compared with December 31, 2008, due to the reduction in working capital (-€53 million), and an increase in fixed assets (+€9 million). Working capital, which was impacted by the delay in invoicing mentioned above, increased by €26 million compared with June 30, 2008, due to a reduction in trade receivables, offset by an increase in inventories. The latter is attributable also to new initiatives in emerging countries (Russia and India).

Net financial indebtedness at June 30, 2009 was €678 million, down by €11 million compared with December 31, 2008, showing a significant about-turn in the generation of cash in the first half year.

Summary of consolidated cash flow

Cash flow generated by operating activities improved, totalling €145 million, compared with €112 million in the comparative period; this improvement was brought about by the change in working capital in the context of a worsening in EBITDA due to the rescheduling of deliveries for the 2009 Fall/Winter collection.

In the H1/09, the Group made **net investments** of €80 million compared with €106 million in the corresponding period of 2008. The majority of investments were for the commercial network, amounting to €55 million. Within this category, preference was given to actions to renew and expand existing stores, substantially in line with the previous year, while the purchase of new premises continued on a selective basis. The thrust to develop production investments continued in the half year, with expenditure of over €17 million (€24 million in 2008).

Cash flow for financing activities absorbed €33 million less cash in spite of the distribution of dividends and purchase of Company shares.

Commenting on the results, Benetton Group CEO, Gerolamo Caccia Dominioni, stated: ***"The action programmes timely launched at the start of the year have generated initial benefits to the cost structure, and further positive results will follow in the second half of 2009. Among other things, this will allow a selective stimulus to the sales network, giving a positive impulse to activity. The decision to reschedule deliveries of the 2009 Fall/Winter collection only, was taken in this specific market situation to optimize synchronization of demand for the products with the actual presence of the new collection garments in the stores. The temporarily deferred sales will thus be recovered in the third quarter of the year, with a reduction of around 3%, compared with 2008, in the cumulative results for the nine months. The combination of the good level of orders taken for the new Fall/Winter collection and actions currently in progress on the cost front thus allow reasonable optimism for the end of 2009 in respect of sales, profit and net indebtedness.***"

Benetton Group consolidated results

Consolidated statement of income

(millions of Euro)	1st half 2009	%	1st half 2008	%	Change	%	Full year 2008	%
Revenues	**882**	**100.0**	**996**	**100.0**	**(114)**	**(11.4)**	**2,128**	**100.0**
Materials and subcontracted work	408	46.2	459	46.1	(51)	(11.1)	997	46.9
Payroll and related costs	45	5.1	45	4.5	-	(0.9)	88	4.2
Industrial depreciation and amortization	8	0.9	8	0.8	-	0.7	16	0.8
Other manufacturing costs	20	2.3	22	2.2	(2)	(6.1)	45	2.0
Cost of sales	**481**	**54.5**	**534**	**53.6**	**(53)**	**(9.9)**	**1,146**	**53.9**
Gross operating profit	**401**	**45.5**	**462**	**46.4**	**(61)**	**(13.2)**	**982**	**46.1**
Distribution and transport	30	3.3	30	3.0	-	(2.3)	66	3.0
Sales commissions	35	4.0	42	4.3	(7)	(16.4)	89	4.2
Contribution margin	**336**	**38.2**	**390**	**39.1**	**(54)**	**(13.7)**	**827**	**38.9**
Payroll and related costs	87	9.9	84	8.4	3	4.2	168	7.9
Advertising and promotion	28	3.1	33	3.3	(5)	(15.0)	61	2.9
Depreciation and amortization	43	4.9	40	4.0	3	8.1	84	3.9
Other expenses and income	135	15.4	117	11.7	18	15.1	260	12.3
- of which non-recurring expenses/(income)	*11*	*1.2*	*(8)*	*(0.8)*	*19*	*n.s.*	*(1)*	*n.s.*
General and operating expenses	**293**	**33.3**	**274**	**27.4**	**19**	**7.2**	**573**	**27.0**
- of which non-recurring expenses/(income)	*11*	*1.2*	*(8)*	*(0.8)*	*19*	*n.s.*	*(1)*	*n.s.*
Operating profit (*)	**43**	**4.9**	**116**	**11.7**	**(73)**	**(62.8)**	**254**	**11.9**
Share of income/(losses) of associated companies	2	0.2	-	-	2	n.s.	-	-
Financial (expenses)/income	(12)	(1.4)	(17)	(1.7)	5	(27.3)	(41)	(1.9)
Net foreign currency hedging (losses)/gains and exchange differences	4	0.5	(7)	(0.8)	11	n.s.	(1)	n.s.
Income before taxes	**37**	**4.2**	**92**	**9.2**	**(55)**	**(59.5)**	**212**	**10.0**
Income taxes	11	1.2	21	2.1	(10)	(49.3)	56	2.7
Net income from continuing operations	**26**	**3.0**	**71**	**7.1**	**(45)**	**(62.6)**	**156**	**7.3**
Net income from discontinued operations	-	-	1	0.1	(1)	n.s.	1	0.1
Net income for the period	26	3.0	72	7.2	(46)	(63.1)	157	7.4
attributable to:								
- shareholders of the Parent Company	**29**	**3.2**	**72**	**7.2**	**(43)**	**(60.2)**	**155**	**7.3**
- minority interests	(3)	(0.2)	-	-	(3)	n.s.	2	0.1

(*) Trading profit was 54 million, representing 6.1% of revenues (108 million in first half 2008, representing 10.9% of revenues, and 254 million in full year 2008 representing 11.9% of revenues).

Balance sheet and financial position highlights

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

(millions of Euro)	06.30.2009	12.31.2008	Change	06.30.2008
Working capital	662	715	(53)	636
- trade receivables	673	787	(114)	724
- inventories	426	359	67	377
- trade payables	(434)	(414)	(20)	(443)
- other receivables/(payables) [(A)]	(3)	(17)	14	(22)
Assets held for sale	6	1	5	16
Property, plant and equipment and intangible assets [(B)]	1,325	1,309	16	1,239
Non-current financial assets [(C)]	25	32	(7)	26
Other assets/(liabilities) [(D)]	18	24	(6)	26
Net capital employed	**2,036**	**2,081**	**(45)**	**1,943**
Net financial indebtedness [(E)]	678	689	(11)	555
Total shareholders' equity	**1,358**	**1,392**	**(34)**	**1,388**

[(A)] Other receivables/(payables) include VAT receivables and payables, sundry receivables and payables, trade receivables and payables from/to Group companies, accruals and deferrals, payables to social security institutions and employees, receivables and payables for fixed asset purchases etc.
[(B)] Property, plant and equipment and intangible assets include all categories of assets net of the related accumulated depreciation, amortization, and impairment losses.
[(C)] Non-current financial assets include unconsolidated investments and guarantee deposits paid and received.
[(D)] Other assets/(liabilities) include retirement benefit obligations, provisions for legal and tax risks, the provision for sales agent indemnities, other provisions, current tax receivables and liabilities, receivables and payables due from/to holding companies in relation to the group tax election, deferred tax assets also in relation to the company reorganization carried out in 2003, deferred tax liabilities and payables for put options.
[(E)] Net financial indebtedness includes cash and cash equivalents and all short and medium/long-term financial assets and liabilities.

Financial position

(millions of Euro)	06.30.2009	12.31.2008	Change	06.30.2008
Cash and banks	111	132	(21)	119
A **Liquid assets**	**111**	**132**	**(21)**	**119**
B **Current financial receivables**	**20**	**37**	**(17)**	**12**
Financial payables, bank loans and lease financing	(412)	(462)	50	(289)
C **Current financial payables**	**(412)**	**(462)**	**50**	**(289)**
D = A+B+C **Current financial indebtedness**	**(281)**	**(293)**	**12**	**(158)**
E **Non-current financial receivables**	**5**	**5**	**-**	**5**
Medium/long-term loans	(402)	(400)	(2)	(400)
Lease financing	-	(1)	1	(2)
F **Non-current financial payables**	**(402)**	**(401)**	**(1)**	**(402)**
G = E+F **Non-current financial indebtedness**	**(397)**	**(396)**	**(1)**	**(397)**
H = D+G **Net financial indebtedness**	**(678)**	**(689)**	**11**	**(555)**

Cash flow statement

(millions of Euro)	1st half 2009	1st half 2008
Cash flow from operating activities before changes in working capital	107	163
Cash flow provided/(used) by changes in working capital	56	(18)
Interest (paid)/received and exchange differences	(9)	(24)
Payment of taxes	(9)	(9)
Cash flow provided by operating activities	**145**	**112**
Net operating investments/Capex	(71)	(92)
Non-current financial assets	(9)	(14)
Cash flow used by investing activities	**(80)**	**(106)**
Free cash flow	**65**	**6**
Cash flow provided/(used) by financing activities of which:		
- payment of dividends	(50)	(75)
- purchase of treasury shares	(3)	(11)
- net change in other sources of finance	(23)	54
Cash flow used by financing activities	**(76)**	**(32)**
Net decrease in cash and cash equivalents	**(11)**	**(26)**

Alternative performance indicators

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

Key operating data (millions of Euro)	1st half 2009	1st half 2008	Change	Full year 2008
A Operating profit	43	116	(73)	254
B - of which non-recurring expenses/(income)	*11*	*(8)*	*19*	*(1)*
C Depreciation and amortization	51	48	3	100
D Other non-monetary costs (net impairment/(reversals))	2	(6)	8	-
E - of which non-recurring	*2*	*(6)*	*8*	*-*
F = A+C+D EBITDA	96	158	(62)	354
G = F+B-E Ordinary EBITDA	105	156	(51)	353

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

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

Disclaimer

This document 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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Statement released at 03.10 p.m. CET