

**Benetton Board approves results for the first quarter of 2004
NET INCOME CLIMBS TO 28 MILLION EURO, CASUAL CLOTHING
REVENUES IN LINE WITH PREVIOUS YEAR
Net indebtedness sharply down**

Ponzano, 12 May 2004. The Benetton Group Board of Directors today approved the results for the first quarter of 2004.

Consolidated revenues in the first three months of 2004 showed continued staying power in the clothing division, with a fall linked to the sale of the sports equipment brands in the first half of 2003. The value of consolidated revenues in the period was 381 million euro against 444 million recorded in the previous financial year. Revenues, net of the sports equipment disposal and currency impact, increased by 1.4%. Casual clothing revenues, net of currency impact, were up by 2.1%; the increase in volumes (+4.4%) was also significant.

Income from operations in the quarter was 45 million euro, 11.9% on turnover compared with 12.1% in the previous year (54 million euro). Net of the sale of the sports division and currency impact, income from operations was 47 million euro, 12.4% of turnover, substantially stable compared with the previous year.

Net income climbed to 28 million euro, 12.8% up on the first quarter of 2003.

The stability and strength of the Group balance sheet continued to be excellent, with **net indebtedness** of 497 million euro against 709 million in the first quarter of 2003 and 468 million euro at 31 December 2003. The change relative to the end of the year was due principally to the normal working capital cycle, while the reduction compared with the corresponding quarter of 2003 benefited from the sale of the sports equipment division and lower investments. **Shareholders' equity** rose to 1,204 million euro against 1,158 at the end of the first quarter 2003.

Self financing was 68 million euro (76 million euro in the same period of 2003), **free cash flow** (before dividends and the disposal of the sports equipment division) was minus 51 million euro, a significant improvement compared with minus 124 million in the first quarter of 2003, due to improvement in cash flow from operations.

The Board also analysed performance trends for 2004, reconfirming the forecast given following the Board of Directors meeting on 30 March 2004.

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Group results

Consolidated income statement

(in millions of euro)	1st quarter 2004	%	1st quarter 2003	%	Change	%
Revenues	381	100.0	444	100.0	(63)	(14.1)
Cost of sales	(210)	(55.1)	(252)	(56.8)	42	(16.6)
Gross operating income	171	44.9	192	43.2	(21)	(10.9)
Variable selling costs	(25)	(6.6)	(27)	(6.1)	2	(9.1)
Contribution margin	146	38.3	165	37.1	(19)	(11.2)
General and administrative expenses	(101)	(26.4)	(111)	(25.0)	10	(8.9)
Income from operations	45	11.9	54	12.1	(9)	(15.9)
Gain on foreign exchange	-	-	4	1.0	(4)	(97.1)
Financial charges, net	(5)	(1.5)	(9)	(2.0)	4	(35.8)
Ordinary income	40	10.4	49	11.0	(9)	(19.8)
Other expenses	(1)	(0.2)	(0)	0.0	(1)	n.s.
Income before taxes	39	10.2	49	11.1	(10)	(20.8)
Income taxes	(11)	(3.0)	(24)	(5.5)	13	(53.0)
Minority interests income	0	0.1	(0)	(0.1)	0	n.s.
Net income	28	7.3	25	5.5	3	12.8

Financial situation - highlights

(in millions of euro)	03.31.2004	12.31.2003	Change	03.31.2003
Working capital	820	729	91	908
Assets due to be sold	8	8	-	73
Total capital employed	1,707	1,655	52	1,882
Net financial position	497	468	29	709
Shareholders' equity	1,204	1,174	30	1,158
Minority interests	6	13	(7)	15

Summary statement of cash flows

(in millions of euro)	1st quarter 2004	1st quarter 2003	Year 2003
Self-financing	68	76	327
Change in working capital	(86)	(135)	(4)
Net operating investments	(15)	(60)	(126)
Disposal of the sports equipment sector	27	25	81

Purchase and sale of financial fixed assets, net	(15)		(4)
Payment of dividends	-	-	(64)
Payment of taxes	(3)	(5)	(71)
Net financial (requirements)/surplus	(24)	(99)	139