

## **BENETTON GROUP BOARD OF DIRECTORS APPROVES THE 2007 FINANCIAL STATEMENTS AND CONVENES THE SHAREHOLDERS' MEETING**

- **2007 consolidated revenues 2,085 million euro, net income 145 million euro**
- **Proposed dividend 0.40 euro per share**
- **Purchase and sale of treasury shares proposed**

Ponzano 19 March 2008 – The Benetton Group S.p.A. Board of Directors, meeting today and chaired by Luciano Benetton, approved the draft Group 2007 Financial Statements<sup>(1)</sup> presented by the CEO Gerolamo Caccia Dominioni, which confirm consolidated revenues of 2,085 million euro (+9.1%) and net income of 145 million (+16.3%). Worthy of note, in 2007 financial margins increased both in absolute terms and as a percentage of revenues. The recent market trend confirms the 2008 expectations released last February.

UNITED COLORS  
OF BENETTON.

The Board then approved the draft financial statements of the Parent Company<sup>(1)</sup>, with net income of 80 million euro, and a proposal to the next Shareholders' Meeting for payment of a dividend totalling 73 million euro, equivalent to 0.40 euro per share (0.37 euro per share in 2006), confirming a *pay-out ratio* equivalent to 50% of consolidated net income.

The dividend is expected to be payable from 8 May 2008, with coupon detachment date 5 May 2008.

The Board approved a report for submission to the Shareholders' Meeting relating to authorization for the purchase and sale of Company shares with the terms and conditions illustrated below.

Authorization is requested for the purchase of a maximum of 18,000,000 ordinary shares for a period of 18 months. The minimum purchase price is envisaged as not less than 30% under, and the maximum price not more than 20% over, the reference price recorded by the share in the stock exchange session preceding each individual transaction; the selling price is envisaged as not less than 90% of the reference price recorded by the share in the stock exchange session prior to each individual transaction.

The authorization is requested to enable the Company to acquire a portfolio of treasury shares, considering this to be a strategic investment capable of producing added value for shareholders, and also to serve any share incentive schemes. The purchases will be made in markets regulated, organized and managed by Borsa Italiana S.p.A. and in accordance with its procedures.

The Company does not currently hold any treasury shares.

The Shareholders' Meeting was convened at Ponzano for 24 and 28 April, respectively the first and second call.

Finally, the Board approved the Corporate Governance Report relating to the 2007 financial year, prepared in compliance with the Experimental Format recently proposed by Borsa Italiana.

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.

<sup>(1)</sup> The consolidated financial statements and the draft annual financial statements are currently being audited and, as of today's date, the audit is not yet complete.

## Benetton Group consolidated results

### Consolidated statement of income

(millions of Euro)	2007	%	2006	%	Change	%
<b>Revenues</b>	<b>2,085</b>	<b>100.0</b>	<b>1,911</b>	<b>100.0</b>	<b>174</b>	<b>9.1</b>
Materials and subcontracted work	1,032	49.5	962	50.3	70	7.3
Payroll and related costs	83	4.0	81	4.2	2	2.6
Industrial depreciation and amortization	17	0.8	18	1.0	(1)	(4.5)
Other manufacturing costs	44	2.1	44	2.3	-	(1.3)
<b>Cost of sales</b>	<b>1,176</b>	<b>56.4</b>	<b>1,105</b>	<b>57.8</b>	<b>71</b>	<b>6.4</b>
<b>Gross operating profit</b>	<b>909</b>	<b>43.6</b>	<b>806</b>	<b>42.2</b>	<b>103</b>	<b>12.8</b>
Distribution and transport	60	2.9	63	3.3	(3)	(5.7)
Sales commissions	86	4.1	74	3.9	12	16.6
<b>Contribution margin</b>	<b>763</b>	<b>36.6</b>	<b>669</b>	<b>35.0</b>	<b>94</b>	<b>14.1</b>
Payroll and related costs	156	7.5	153	8.0	3	1.7
- of which non-recurring expenses/(income)	-	-	2	0.1	(2)	n.s.
Advertising and promotion <sup>(A)</sup>	61	2.9	72	3.7	(11)	(14.7)
Depreciation and amortization	74	3.5	66	3.5	8	11.5
Other expenses and income	229	11.0	198	10.4	31	15.8
- of which non-recurring expenses/(income)	3	0.1	(3)	(0.2)	6	n.s.
<b>General and operating expenses</b>	<b>520</b>	<b>24.9</b>	<b>489</b>	<b>25.6</b>	<b>31</b>	<b>6.3</b>
- of which non-recurring expenses/(income)	3	0.1	(1)	-	4	n.s.
<b>Operating profit <sup>(B)</sup></b>	<b>243</b>	<b>11.7</b>	<b>180</b>	<b>9.4</b>	<b>63</b>	<b>35.4</b>
Financial (expenses)/income	(30)	(1.4)	(18)	(0.9)	(12)	67.8
Net foreign currency hedging (losses)/gains and exchange differences	(10)	(0.6)	(3)	(0.2)	(7)	n.s.
<b>Income before taxes</b>	<b>203</b>	<b>9.7</b>	<b>159</b>	<b>8.3</b>	<b>44</b>	<b>27.5</b>
Income taxes	53	2.5	31	1.6	22	68.2
Net income for the year attributable to:	150	7.2	128	6.7	22	17.5
- <b>shareholders of the Parent Company</b>	<b>145</b>	<b>7.0</b>	<b>125</b>	<b>6.5</b>	<b>20</b>	<b>16.3</b>
- minority interests	5	0.2	3	0.2	2	66.3

<sup>(A)</sup> Of which Euro 12 million invoiced by holding and related companies in 2007 (Euro 11 million in 2006).

<sup>(B)</sup> Operating profit, before non-recurring items, amounts to 246 million, corresponding to 11.8% of revenues (179 million in 2006 with a margin of 9.4%).

## Balance sheet and financial position highlights

(millions of Euro)	12.31.2007	12.31.2006	Change
Working capital	652	623	29
- trade receivables	686	627	59
- inventories	336	331	5
- trade payables	(385)	(403)	18
- other operating receivables/(payables) <sup>(A)</sup>	15	68	(53)
Assets held for sale	6	7	(1)
Property, plant and equipment and intangible assets <sup>(B)</sup>	1,171	1,027	144
Non-current financial assets <sup>(C)</sup>	23	21	2
Other assets/(liabilities) <sup>(D)</sup>	37	32	5
<b>Net capital employed</b>	<b>1,889</b>	<b>1,710</b>	<b>179</b>
Net financial indebtedness <sup>(E)</sup>	475	369	106
<b>Total shareholders' equity</b>	<b>1,414</b>	<b>1,341</b>	<b>73</b>

<sup>(A)</sup> Other operating receivables and payables include VAT receivables and payables, sundry receivables and payables, holding company receivables and payables, receivables due from the tax authorities, deferred tax assets, accruals and deferrals, payables to social security institutions and employees, receivables and payables for fixed assets purchases 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 the retirement benefit obligations, the provisions for legal and tax risks, the provision for sales agent indemnities, other provisions, current income tax liabilities and deferred tax assets in relation to the company reorganization carried out in 2003.

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

## Financial position

(millions of Euro)	12.31.2007	12.31.2006	Change
Cash and banks	134	181	(47)
<b>A Liquid assets</b>	<b>134</b>	<b>181</b>	<b>(47)</b>
<b>B Current financial receivables</b>	<b>19</b>	<b>40</b>	<b>(21)</b>
Current portion of indebtedness	-	(500)	500
Financial payables, bank loans and lease financing	(231)	(88)	(143)
<b>C Current financial indebtedness</b>	<b>(231)</b>	<b>(588)</b>	<b>357</b>
<b>D = A+B+C Current net financial indebtedness</b>	<b>(78)</b>	<b>(367)</b>	<b>289</b>
<b>E Non-current financial receivables</b>	<b>5</b>	<b>3</b>	<b>2</b>
Bank loans	(400)	-	(400)
Lease financing	(2)	(5)	3
<b>F Non-current financial indebtedness</b>	<b>(402)</b>	<b>(5)</b>	<b>(397)</b>
<b>G = E+F Non-current net financial indebtedness</b>	<b>(397)</b>	<b>(2)</b>	<b>(395)</b>
<b>H = D+G Net financial indebtedness</b>	<b>(475)</b>	<b>(369)</b>	<b>(106)</b>

## Cash flow statement

(millions of Euro)	2007	2006
Cash flow from operating activities before changes in working capital	343	258
Cash flow provided/(used) by changes in working capital	(96)	28
Net interest paid/received - exchange differences	(40)	(25)
Payment of taxes	(11)	(24)
<b>Cash flow provided by operating activities</b>	<b>196</b>	<b>237</b>
Net operating investments/Capex	(225)	(118)
Non-current financial assets	(5)	(28)
<b>Cash flow used by investing activities</b>	<b>(230)</b>	<b>(216)</b>
<b>Free cash flow</b>	<b>(34)</b>	<b>21</b>
Cash flow used by financing activities of which:		
- payment of dividends	(69)	(64)
- net change in other sources of finance	54	27
<b>Cash flow used by financing activities</b>	<b>(15)</b>	<b>(37)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(49)</b>	<b>(16)</b>

## Alternative performance indicators

Key operating data (millions of Euro)	2007	2006	Change
A Operating profit	243	180	63
B - of which non-recurring expenses/(income)	3	(1)	4
C Depreciation and amortization	91	84	7
D Other non-monetary costs (impairment and stock options)	7	12	(5)
E - of which non-recurring	7	11	(4)
F = A+C+D EBITDA	341	276	65
G = F+B-E Ordinary EBITDA	337	264	73

## Benetton Group S.p.A. results

### Income statement reclassified by nature of expense

(millions of Euro)	2007	2006	Change
<b>Revenues</b>	<b>39</b>	<b>38</b>	<b>1</b>
Other operating income	10	7	3
Purchases of consumables	2	2	-
Payroll and related costs	21	24	(3)
Depreciation and amortization	3	3	-
Other operating costs	36	32	4
Dividends and adjustments of value of investments	102	99	3
Net financial expenses and exchange differences	(15)	(7)	(8)
<b>Income before taxes</b>	<b>74</b>	<b>76</b>	<b>(2)</b>
Income taxes	6	2	4
<b>Net income for the year</b>	<b>80</b>	<b>78</b>	<b>2</b>

## Balance sheet and financial position highlights

(millions of Euro)	12.31.2007	12.31.2006	Change
Working capital <sup>(A)</sup>	59	86	(27)
Net capital employed	1,283	1,275	8
Net financial indebtedness <sup>(B)</sup>	296	300	(4)
Shareholders' equity	987	975	12

<sup>(A)</sup> Working capital includes the book balances at the reporting date of: trade receivables less the related provision for doubtful accounts, trade payables and other operating receivables and payables (i.e. VAT receivables and payables, sundry receivables and payables, receivables and payables with the holding company, subsidiaries and associated companies, receivables due from the tax authorities, deferred tax assets, accruals and deferrals, payables to social security institutions and employees, receivables and payables for the purchase of non-current assets etc).

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

## Cash flow statement

(millions of Euro)	2007	2006
Cash flow provided by operating activities	107	81
Cash flow used by investing activities	(35)	(36)
<b>Free cash flow</b>	<b>72</b>	<b>45</b>
Cash flow used by financing activities of which:		
- dividends paid	(68)	(61)
- net change in sources of finance	(34)	8
<b>Cash flow used by financing activities</b>	<b>(102)</b>	<b>(53)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(30)</b>	<b>(8)</b>

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