1st half 2008

UNITED COLORS OF BENETTON.

2008 first half results approved by the Board of Directors

BENETTON GROUP CONSOLIDATED REVENUES INCREASE TO 996 MILLION EURO

Ponzano, August 29, 2008 – The Benetton Group Board of Directors, meeting today and chaired by Luciano Benetton, examined and approved the consolidated results for the first half of 2008.

Group **net revenues** for the first half of 2008 grew to 996 million euro (+2.9%), consistent with full year revenue forecasts previously communicated; this increase, at constant exchange rates and on a like for like basis, was equivalent to 5.1%. The apparel segment grew to 948 million euro, 5.8% at constant exchange rates.

Growth in the half year was determined by:

- the positive mix contribution, following enrichment of the offer with higher value product categories, and development actions in countries with high growth potential;
- the increase in the value of the euro in relation to the principal foreign currencies, and in particular the effect of movements in the Korean won, the US dollar and the GB pound.

	1st Half 08 (*)	1st Half 07 pro-forma(*)
Revenues	**996**	**968**
Change	*2.9%*	
Gr. operating profit	462	423
Change	*9.3%*	
Contribution margin	390	355
Change	*9.8%*	
Ordinary operating profit	108	100
Change	*7.8%*	
Operating Profit	116	107
Change	*8.5%*	
Income before taxes	92	90
Change	*2.6%*	
Net income	**72**	**70**
Change	*2.5%*	
Ordinary EBITDA	156	144
Change	*8.4%*	
**Values in millions of euro*		

Gross operating profit was 46.4% of revenues compared with 43.7% in the first half of 2007, with an increase of 39 million euro, positively influenced by the combined effects of mix, as well as the ever greater efficiency of supply chain management and sourcing activities, in a context of constant attention to product quality.

The **contribution margin** increased by 35 million euro, reaching 390 million, with a percentage of revenues which increased to 39.1% from 36.7%, containing a slight increase in variable costs, associated in particular with the rise in oil and transport costs.

The most significant elements which in the half year impacted on general and administrative expenses (+26 million euro) were:

- consolidation of operations, in particular in the US market;
- costs relating to supply chain improvement projects, the simplification of the structure of the collections and analysis for development of the Group's competitive structure in strategic markets;
- higher depreciation and amortization associated with the implementation of significant IT investments, in particular the development of SAP, made by the Group in previous years.

Operating profit grew by 9 million euro to 116 million, with a percentage of revenues of 11.7% compared with 11.1% in the first half of 2007.

Ordinary EBITDA increased by 12 million euro to 156 million, equivalent to 15.7% of sales compared with 14.9% in the comparative half year.

As a result of the increase in interest rates, the average financial indebtedness and the strengthening of the euro against the principal currencies, **financial expenses and currency hedging losses** increased by 7 million.

Net income, of 72 million euro, grew by 2.5%.

Capital employed increased by 54 million euro compared with December 31, 2007; this was driven mainly by the increase in operating capital expenditure and by the restoration of the values of assets held for sale, net of the reduction in **working capital** compared with last year end. The working capital, which is cyclical in its movements during the year, increased by only 5 million euro compared with June 30, 2007.

The **net financial indebtedness** was 555 million euro compared with 475 million at December 31, 2007 and 459 million at June 30, 2007, confirmed in line with full year objectives.

BRANDS

Progress achieved in previously initiated projects relating to the **Benetton Adult** collection confirmed the efficacy of the objective of enriching individual product categories. In particular, shirts registered an increase of around 40% in the last two years.

Benetton Man saw the opening of 30 new stores. For **Benetton Children**, the new "System" concept was presented on the occasion of the opening in Milan, for around 3 months, of the first temporary store for children. The System concept, whose function is to diversify the offer by age range, is also used for the new **Benetton Baby** stores targeting the newborn to 5 years age band and new mothers, and which saw the opening of 35 dedicated stores.

The **Sisley Young** line, for fashion-conscious youngsters, opened 15 stores in Italy and abroad.

The accessories segment continued its strategy of opening dedicated stores under the **Benetton** and **Sisley** brands, with 10 new openings. Accessories recorded an increase in revenues of around 50% in the last two years.

Particular emphasis was given in the first six months to the underwear business. For the 2008 autumn/winter season, the **Baby Under** line was launched, which completes the **Undercolors** collections: garments for baby boys and girls and unisex garments which, drawing on adult nightwear themes, update traditional new-born babywear.
This product line will be distributed in specific corners in around 500 Undercolors network stores.
In addition, the totally new **Sisley Underwear** line has been created, which will be given a special launch for the *Christmas Season*; men's and women's underwear and accessories with a sensual and chic style, and a high fashion content. The collection will come alive with its own identity in some single-brand stores by means of an innovative concept.

MARKETS

Results by geographic area in the half year were impacted by strong exchange rate fluctuations. Emerging markets identified by the Group to accelerate growth (Russia and ex-Soviet Union countries, Turkey, India, Great China and Latin America) continued to produce results in line with expectations, +25%, bringing their contribution to 11% of total revenues. The positive performance in established markets, taking account of the temporary block on shipments which occurred at the end of the half year, confirmed the effectiveness of initiatives undertaken and Group ability to take advantage of the various opportunities in local markets.

In **Mexico**, in May 2008, an agreement was signed with Sears, the leading distribution company owned by the multinational Grupo Carso (Slim family), for the development of United Colors of Benetton in that country. The agreement provides for the opening of points of sale which will offer the quality and fashion identity of the UCB man, woman and children collections within Sears department stores throughout Mexico. The openings of stores and corners to date in the main Mexican cities are in line with the development programme which provides for around 250 points of sale in only three years. Following this first agreement, the Group development programme for the American continent provides for the strengthening of its presence in other Latin American countries.

As part of this project and the redefinition of strategies in individual regional areas, the Benetton offices in **Miami**, Florida have become operative, managing all USA retail activities which were previously based in Washington. The Miami offices, strategically located between North and South America, supervise the commercial and sourcing activities of the area.

In **India**, the first Benetton Man store opened in New Delhi, in Connaught Place, with over 300 square metres of floor space dedicated to casual and formal wear. A new United Colors of Benetton store -

man, woman and children – opened in Kolkata, in one of the city's leading shopping locations, with a floor area of around 300 square metres and over 24 metres of store frontage.

In **Russia**, in addition to the recent inauguration of the new offices of the commercial agency in Moscow, the Group has initiated activities for the direct management of services, logistics, transport and imports. This step further strengthens our presence in the area, with the objective of offering a more efficient and timely service to customers in the Russian market.

CAPITAL EXPENDITURE

In the first half year, Group **net operating capital expenditure** was 102 million euro. Gross investments of around 82 million euro were dedicated to the commercial network for the purchase and renovation of stores in selected geographic areas, significant in terms of development of the sales network and of expected performance. A further 24 million euro gross capex was dedicated to production and logistics, in particular in **Tunisia** and for the distribution hub in Castrette, **Italy**.
In June, Tunisian Prime Minister Mohamed Ghannouchi, presented to Alessandro Benetton the "*Investor of the Year Award"* granted by the National Awards Commission "in recognition of the contribution of the Benetton Group to the development of the apparel sector in Tunisia and the increase in its competitiveness".

OUTLOOK FOR THE FULL YEAR

In the light of the half year results, the Group confirms the 2008 full year objectives, although recognising the uncertainty associated with the unfavourable economic situation and the risks introduced by the increase in raw material prices and the acceleration of inflation in Asian countries.
In consideration of actions already put in place by the management to contain and compensate for the negative impact of these factors, the commitment to achieve Group objectives is reconfirmed, with revenues expected to grow by around 6%, and EBITDA and income from operations up by at least 7% compared with 2007.
Capital expenditure in the year should be around 250 million and, in particular:
- investment projects to double the size of the Castrette logistics hub (in Italy) and regarding the production facility in Tunisia will be completed;
- investment will continue for the opening of new stores in markets considered to be strategic for the Group;
- implementation of business support IT systems will continue.

Net financial indebtedness is expected to be confirmed around 650 million euro by the end of the current year.

"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 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.

Benetton Group consolidated results

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.

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 half 2008	%	1st half 2007 pro-forma	%	Change	%	Full year 2007 pro-forma	%
Revenues	**996**	**100.0**	**968**	**100.0**	**28**	**2.9**	**2,048**	**100.0**
Materials and subcontracted work	459	46.1	472	48.8	(13)	(2.9)	1,000	48.8
Payroll and related costs	45	4.5	42	4.4	3	7.3	82	4.0
Industrial depreciation and amortization	8	0.8	9	0.9	(1)	(4.3)	16	0.8
Other manufacturing costs	22	2.2	22	2.2	-	(2.7)	42	2.1
Cost of sales	**534**	**53.6**	**545**	**56.3**	**(11)**	**(2.1)**	**1,140**	**55.7**
Gross operating profit	**462**	**46.4**	**423**	**43.7**	**39**	**9.3**	**908**	**44.3**
Distribution and transport	30	3.0	29	3.0	1	5.4	60	2.9
Sales commissions	42	4.3	39	4.0	3	8.0	86	4.2
Contribution margin	**390**	**39.1**	**355**	**36.7**	**35**	**9.8**	**762**	**37.2**
Payroll and related costs	84	8.4	80	8.2	4	5.5	156	7.6
Advertising and promotion	33	3.3	34	3.5	(1)	(3.8)	61	3.0
Depreciation and amortization	40	4.0	35	3.6	5	13.4	74	3.6
Other expenses and income	117	11.7	99	10.3	18	18.1	228	11.1
- of which non-recurring expenses/(income)	*(8)*	*(0.8)*	*(7)*	*(0.7)*	*(1)*	*18.7*	*3*	*0.2*
General and operating expenses	**274**	**27.4**	**248**	**25.6**	**26**	**10.4**	**519**	**25.3**
- of which non-recurring expenses/(income)	*(8)*	*(0.8)*	*(7)*	*(0.7)*	*(1)*	*18.7*	*3*	*0.2*
Operating profit (A)	**116**	**11.7**	**107**	**11.1**	**9**	**8.5**	**243**	**11.9**
Financial (expenses)/income	(17)	(1.7)	(13)	(1.3)	(4)	31.7	(30)	(1.5)
Net foreign currency hedging (losses)/gains and exchange differences	(7)	(0.8)	(4)	(0.5)	(3)	58.7	(10)	(0.5)
Income before taxes	**92**	**9.2**	**90**	**9.3**	**2**	**2.6**	**203**	**9.9**
Income taxes	21	2.1	21	2.2	-	3.7	53	2.6
Net income from continuing operations	**71**	**7.1**	**69**	**7.1**	**2**	**2.2**	**150**	**7.3**
Net income from discontinued operations	1	0.1	-	-	1	n.s.	-	-
Net income for the period attributable to:	72	7.2	69	7.1	3	3.6	150	7.3
- shareholders of the Parent Company	**72**	**7.2**	**70**	**7.3**	**2**	**2.5**	**145**	**7.1**
- minority interests	-	-	(1)	(0.2)	1	(63.2)	5	0.2

(A) Operating profit before non-recurring items is 108 million, representing 10.9% of revenues (100 million in first half 2007, representing 10.4% 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)	06.30.2008	12.31.2007	Change	06.30.2007
Working capital	618	631	(13)	613
- trade receivables	724	686	38	665
- inventories	377	336	41	396
- trade payables	(443)	(385)	(58)	(455)
- other receivables/(payables) (A)	(40)	(6)	(34)	7
Assets/(Liabilities) held for sale	16	6	10	4
Property, plant and equipment and intangible assets (B)	1,239	1,171	68	1,075
Non-current financial assets (C)	26	23	3	23
Other assets/(liabilities) (D)	44	58	(14)	86
Net capital employed	**1,943**	**1,889**	**54**	**1,801**
Net financial indebtedness (E)	555	475	80	459
Total shareholders' equity	**1,388**	**1,414**	**(26)**	**1,342**

(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)	06.30.2008	12.31.2007	Change	06.30.2007
Cash and banks	119	134	(15)	97
A Liquid assets	**119**	**134**	**(15)**	**97**
B Current financial receivables	**12**	**19**	**(7)**	**23**
Current portion of medium/long-term loans	-	-	-	(500)
Financial payables, bank loans and lease financing	(289)	(231)	(58)	(78)
C Current financial payables	**(289)**	**(231)**	**(58)**	**(578)**
D = A+B+C Current financial indebtedness	**(158)**	**(78)**	**(80)**	**(458)**
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	**(555)**	**(475)**	**(80)**	**(459)**

Cash flow statement

(millions of Euro)	1st half 2008	1st half 2007
Cash flow from operating activities before changes in working capital	163	149
Cash flow used by changes in working capital	(19)	(57)
Net interest paid - exchange differences	(24)	(17)
Payment of taxes	(9)	(6)
Cash flow provided by operating activities	**111**	**69**
Net operating investments/Capex	(102)	(89)
Non-current financial assets	(3)	(2)
Cash flow used by investing activities	**(105)**	**(91)**
Free cash flow	**6**	**(22)**
Cash flow used by financing activities of which:		
- payment of dividends	(75)	(68)
- purchase of treasury shares	(11)	-
- net change in other sources of finance	54	3
Cash flow used by financing activities	**(32)**	**(65)**
Net decrease in cash and cash equivalents	**(26)**	**(87)**

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 2008	1st half 2007 pro-forma	Change	Full year 2007 pro-forma
A Operating profit	116	107	9	243
B - of which non-recurring expenses/(income)	*(8)*	*(7)*	*(1)*	*3*
C Depreciation and amortization	48	44	4	90
D Other non-monetary costs (net impairment/(reversals))	(6)	-	(6)	7
E - of which non-recurring	*(6)*	*-*	*(6)*	*7*
F = A+C+D EBITDA	158	151	7	340
G = F+B-E Ordinary EBITDA	156	144	12	336

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