# BENETTON GROUP BOARD OF DIRECTORS APPROVES THE 2008 FINANCIAL STATEMENTS AND PROPOSES DIVIDEND OF 0.28 EURO PER SHARE

UNITED COLORS OF BENETTON.

2008 Results

- 2008 consolidated revenues 2,128 million euro
- Net income 155 million euro
- Proposed dividend 0.28 euro per share

Actions for 2009

- Boost the commercial network
- Supply chain excellence
- Cost optimization
- Focus on capital employed

CFO

Alberto Nathansohn will take the office of CFO

Ponzano, March 18, 2009 – The Benetton Group S.p.A. Board of Directors approved the draft 2008 Group Financial Statements(1).

The 2008 results achieved the Group's preset objectives, despite the deteriorating international economic situation, which became particularly evident in the fourth quarter of the year. Far-reaching structural actions were carried out with resolve in the period and yielded the expected benefits. Of particular note were the improvement of the supply chain structure with the aim of strengthening service to the network of partners, acceleration of profitable growth in strategic countries, such as the former Soviet Union, India and Turkey, and completion of the new organizational structure based on brand and market Business Units.

2008 Group **net revenues** showed growth of 3.9% to 2,128 million euro; the increase, after eliminating exchange rate impacts (currency neutral) and on a like-for-like basis, was 5.7%. Apparel segment sales to third parties were 2,034 million euro, with a currency neutral increase of 5.6%. Growth in the financial year was largely determined by the enhancement of the offer with higher value product categories and increased sales volumes, as well as accelerated growth in strategic countries, such as Russia and the former Soviet Union, India, Turkey and Latin America, with the positive trend confirmed by 150 new openings in the year.

**EBITDA** grew by 4.1% in the year to 354 million euro, benefiting from the positive impact of the substantial actions undertaken, in particular the reduction of the complexity of collections and refinements introduced into the supply chain, with significant improvement in terms of efficiency and effectiveness, also in respect of the sales network.

**Net income** for the year was 155 million euro, compared with 145 million in 2007, and 7.3% of sales (7.1% in 2007).

Compared with December 31, 2007, **working capital** increased by 91 million euro, due to the combined effect of the increase in net trade receivables, associated mainly with the growth in apparel sales, the increase in inventories due to the greater incidence of the direct channel resulting from the greater number of companies consolidated and the increase in trade payables, which was also influenced by the new collection calendars and related production planning.

**Capital employed** grew by 192 million euro due to the increase in working capital commented on above and the net increase in tangible and intangible assets, relative in particular to gross operating investments in the year of 228 million euro and depreciation and amortization of 100 million.

**Total net investments** were 209 million euro (230 million in 2007) due largely to investments for the sales network, aimed in particular at the Italian, French and Spanish markets, as well as those in priority development countries such as India, Russia, the former Soviet Union and Turkey, and production investments, relating especially to the logistics hub in Castrette di Villorba (Italy) and the manufacturing facility in Tunisia.

**Net financial indebtedness** was 689 million euro, up 214 million euro compared with December 31, 2007.

The Board then approved the draft annual financial statements of the Parent Company(1) and submitted a proposal to the next Shareholders' Meeting, convened at Ponzano for April 20, 2009, (first call and April 24, second call) for payment of a **dividend totalling** 48 million euro, equivalent to 0.28 euro per share (0.40 euro per share in 2008).
Payment of the dividend is planned as from April 30, 2009, with coupon detachment date of April 27, 2009.

CEO Gerolamo Caccia Dominioni, then presented the **management forecasts for the current year** to the Board. In view of measures already initiated to contain and compensate for the negative impact of the crisis, the Group has set itself as primary objectives for 2009, on the one hand, strengthening of market share both in established countries and those identified as strategic for development, and on the other hand, the maintaining of its own profitability.
To this end, an extensive reorganisation plan has been initiated which will enable continued investment, accelerate development, limit the risks of future inflationary pressures, significantly renew the organisational structure and generate cash flow.
The structural savings produce by this strategy will be partially available from the second half of the year, and fully in 2010, for an annual amount of over 50 million euro, which will be used in part for development and to balance restructuring costs.

In synthesis, the four areas of intervention are:

- Boost the commercial network.
- Supply chain excellence.
- Cost optimization.
- Focus on capital employed.

**Alberto Nathansohn** will join the Benetton Group as Chief Financial Officer with effect from May 1st. Nathansohn, 51, has matured extensive experience with Bulgari and Eurofly Service SpA, as well as with the Pirelli Group, where he held positions of responsibility both in Italy and abroad.

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, subject to revocation, for the part not yet executed, of the authorization by the shareholders' meeting resolution of 24 April 2008.
Authorization is requested for the purchase of a maximum number of shares which, together with the shares currently held, does not exceed the limit of 10% of the share capital and 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, which may also be used to serve any share incentive schemes. This authorization would also give the Company the power to act on its own shares, for the purposes and in the ways permitted by current legislative provisions, also taking advantage of any strategic investment opportunities.
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 currently holds 10,345,910 treasury shares, corresponding to 5.663% of share capital.

Finally the Board approved the Corporate Governance Report relating to the 2008 financial year, prepared in compliance with the Experimental Format proposed by Borsa Italiana.

*The manager responsible for the preparation of company accounting documents, Lorenzo Zago, declares, in accordance with paragraph 2 of article 154b of the Tax Consolidation Act that the accounting information included in this press release corresponds with the documentary results, books and accounting records.*

(1) 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

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 completed.

On April 1, 2008 the Group sold its residual sports equipment manufacturing business in Hungary 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) | 2008 | % | 2007 pro-forma | % | Change | % |
|---|---|---|---|---|---|---|
| **Revenues** | **2,128** | **100.0** | **2,048** | **100.0** | **80** | **3.9** |
| Materials and subcontracted work | 997 | 46.9 | 1,000 | 48.8 | (3) | (0.3) |
| Payroll and related costs | 88 | 4.2 | 82 | 4.0 | 6 | 8.3 |
| Industrial depreciation and amortization | 16 | 0.8 | 16 | 0.8 | - | (3.2) |
| Other manufacturing costs | 45 | 2.0 | 42 | 2.1 | 3 | 6.8 |
| **Cost of sales** | **1,146** | **53.9** | **1,140** | **55.7** | **6** | **0.5** |
| **Gross operating profit** | **982** | **46.1** | **908** | **44.3** | **74** | **8.1** |
| Distribution and transport | 66 | 3.0 | 60 | 2.9 | 6 | 9.4 |
| Sales commissions | 89 | 4.2 | 86 | 4.2 | 3 | 3.0 |
| **Contribution margin** | **827** | **38.9** | **762** | **37.2** | **65** | **8.5** |
| Payroll and related costs | 168 | 7.9 | 156 | 7.6 | 12 | 7.6 |
| Advertising and promotion (A) | 61 | 2.9 | 61 | 3.0 | - | (0.2) |
| Depreciation and amortization | 84 | 3.9 | 74 | 3.6 | 10 | 13.6 |
| Other expenses and income | 260 | 12.3 | 228 | 11.1 | 32 | 13.9 |
| *- of which non-recurring expenses/(income)* | *(1)* | *n.s.* | *3* | *0.2* | *(4)* | *n.s.* |
| **General and operating expenses** | **573** | **27.0** | **519** | **25.3** | **54** | **10.3** |
| *- of which non-recurring expenses/(income)* | *(1)* | *n.s.* | *3* | *0.2* | *(4)* | *n.s.* |
| **Operating profit (*)** | **254** | **11.9** | **243** | **11.9** | **11** | **4.7** |
| Financial (expenses)/income | (41) | (1.9) | (30) | (1.5) | (11) | 39.4 |
| Net foreign currency hedging (losses)/gains and exchange differences | (1) | n.s | (10) | (0.5) | 9 | (92.5) |
| **Income before taxes** | **212** | **10.0** | **203** | **9.9** | **9** | **4.7** |
| Income taxes | 56 | 2.7 | 53 | 2.6 | 3 | 6.9 |
| **Net income from continuing operations** | **156** | **7.3** | **150** | **7.3** | **6** | **3.9** |
| Net income from discontinued operations | 1 | 0.1 | - | - | 1 | n.s. |
| Net income for the year attributable to: | 157 | 7.4 | 150 | 7.3 | 7 | 4.5 |
| **-** shareholders of the Parent Company | **155** | **7.3** | **145** | **7.1** | **10** | **7.0** |
| - minority interests | 2 | 0.1 | 5 | 0.2 | (3) | (66.3) |

(A) Of which 11 million invoiced by holding and related companies in 2008 (12 million in 2007).

(*) Operating profit, before non-recurring items, amounts to 254 million, corresponding to 11.9% of revenues (243 million in 2007 with a margin of 11.9%).

## 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 all the periods presented: 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) | 12.31.2008 | 12.31.2007 | Change |
|---|---|---|---|
| Working capital | 715 | 624 | 91 |
| - trade receivables | 787 | 686 | 101 |
| - inventories | 359 | 336 | 23 |
| - trade payables | (414) | (385) | (29) |
| - other receivables/(payables) [(A)] | (17) | (13) | (4) |
| Assets held for sale | 1 | 6 | (5) |
| Property, plant and equipment and intangible assets [(B)] | 1,309 | 1,171 | 138 |
| Non-current financial assets [(C)] | 32 | 23 | 9 |
| Other assets/(liabilities) [(D)] | 24 | 65 | (41) |
| **Net capital employed** | **2,081** | **1,889** | **192** |
| Net financial indebtedness [(E)] | 689 | 475 | 214 |
| **Total shareholders' equity** | **1,392** | **1,414** | **(22)** |

[(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) | 12.31.2008 | 12.31.2007 | Change |
|---|---|---|---|
| Cash and banks | 132 | 134 | (2) |
| ***A*** **Liquid assets** | **132** | **134** | **(2)** |
| ***B*** **Current financial receivables** | **37** | **19** | **18** |
| Financial payables, bank loans and lease financing | (462) | (231) | (231) |
| ***C*** **Current financial payables** | **(462)** | **(231)** | **(231)** |
| ***D = A+B+C*** **Current financial indebtedness** | **(293)** | **(78)** | **(215)** |
| ***E*** **Non-current financial receivables** | **5** | **5** | **-** |
| Medium/long-term loans | (400) | (400) | - |
| Lease financing | (1) | (2) | 1 |
| ***F*** **Non-current financial payables** | **(401)** | **(402)** | **1** |
| ***G = E+F*** **Non-current financial indebtedness** | **(396)** | **(397)** | **1** |
| ***H = D+G*** **Net financial indebtedness** | **(689)** | **(475)** | **(214)** |

### Cash flow statement

| (millions of Euro) | 2008 | 2007 |
|---|---|---|
| Cash flow from operating activities before changes in working capital | 366 | 343 |
| Cash flow used by changes in working capital | (115) | (96) |
| Net interest (paid)/received and exchange differences | (39) | (40) |
| Payment of taxes | (52) | (11) |
| **Cash flow provided by operating activities** | **160** | **196** |
| | | |
| Net operating investments/Capex | (186) | (225) |
| Non-current financial assets | (23) | (5) |
| **Cash flow used by investing activities** | **(209)** | **(230)** |
| **Free cash flow** | **(49)** | **(34)** |
| | | |
| Cash flow provided/(used) by financing activities of which: | | |
| - payment of dividends | (75) | (69) |
| - purchase of treasury shares | (69) | - |
| - net change in other sources of finance | 184 | 54 |
| **Cash flow provided/(used) by financing activities** | **40** | **(15)** |
| **Net decrease in cash and cash equivalents** | **(9)** | **(49)** |

### 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) | **2008** | **2007 pro-forma** | **Change** |
|---|---|---|---|
| A Operating profit | 254 | 243 | 11 |
| *B - of which non-recurring expenses/(income)* | *(1)* | *3* | *(4)* |
| C Depreciation and amortization | 100 | 90 | 10 |
| D Other non-monetary costs (net impairment/(reversals)) | - | 7 | (7) |
| *E - of which non-recurring* | *-* | *7* | *(7)* |
| F = A+C+D EBITDA | 354 | 340 | 14 |
| G = F+B-E Ordinary EBITDA | 353 | 336 | 17 |

## Benetton Group S.p.A. results

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 completed.

### Income statement

| (millions of Euro) | 2008 | 2007 | Change |
|---|---|---|---|
| Dividends and impairment on investments | 103 | 102 | 1 |
| Net financial expenses and exchange differences | (32) | (15) | (17) |
| Other operating income | 59 | 49 | 10 |
| Payroll and related costs | (21) | (21) | - |
| Depreciation and amortization | (2) | (3) | 1 |
| Other operating expenses | (46) | (38) | (8) |
| **Income before taxes** | **61** | **74** | **(13)** |
| Income taxes | 10 | 6 | 4 |
| **Net income for the year** | **71** | **80** | **(9)** |

## Balance sheet and financial position highlights

| (millions of Euro) | 12.31.2008 | 12.31.2007 | Change |
|---|---|---|---|
| Net property, plant and equipment and intangible assets | 17 | 27 | (10) |
| Non-current financial assets | 1,279 | 1,207 | 72 |
| Trade receivables | 23 | 22 | 1 |
| Trade payables | (10) | (10) | - |
| Other receivables | 1 | 8 | (7) |
| Other payables | (5) | (6) | 1 |
| Provisions for impairment on investments and legal risks | (18) | (3) | (15) |
| Retirement benefit obligations | (6) | (6) | - |
| Income taxes receivables | 34 | 44 | (10) |
| **Total capital employed** | **1,315** | **1,283** | **32** |
| **Net financial indebtedness** | **399** | **296** | **103** |
| **Shareholders' equity** | **916** | **987** | **(71)** |

## Cash flow statement

| (millions of Euro) | 2008 | 2007 |
|---|---|---|
| Cash flow provided by operating activities | 97 | 107 |
| Cash flow used by investing activities | (55) | (35) |
| **Free cash flow** | **42** | **72** |
| Cash flow provided/(used) by financing activities of which: | | |
| - change in shareholders' equity/purchase of treasury shares | (69) | - |
| - payment of dividends | (73) | (68) |
| - net change in other sources of finance | 97 | (34) |
| **Cash flow used by financing activities** | **(45)** | **(102)** |
| **Net decrease in cash and cash equivalents** | **(3)** | **(30)** |

## For further information and contacts:


Media
**+39 0422519036**
www.benettongroup.com/press
www.benettonpress.mobi

Investor Relations
**+39 0422519412**
www.benettongroup.com/investors
www.benettonir.mobi