

Benetton Group
2008 nine-month report

UNITED COLORS
OF BENETTON.

Benetton Group S.p.A.
Villa Minelli
Ponzano Veneto (Treviso) - Italy
Share capital: Euro 237,482,715.60 fully paid-in
Tax ID/Treviso Company register: 00193320264

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The Benetton Group**Directors and other officers****Board of Directors**

Luciano Benetton

Chairman

Carlo Benetton

Deputy Chairman

Alessandro Benetton

Executive Deputy Chairman

Gerolamo Caccia Dominioni

Chief Executive Officer

Gilberto Benetton

Directors

Giuliana Benetton

Luigi Arturo Bianchi

Giorgio Brunetti

Alfredo Malguzzi

Gianni Mion

Robert Singer

Andrea Pezzangora

Secretary to the Board**Board of Statutory Auditors**

Angelo Casò

Chairman

Antonio Cortellazzo

Auditors

Filippo Duodo

Piermauro Carabellese

Alternate Auditors

Marco Leotta

Independent Auditors

PricewaterhouseCoopers S.p.A.

Disclaimer

This document contains forward-looking statements, specifically in the paragraph 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.

Key financial data - highlights

The Group's financial statements for the first nine months 2008 and comparative periods have been drawn up in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union which are in force at the date of preparing this report. These standards do not differ, in any material respect, from those issued by the International Accounting Standards Board (IASB), meaning that any application of the latter would not have any significant effect on the Group's financial statements. Details of the accounting policies and consolidation methods used for preparing the nine-month report can be found in the section containing the Explanatory notes.

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; the Explanatory notes to this nine-month report contain a reconciliation between the actual and reclassified statements of income for 2007. As a result of this sale, the other and unallocated segment is no longer material, meaning that the segment information has also been reclassified by including the residual amounts from this segment in the apparel segment.

In addition, 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.

Key operating data (millions of Euro)	Nine months 2008		Nine months 2007 pro-forma		Change		Full year 2007 pro-forma	
		%		%		%		%
Revenues	1,534	100.0	1,471	100.0	63	4.3	2,048	100.0
Gross operating profit	709	46.2	643	43.7	66	10.3	908	44.3
Contribution margin	597	38.9	539	36.6	58	10.8	762	37.2
EBITDA ^(A)	249	16.3	232	15.8	17	7.3	340	16.6
Ordinary EBITDA ^(A)	248	16.2	225	15.3	23	10.2	336	16.4
Operating profit	182	11.9	166	11.3	16	9.9	243	11.9
Net income for the period attributable to the Group	109	7.1	103	7.0	6	6.3	145	7.1

Key financial data (millions of Euro)	09.30.2008	12.31.2007	09.30.2007
Working capital	831	631	813
Assets held for sale	1	6	3
Net capital employed	2,216	1,889	2,023
Net financial indebtedness	814	475	650
Total shareholders' equity	1,402	1,414	1,373
Free cash flow	(219)	(34)	(214)
Net investments	183	230	142

Share and market data	09.30.2008	12.31.2007	09.30.2007
Basic earnings per share (Euro)	0.60	0.80	0.56
Shareholders' equity per share (Euro)	7.53	7.59	7.39
Price at period end (Euro)	6.54	12.29	11.90
Screen traded price: period high (Euro)	11.88	14.82	14.82
Screen traded price: period low (Euro)	6.47	10.77	10.77
Market capitalization (thousands of Euro)	1,148,561	2,245,082	2,173,838
Average no. of shares outstanding	181,200,122	182,675,492	182,675,492
No. of shares outstanding	182,679,012	182,675,492	182,675,492
Number of personnel	09.30.2008	12.31.2007	09.30.2007
Total employees	9,588	8,896	8,568

^(A) In addition to the standard financial indicators required by IFRS, this document 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)	Nine months 2008	Nine months 2007 pro-forma	Change	Full year
				2007 pro-forma
A Operating profit	182	166	16	243
B - of which non-recurring expenses/(income)	(7)	(7)	-	3
C Depreciation and amortization	73	66	7	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	249	232	17	340
G = F+B-E Ordinary EBITDA	248	225	23	336

Directors' report

Results in first nine months 2008

The Group's revenues increased by 4.3% to 1,534 million in first nine months 2008, in line with the annual revenue forecast previously announced; assuming constant exchange rates and on a like-for-like basis, the increase was 6.3%. Growth in the nine months was determined, in particular, by enrichment of the offer with higher value product categories and by the significant increase in the number of items sold. Growth was partially attenuated by the appreciation of the Euro against major foreign currencies, in particular the Korean won, the US dollar, the Indian rupee and the British pound.

Gross operating profit reported a margin of 46.2% of revenues compared with 43.7% in the first nine months of 2007, with an increase of Euro 66 million. This increase was principally influenced by the combined effect of the increase in volumes and the ever more efficient management of the supply chain and sourcing activities, in a context of constant attention to product quality.

The contribution margin increased by 58 million to Euro 597 million, rising to 38.9% of revenues from 36.6%, including a slight increase in variable costs associated in particular with the cost of oil and transport.

The most significant elements in the period which impacted on general and administrative expenses (+ Euro 42 million) were:

- consolidation of direct control of the business, particularly in the US market;
- costs associated with projects to improve the supply chain, to simplify collection structure and to analyze the development of competitive structure in strategic markets;
- higher depreciation and amortization associated with the implementation of significant IT investments in previous periods, in particular the development of SAP as well as commercial investments which became operative during the year.

Operating profit grew by 16 million to Euro 182 million, with a percentage of revenues of 11.9% compared with 11.3% in the first nine months of 2007.

EBITDA increased by 17 million to Euro 249 million, equivalent to 16.3% of revenues, against 15.8% in the comparative period.

As a result of increases in average financial indebtedness and interest rates, and appreciation of the Euro against the principal currencies, financial expenses and currency hedging increased by Euro 8 million.

Net income, of Euro 109 million, grew by 6.3%.

Capital employed increased by Euro 327 million compared with December 31, 2007; this was mainly driven by the cyclical movement in working capital and the net increase in property, plant and equipment, intangible and financial assets.

Working capital registered an increase of only Euro 18 million compared with September 30, 2007.

Net financial indebtedness was 814 million compared with 650 million at September 30, 2007 (475 million at December 31, 2007), having been affected by the large amount of operating and financial investments in the period although staying in line with the targets for the full year.

At September 30, 2008 the Group has spent a total of 52 million on buying back its shares.

Cash flow used by operating activities improved by some 36 million relative to the corresponding period of 2007.

Brands

Revenues of all Group brands increased in the period. Growth was driven, in particular, by new openings and the positive contribution of sales per square metre.

Benefits of projects initiated in prior periods were confirmed by the increase in average price due to improvements in mix. The United Colors of Benetton adult brand recorded growth in performance, especially in Europe: new openings were well received from Genoa to Helsinki, from Astana (Kazakhstan) to Riga (Latvia), to name a few.

Sisley produced a positive performance in Asia (8 new stores in India alone). Sisley Young, for fashion-conscious youngsters, opened its first store in Taipei (Taiwan): the brand's most representative showcase in the Asian market. Following the debut success of its Christmas Season collection, the totally new Sisley Underwear line, men's and women's underwear and accessories with a sensual and chic style and a strong fashion content, launched its 2009 Spring/Summer collection with a series of special events. This line, which will establish its identity in corners and monobrand stores of innovative design, has plans for three openings in Italy and abroad within the year, joining its existing corners which number over 150.

Playlife was particularly positive in Italy, with the opening of around 20 new stores during Fall/Winter 2008.

Markets

Results by geographic area in the nine months were impacted by strong exchange rate fluctuations.

Europe increased by 4% in the nine months (currency neutral), and the Mediterranean Area in particular grew by 4.3%, with a positive trend in countries such as Italy, France and Greece.

Asia achieved 15.7% growth in revenues in the period (currency neutral). In particular, there was a significant strengthening of activities in the Middle East area where the company has set up commercial offices in Dubai, in order to monitor the market more closely, supervise the area in a more specific way and exploit all business opportunities. Specifically, for the development of the Qatar market, a cooperation agreement was signed with the Al Mana Fashion Group, which is recognised in the fashion sector for reliability, performance, quality of service and results.

In the Americas, of particular note are the continuing development of the Mexican market and the consolidation of United States activities, now directly managed by the new regional offices in Miami.

The group of Emerging Markets, with high growth potential (Russia and the former Soviet Union countries, Turkey, India, Greater China, Central and South America), grew by 27% in the period (currency neutral), increasing its proportion of total Group revenues to 11% from 9% in 2007. In particular, in Russia and the former Soviet Union countries 26 new stores, including a number of important megastores in the main cities, were recently opened. India confirmed growth of 40% (currency neutral) and saw the opening of 41 new stores in the first nine months of 2008. Particularly noteworthy is the opening of the first Benetton Man store in New Delhi: over 300 square metres totally dedicated to casual and formal wear. Development of the strategic partnership with the Tata Group continued, with a total of 8 openings.

Investments

In the first nine months of 2008, net investments amounted to Euro 183 million compared with 142 million in the corresponding period of 2007.

Investments for the commercial network predominated, with an amount of Euro 147 million, including those relative to the acquisition of shareholdings and commercial businesses, in particular in the United States and Italy.

Investment in production, amounting to Euro 37 million, was mainly dedicated to increasing the distribution hub in Castrette di Villorba (Italy) and the capacity of the production facilities in Tunisia and Romania.

Other investments amounted to Euro 17 million and related mainly to IT; the most significant was that for the integrated management of directly operated stores and extension of the SAP application software to some foreign subsidiaries.

Disposals of Euro 37 million in the period related mainly to:

- sale of Villa Loredan (Venegazzù, Treviso), formerly the head office of the sportswear and equipment business, for which the outstanding proceeds of 13 million will be collected by year end;
- sale of the residual sports equipment business in Hungary;
- disposal, in the textile segment, of the Cassano Magnago property, as well as of the production plant and machinery.

Supplementary information

Dividend distribution. The Shareholders' Meeting of Benetton Group S.p.A. resolved on April 24, 2008 to pay a dividend per share of Euro 0.40 (pre-tax), totaling Euro 73 million. The shares went ex-div on May 5, 2008 and were paid on May 8, 2008.

Stock option plan. The first vesting period envisaged by the stock option plan, approved in September 2004 by the Board of Directors of Benetton Group S.p.A., came to an end in September 2006. As a result, a total of 1,337,519 options became exercisable, meaning that their beneficiaries could subscribe to an equal number of the Company's shares at a price of Euro 8.984 each up until the plan's end date in September 2013. Further to a review of the overall structure, scope and principles of the system of incentives, in September 2006 management agreed with the Company to cancel the second "tranche" of the 2004 plan.

A total of 3,520 options were exercised on February 28, 2008, causing the share capital of Benetton Group S.p.A. to increase to Euro 237,482,715.60, representing 182,679,012 shares. A total of 117,318 options were cancelled at the end of February 2008. This means that at September 30, 2008 there were still 100,000 unexercised options left.

Details of this stock option plan can be found under "Stock Option Plan" in "Regulations & Codes" in the Governance section of the website www.benettongroup.com/investors.

• 2004 stock option plan

	Options outstanding as of 01.01.2008	New options granted in the period	Options exercised in the period	Options expired and not exercised or lost in the period	Options cancelled in the period due to termination of employment	Options outstanding as of 09.30.2008	of which exercisable as of 09.30.2008
No. of options	220,838	-	3,520	-	117,318	100,000	100,000
Allocation ratio (%)	0.121		0.002		0.064	0.055	0.055
Weighted average exercise price (Euro)	8.984		8.984		-	8.984	8.984
Market price (Euro)	11.88		8.74		-	6.54	

Treasury shares. The Shareholders' Meeting of April 24, 2008 granted the Board of Directors the authority to buy back and dispose of up to 18,000,000 Benetton ordinary shares, provided these are no more than 10% of share capital. This authority was granted for a period of 18 months commencing May 6, 2008. The minimum purchase price may not be 30% below the official share price reported in the trading session prior to each individual transaction, while the maximum purchase price may not be 20% above such official share price; the disposal price may not be less than 90% of the official share price reported in the trading session prior to each individual transaction.

Between the date the buy-back program commenced on May 14, 2008, under a resolution adopted by the Board of Directors, and September 30, 2008, Benetton Group S.p.A. bought 6,923,678 treasury shares, corresponding to 3.79% of share capital, for around Euro 51.87 million (excluding commissions).

Between the third-quarter closing date and November 7, 2008, Benetton Group S.p.A. bought another 1,968,224 treasury shares, thereby taking its total holding to 4.87% of share capital valued at some Euro 63.6 million (excluding commissions).

Relations with the holding company, its subsidiaries and other related parties. The Group's relations with related parties are discussed more fully in the Explanatory notes.

Directors. Parent Company Directors as of September 30, 2008 were as follows:

Name and surname	Date of birth	Appointed	Office
Luciano Benetton	05.13.1935	1978	Chairman
Carlo Benetton	12.26.1943	1978	Deputy Chairman
Alessandro Benetton	03.02.1964	1998	Executive Deputy Chairman
Gerolamo Caccia Dominioni	01.09.1955	2007	Chief Executive Officer
Gilberto Benetton	06.19.1941	1978	Director
Giuliana Benetton	07.08.1937	1978	Director
Luigi Arturo Bianchi	06.03.1958	2000	Director
Giorgio Brunetti	01.14.1937	2005	Director
Alfredo Malguzzi	08.31.1962	2007	Director
Gianni Mion	09.06.1943	1990	Director
Robert Singer	01.30.1952	2006	Director

Luciano Benetton, Gilberto Benetton, Carlo Benetton and Giuliana Benetton are siblings; Alessandro Benetton is the son of Luciano Benetton.

Luciano Benetton, Chairman of the Board of Directors, and Gerolamo Caccia Dominioni, Chief Executive Officer, purchased 330,000 and 50,000 shares respectively in Benetton Group S.p.A. on January 16 and 17, 2008.

On October 1, 2008, subsequent to the end of the third quarter, Alessandro Benetton, Executive Deputy Chairman, purchased 45,500 shares in Benetton Group S.p.A.

Articles 36 and 39 of the Market Regulations. With reference to the recent regulatory requirements regarding the conditions for the listing of shares in companies with control over companies established and regulated under the law of non-EU countries which are materially significant for consolidation purposes, it is reported as follows:

- a. Benetton Group S.p.A. has direct or indirect control over 17 companies based in 11 non-EU countries to which the above rules apply;
- b. none of these companies individually exceeds the parameters contained in para. 1, art. 151 of the Issuer Regulations;
- c. the Group has suitable procedures for complying with the above rules:
 1. the above companies prepare accounts for the purposes of drawing up the consolidated financial statements; the balance sheets and statements of income of these companies will be made available to shareholders in the manner and terms required by the related regulations;
 2. under its internal procedures, Benetton Group S.p.A. keeps the articles of association of all Group companies, and details of the composition and powers of their directors and other officers;

3. all consolidated Group companies provide the independent auditors of Benetton Group S.p.A. with the information needed for correctly performing the audit of the Parent Company's annual and interim accounts. These companies have suitable accounting and administrative systems for providing the Company's Accounting, Finance and Control office and the independent auditors with statements of income, balance sheets and financial information needed to prepare the consolidated financial statements.

Principal organizational and corporate changes. The delisting/deregistering of the Benetton stock from the New York Stock Exchange became effective from January 21, 2008. As a result, Benetton Group S.p.A. no longer has to comply with the reporting requirements relating to the NYSE and SEC established by US law. All the documentation will continue to be published in English on the Company's website.

From July 30, 2008 Benetton's ADRs (certificates representing two Benetton shares) began trading on the US over-the-counter market known as OTCQX (Over the Counter Quality Extra).

The process of delisting the Benetton stock from the Deutsche Börse in Frankfurt, started on February 21, 2008, was finalized on July 18, 2008.

An agreement was made in New York on February 29, 2008 which redefines the Group's relationship with its principal customer in the United States and Canada. Under this agreement the management of 54 stores previously operated by this customer was transferred to Benetton USA Corp. and to the newly formed company of Benetton Canada Inc.

In May Benetton Mexicana S.A. de C.V., a recently formed Group company, made commercial agreements with the Axo group and with Sears (of the Carso group) for developing Benetton brands in Mexico. In particular: (a) a service agreement was made with Axo, specialized in the distribution and sale of international brands through management of points of sale, whereby Axo will manage the import and distribution of Benetton products in Mexico, as well as the operation of Benetton points of sale in this country; (b) a supply agreement relating to Benetton products was signed with Sears, the leading retailer in Mexico, as part of plans to open around 250 points of sale by 2010. Benetton Services S.A. de C.V., a company based in Mexico City and controlled by Benetton Real Estate International S.A., has been formed as part of the Group's commercial expansion in this region with the purpose of managing personnel seconded to Mexico.

In May Bencom S.r.l. subscribed to 10% of the initial share capital in Ben-Mode A.G., a company set up to manage a megastore in Zurich; this forms part of a plan whereby Bencom S.r.l. will acquire total control of this company over a defined period of time.

In June the subsidiary Olimpias S.p.A. subscribed to 60% of the share capital in Fynlab S.r.l., a company based in Ponzano Veneto (Treviso) formed to manage the finishing of fabrics for sale. The other 40% of share capital is held by a third-party shareholder.

Over the course of July and August Olimpias S.p.A. acquired 49% of Aerre S.r.l., based in Vittorio Veneto (Treviso) and active in the production of textiles and knitwear, and 30% of S.C. Anton Industries S.r.l., a Romanian registered company based in Arad (Romania), 50% of which is owned by Aerre S.r.l.

In July Bencom S.r.l. reached a preliminary agreement to buy all of the shares in My Market S.r.l., a company which manages a business comprising 45 stores selling Benetton Group products mainly in Tuscany.

The processes of winding up Benetton Austria GmbH, an Austrian registered company, and La Crémère S.A. and Le Radar S.A., both Swiss registered companies, were completed in the period.

Significant events after September 30, 2008. In October Benetton Retail Deutschland GmbH, a German registered company which owns 50% of New Ben GmbH, which in turn is involved in direct store management in Germany, reached an agreement to purchase the shares from the four shareholders who own the remaining 50% of this company. Benetton Retail Deutschland GmbH and the four shareholders have given each other respectively a call option, to be exercised from 2010 until 2013, and a put option, to be exercised during 2013.

Outlook for the full year. In the light of the nine months results, the Group confirms its commitment to achieving the 2008 full year objectives. These circumstances affected first nine months consumer spending in the fashion sector which is sensitive to changes in income and its disposability. Such reactions are expected to continue influencing sector performance in the rest of 2008. In consideration of actions already put in place by the management to contain and compensate for the negative impact of these factors, revenues are expected to grow by 6% (currency neutral), and net income to be up by around 7% compared with 2007.

Investments in the year should be around Euro 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.

The objective of net financial indebtedness around Euro 650 million by the end of the current year is confirmed.

Consolidated Group results

Consolidated statement of income. Highlights from the Group's statements of income for first nine months 2008 and 2007 and for full year 2007 are presented below; they are based on a reclassification according to the function of expenses. The percentage changes are calculated with reference to the absolute amounts. 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. Details of these reclassifications are summarized in "Supplementary information" contained in the Explanatory notes to this nine-month report.

(millions of Euro)	Nine months 2008		Nine months 2007 pro-forma		Change		Full year 2007 pro-forma	
		%		%		%		%
Revenues	1,534	100.0	1,471	100.0	63	4.3	2,048	100.0
Materials and subcontracted work	713	46.5	724	49.2	(11)	(1.5)	1,000	48.8
Payroll and related costs	67	4.3	61	4.1	6	9.4	82	4.0
Industrial depreciation and amortization	12	0.8	12	0.8	-	(0.6)	16	0.8
Other manufacturing costs	33	2.2	31	2.2	2	6.3	42	2.1
Cost of sales	825	53.8	828	56.3	(3)	(0.4)	1,140	55.7
Gross operating profit	709	46.2	643	43.7	66	10.3	908	44.3
Distribution and transport	46	3.0	43	2.9	3	6.7	60	2.9
Sales commissions	66	4.3	61	4.2	5	8.2	86	4.2
Contribution margin	597	38.9	539	36.6	58	10.8	762	37.2
Payroll and related costs	124	8.1	115	7.8	9	8.1	156	7.6
Advertising and promotion	46	3.0	48	3.3	(2)	(4.3)	61	3.0
Depreciation and amortization	61	4.0	54	3.7	7	13.0	74	3.6
Other expenses and income	184	11.9	156	10.5	28	17.9	228	11.1
- of which non-recurring expenses/(income)	(7)	(0.5)	(7)	(0.5)	-	4.3	3	0.2
General and operating expenses	415	27.0	373	25.3	42	11.3	519	25.3
- of which non-recurring expenses/(income)	(7)	(0.5)	(7)	(0.5)	-	4.3	3	0.2
Operating profit (A)	182	11.9	166	11.3	16	9.9	243	11.9
Financial (expenses)/income	(28)	(1.8)	(21)	(1.4)	(7)	31.3	(30)	(1.5)
Net foreign currency hedging (losses)/gains and exchange differences	(9)	(0.6)	(8)	(0.6)	(1)	9.6	(10)	(0.5)
Income before taxes	145	9.5	137	9.3	8	6.5	203	9.9
Income taxes	36	2.4	34	2.3	2	7.8	53	2.6
Net income from continuing operations	109	7.1	103	7.0	6	6.1	150	7.3
Net income from discontinued operations	1	0.1	-	n.s.	1	n.s.	-	-
Net income for the period attributable to:	110	7.2	103	7.0	7	6.7	150	7.3
- shareholders of the Parent Company	109	7.1	103	7.0	6	6.3	145	7.1
- minority interests	1	0.1	-	-	1	n.s.	5	0.2

(A) Operating profit before non-recurring items was 175 million, representing 11.4% of revenues (159 million in first nine months 2007, representing 10.8% of revenues, and 246 million in 2007 representing 12.1% of revenues).

The Group's revenues increased by 4.3% to 1,534 million in first nine months 2008, in line with the annual revenue forecast previously announced; assuming constant exchange rates and on a like-for-like basis, the increase was 6.3%. The apparel segment reported 1,466 million in revenues from third parties, +6.5% at constant exchange rates.

Growth in nine-month revenues was affected by:

- enrichment of the offer with higher value product categories;
- a significant increase in sales volumes;
- positive performance by new openings, with over 300 new stores in the Fall/Winter 2008 season relative to the same period in 2007;
- negative impact of the appreciation of the Euro against major foreign currencies, particularly the Korean won, the US dollar, the Indian rupee and the GB pound.

The textile segment reported 68 million in revenues from third parties, in line with the corresponding comparative period, although confirming the growing demand for textiles and yarn from markets with cheaper labor costs.

Cost of sales decreased by 3 million to 825 million, representing 53.8% of revenues compared with 56.3% in the comparative period. The individual segments reported the following trends in the cost of sales:

- apparel: cost of sales amounted to 771 million compared with 780 million in first nine months 2007, with improved production efficiency and exchange rate trends helping bring down the cost of sales margin to 52.6% from 55.6% in the corresponding period of 2007;
- textile: cost of sales increased by 4 million, with the margin rising to 91.4% from 89.2% in first nine months 2007.

Gross operating profit confirmed its recovery by reporting a margin of 46.2% compared with 43.7% in the corresponding period of 2007. Trends in the individual segments were as follows:

- apparel: gross operating profit amounted to 696 million, reporting a margin of 47.4% on revenues compared with 44.4% in first nine months 2007, mainly benefiting from the combined effect of higher volumes and ever more efficient management of the supply chain and sourcing, in a context of constant attention to product quality;
- textile: gross operating profit was 15 million, representing 8.6% of revenues compared with 10.8% in first nine months 2007, due to the greater weight of fixed industrial costs relative to sales of textiles and yarns.

Variable selling costs (distribution, transport and sales commissions) increased by 8 million to 112 million, representing 7.3% of revenues, up from 7.1% in the comparative period. In particular, sales commissions were up in absolute terms because of higher sales in the apparel segment, while distribution and transport costs were affected by oil prices.

Contribution margin was 58 million higher at 597 million, representing 38.9% of revenues, up from 36.6% in the comparative period. The individual segments reported the following trends in contribution margin:

- apparel: contribution margin came to 589 million compared with 525 million in the corresponding period of 2007, and improved from 37.4% to 40.2% of revenues;
- textile: contribution margin was 9 million, representing 5.0% of revenues, down from 7.3% in the comparative period.

General and operating expenses amounted to 415 million, up from 373 million in first nine months 2007, and accounted for 27.0% of revenues compared with 25.3% in the corresponding prior year period. The individual segments reported the following trends in general and operating expenses:

- apparel: these expenses rose by 44 million to 409 million, also reflecting establishment of direct control over the business particularly in the US market; they accounted for 27.9% of revenues compared with 26.0% the year before;
- textile: these expenses amounted to 6 million, representing 3.0% of revenues.

General and operating expenses are discussed in more detail below:

- Non-industrial payroll and related costs increased by 9 million to 124 million, accounting for 8.1% of revenues compared with 7.8% in first nine months 2007. Analysis of these costs by individual segment shows that the increase was attributable to the apparel segment, also as a result of expanding the direct commercial network.
- Advertising and promotion costs were slightly lower than in first nine months 2007 at 46 million, while also decreasing from 3.3% to 3.0% of revenues; the goal in this area continues to focus on developing campaigns to fit brand positioning.
- Non-industrial depreciation and amortization increased by 7 million on the corresponding period of 2007 to 61 million mainly because of major IT investments made in prior years that went live during the period, particularly in projects relating to the development of SAP, and because of the impact of commercial investments that became operational during the period.
- Other expenses and income amounted to 184 million, corresponding to 11.9% of revenues compared with 10.5% in first nine months 2007. This line item includes non-industrial general costs, additions to provisions, net operating expenses and other expenses and income, details of which are as follows:
 - non-industrial general costs amounted to 91 million, having increased by 15 million on the comparative period of 2007 and representing 5.9% of revenues, up from 5.2% the year before; this increase reflects a rise in costs associated with projects to improve the supply chain, to simplify collection structure and to analyze the development of competitive structure in strategic markets, as well as higher rental and hire costs and other services relating to store operation;
 - additions to provisions increased from 14 million in first nine months 2007 to 16 million this year, of which 11 million for doubtful accounts;
 - net operating and other expenses increased from 66 million in first nine months 2007 to 77 million this year, representing 5.0% of revenues compared with 4.5% in the comparative period. The largest item included in the nine-month figure for 2008 refers to 67 million in net rental expense (net of rental income), which reported an increase of 10 million attributable to the apparel segment. Other income includes:
 - almost 10 million for reinstating the value of Villa Loredan and recognizing the capital gain on its disposal, completed at the end of September;
 - around 2 million for the capital gain realized on the disposal of the textile factory in Cassano Magnago;
 - around 4 million in compensation paid for the early termination of a lease relating to a property in Great Britain.

Operating profit was 182 million compared with 166 million in first nine months 2007, with an increase in margin from 11.3% to 11.9%; operating profit in the individual segments was as follows:

- the apparel segment reported 180 million in operating profit compared with 160 million in first nine months 2007, with the margin rising from 11.4% to 12.3%;
- the textile segment reported 3 million in operating profit, with a margin of 2.0% compared with 3.1% in first nine months 2007.

The increase of 7 million in net financial expenses was primarily due to the rise in average indebtedness over the period, in turn mostly because of growth in business and higher investments, and partly due to higher interest rates. Net foreign currency hedging losses and exchange differences amounted to 9 million as a result of the higher Euro exchange rate relative to existing currency hedges, particularly those against US dollar purchases invoiced in first nine months 2008.

Income taxes amounted to 36 million, with the tax rate in line with the corresponding period of 2007.

Net income from discontinued operations relates to the sports equipment manufacturing business sold to the Tecnica group on April 1, 2008 and includes 1 million in capital gains realized on this sale.

Net income for the period attributable to the Group was 109 million compared with 103 million in first nine months 2007, representing 7.1% of revenues (7.0% in the corresponding period of 2007).

The average number of employees in each segment during the period was as follows:

- apparel: 7,828 (of whom 3,887 in the retail channel), compared with 7,414 (of whom 3,603 in the retail channel) in first nine months 2007, with the increase due to the growth in the directly operated commercial network;
- textile: 1,414 compared with 1,317 in first nine months 2007, with the increase mainly due to the acquisition of two manufacturing companies in the period.

Business segments. As already described, after a Hungarian subsidiary sold its sports equipment business, the other and unallocated segment was no longer material. This is why the segment information has been reclassified by including the residual amounts from this segment in the apparel segment.

The Group's activities are now divided into two segments in order to provide management with an effective basis for administration and decision-making, and to supply financial investors with representative and meaningful information about company performance.

The business segments are as follows:

- apparel, represented by the brands of United Colors of Benetton Adult and Children, Undercolors, Sisley, Sisley Young, Playlife and Killer Loop. This segment also includes the results of the Group's real estate companies;
- textile, consisting of production and sales activities for raw materials (fabrics, yarns and labels), semi-finished products and industrial services.

Segment results for first nine months 2008 and 2007 and for full year 2007 are shown below, adopting the classification criteria described above.

- Segment results – first nine months 2008

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	1,466	68	-	1,534
Inter-segment revenues	1	109	(110)	-
Total revenues	1,467	177	(110)	1,534
Cost of sales	771	162	(108)	825
Gross operating profit	696	15	(2)	709
Selling costs	107	6	(1)	112
Contribution margin	589	9	(1)	597
General and operating expenses	409	6	-	415
- of which non-recurring expenses/(income)	(5)	(2)	-	(7)
Operating profit	180	3	(1)	182
Depreciation and amortization	65	8	-	73
Other non-monetary costs (net impairment reversal)	(6)	-	-	(6)
EBITDA	239	11	(1)	249

- Segment results – first nine months 2007 pro-forma

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	1,403	68	-	1,471
Inter-segment revenues	1	109	(110)	-
Total revenues	1,404	177	(110)	1,471
Cost of sales	780	158	(110)	828
Gross operating profit	624	19	-	643
Selling costs	99	6	(1)	104
Contribution margin	525	13	1	539
General and operating expenses	365	7	1	373
- of which non-recurring expenses/(income)	(7)	-	-	(7)
Operating profit	160	6	-	166
Depreciation and amortization	57	9	-	66
Other non-monetary costs (net impairment)	-	-	-	-
EBITDA	217	15	-	232

- Segment results – full year 2007 (pro-forma)

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	1,960	88	-	2,048
Inter-segment revenues	2	137	(139)	-
Total revenues	1,962	225	(139)	2,048
Cost of sales	1,075	203	(138)	1,140
Gross operating profit	887	22	(1)	908
Selling costs	140	8	(2)	146
Contribution margin	747	14	1	762
General and operating expenses	511	8	-	519
- of which non-recurring expenses	3	-	-	3
Operating profit	236	6	1	243
Depreciation and amortization	78	12	-	90
Other non-monetary costs (net impairment)	7	-	-	7
EBITDA	321	18	1	340

- Apparel segment results

(millions of Euro)	Nine months 2008		Nine months 2007 pro-forma		Change	Full year 2007 pro-forma	
		%		%		%	%
Revenues from third parties	1,466		1,403		63	4.5	1,960
Inter-segment revenues	1		1		-	46.6	2
Total revenues	1,467	100.0	1,404	100.0	63	4.5	1,962
Cost of sales	771	52.6	780	55.6	(9)	(1.2)	1,075
Gross operating profit	696	47.4	624	44.4	72	11.6	887
Selling costs	107	7.2	99	7.0	8	8.0	140
Contribution margin	589	40.2	525	37.4	64	12.3	747
General and operating expenses	409	27.9	365	26.0	44	12.1	511
- of which non-recurring expenses/(income)	(5)	(0.3)	(7)	(0.5)	2	(30.0)	3
Operating profit	180	12.3	160	11.4	20	12.7	236
EBITDA	239	16.3	217	15.5	22	10.0	321

- Textile segment results

(millions of Euro)	Nine months 2008		Nine months 2007		Change	Full year 2007	
		%		%		%	%
Revenues from third parties	68		68		-	0.2	88
Inter-segment revenues	109		109		-	(0.4)	137
Total revenues	177	100.0	177	100.0	-	(0.2)	225
Cost of sales	162	91.4	158	89.2	4	2.3	203
Gross operating profit	15	8.6	19	10.8	(4)	(20.9)	22
Selling costs	6	3.6	6	3.5	-	0.5	8
Contribution margin	9	5.0	13	7.3	(4)	(31.2)	14
General and operating expenses	6	3.0	7	4.2	(1)	(27.4)	8
- of which non-recurring income	(2)	(1.3)	-	-	(2)	n.s.	-
Operating profit	3	2.0	6	3.1	(3)	(36.3)	6
EBITDA	11	6.5	15	8.2	(4)	(20.5)	18

Third quarter 2008

(millions of Euro)	3rd quarter 2008		3rd quarter 2007 pro-forma		Change	
		%		%		%
Revenues	538	100.0	503	100.0	35	6.9
Materials and subcontracted work	254	47.2	252	50.0	2	1.0
Payroll and related costs	22	4.0	19	3.7	3	14.0
Industrial depreciation and amortization	4	0.8	3	0.8	1	7.5
Other manufacturing costs	11	2.1	9	1.8	2	28.3
Cost of sales	291	54.1	283	56.3	8	2.8
Gross operating profit	247	45.9	220	43.7	27	12.2
Distribution and transport	16	3.0	14	2.9	2	9.1
Sales commissions	24	4.3	22	4.3	2	8.5
Contribution margin	207	38.6	184	36.5	23	12.8
Payroll and related costs	40	7.5	35	7.0	5	14.0
Advertising and promotion	13	2.5	14	2.9	(1)	(5.5)
Depreciation and amortization	21	3.9	19	3.7	2	12.1
Other expenses and income	67	12.4	57	11.2	10	17.4
- of which non-recurring expenses/(income)	1	0.1	-	-	1	n.s.
General and operating expenses	141	26.3	125	24.8	16	13.0
- of which non-recurring expenses/(income)	1	0.1	-	-	1	n.s.
Operating profit ^(A)	66	12.3	59	11.7	7	12.5
Financial (expenses)/income	(11)	(2.1)	(8)	(1.7)	(3)	30.8
Net foreign currency hedging (losses)/gains and exchange differences	(2)	(0.3)	(4)	(0.7)	2	(50.9)
Income before taxes	53	9.9	47	9.3	6	14.1
Income taxes	15	2.6	13	2.5	2	14.5
Net income from continuing operations	38	7.3	34	6.8	4	14.0
Net income from discontinued operations	-	(0.1)	-	-	-	n.s.
Net income for the period	38	7.2	34	6.8	4	13.0
attributable to:						
- shareholders of the Parent Company	37	7.0	33	6.5	4	14.5
- minority interests	1	0.2	1	0.3	-	(18.3)

^(A) Operating profit before non-recurring items was 67 million, representing 12.4% of revenues (59 million in third quarter 2007, representing 11.7% of revenues).

The Group's revenues increased by 6.9% to 538 million in third quarter 2008, in line with the annual revenue forecast previously announced; assuming constant exchange rates and on a like-for-like basis, the increase was 8.6%. The apparel segment reported 518 million in revenues, +8.0% at constant exchange rates.

This improvement reflected:

- enrichment of the offer with higher value product categories;
- a significant increase in sales volumes;
- negative impact of the appreciation of the Euro against major foreign currencies, particularly the Korean won, the US dollar, the Indian rupee and the GB pound.

Gross operating profit confirmed its recovery by reporting a margin of 45.9% compared with 43.7% in the corresponding period of 2007. The apparel segment reported 244 million in gross operating profit, representing a margin of 47.2% on revenues compared with 44.2% in third quarter 2007, thanks to the benefit of higher volumes and exchange rate movements.

Variable selling costs (distribution, transport and sales commissions) increased by some 4 million to 40 million, representing 7.3% of revenues, up from 7.2% in the comparative period.

Contribution margin was 23 million higher at 207 million, representing 38.6% of revenues, up from 36.5% in the comparative period.

General and operating expenses amounted to 141 million, up from 125 million in third quarter 2007, and accounted for 26.3% of revenues compared with 24.8% in the corresponding prior year period. In detail, this increase was due to:

- consolidation of direct control of the business, particularly in the US market;
- costs associated with projects to improve the supply chain, to simplify collection structure and to analyze the development of competitive structure in strategic markets;
- rental and hire costs and other services relating to store operation;
- the compensation paid for the early termination of a lease relating to a property in Great Britain;
- the capital gain realized on the disposal of Villa Loredan.

Operating profit was 66 million compared with 59 million in third quarter 2007, with an increase in margin from 11.7% to 12.3%.

The increase of 3 million in net financial expenses was primarily due to the rise in average indebtedness over the period, and partly to higher interest rates. Net foreign currency hedging losses and exchange differences amounted to 2 million as a result of the higher Euro exchange rate relative to existing currency hedges, particularly those against US dollar purchases invoiced in first nine months 2008.

Income taxes amounted to 15 million, with the tax rate of 27.0% basically in line with the corresponding period of 2007.

Net income for the quarter attributable to the Group was 37 million compared with 33 million in third quarter 2007, representing 7.0% of revenues (6.5% in the corresponding period of 2007).

- Segment results – Third quarter 2008

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	518	20	-	538
Inter-segment revenues	-	33	(33)	-
Total revenues	518	53	(33)	538
Cost of sales	274	51	(34)	291
Gross operating profit	244	2	1	247
Selling costs	38	1	1	40
Contribution margin	206	1	-	207
General and operating expenses	138	3	-	141
- of which non-recurring expenses/(income)	1	-	-	1
Operating profit	68	(2)	-	66

- Segment results – Third quarter 2007 pro-forma

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	487	16	-	503
Inter-segment revenues	-	27	(27)	-
Total revenues	487	43	(27)	503
Cost of sales	271	40	(28)	283
Gross operating profit	216	3	1	220
Selling costs	35	1	-	36
Contribution margin	181	2	1	184
General and operating expenses	122	2	1	125
- of which non-recurring expenses/(income)	-	-	-	-
Operating profit	59	-	-	59

- Apparel segment results

(millions of Euro)	3rd quarter 2008	%	3rd quarter 2007 pro-forma	%	Change	%
Revenues from third parties	518		487		31	6.2
Inter-segment revenues	-		-		-	55.7
Total revenues	518	100.0	487	100.0	31	6.2
Cost of sales	274	52.8	271	55.8	3	0.5
Gross operating profit	244	47.2	216	44.2	28	13.4
Selling costs	38	7.4	35	7.1	3	9.6
Contribution margin	206	39.8	181	37.1	25	14.2
General and operating expenses	138	26.8	122	25.2	16	13.0
- of which non-recurring expenses/(income)	1	0.1	-	(0.1)	1	n.s.
Operating profit	68	13.0	59	11.9	9	16.6

- Textile segment results

(millions of Euro)	3rd quarter 2008		3rd quarter 2007		Change	%
		%		%		
Revenues from third parties	20		16		4	28.5
Inter-segment revenues	33		27		6	19.6
Total revenues	53	100.0	43	100.0	10	22.9
Cost of sales	51	94.9	40	92.2	11	26.5
Gross operating profit	2	5.1	3	7.8	(1)	(20.0)
Selling costs	1	3.1	1	4.1	-	(9.2)
Contribution margin	1	2.0	2	3.7	(1)	(32.5)
General and operating expenses	3	4.3	2	4.7	1	15.2
- of which non-recurring expenses/(income)	-	-	-	-	-	-
Operating profit	(2)	(2.3)	-	(1.0)	(2)	n.s.

Balance sheet and financial position highlights. The most significant elements of the balance sheet and financial position, compared with those at December 31, 2007 and September 30, 2007, are presented in the following table. 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)	09.30.2008	12.31.2007	Change	09.30.2007
Working capital	831	631	200	813
- trade receivables	872	686	186	796
- inventories	353	336	17	352
- trade payables	(373)	(385)	12	(339)
- other receivables/(payables) ^(A)	(21)	(6)	(15)	4
Assets held for sale	1	6	(5)	3
Property, plant and equipment and intangible assets ^(B)	1,304	1,171	133	1,110
Non-current financial assets ^(C)	29	23	6	25
Other assets/(liabilities) ^(D)	51	58	(7)	72
Net capital employed	2,216	1,889	327	2,023
Net financial indebtedness ^(E)	814	475	339	650
Total shareholders' equity	1,402	1,414	(12)	1,373

^(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, as reported in the detailed statement discussed in the Explanatory notes.

Working capital was 18 million higher than at September 30, 2007 reflecting the combined effect of:

- an increase of 76 million in net trade receivables, associated with growth in revenues and a reduction of 27 million in factoring;
- an increase of 34 million in trade payables, partly affected by the new timing of collections and the related production schedules;

- a decrease of 6 million in other receivables, mainly due to the combined effect of reclassifying to property, plant and equipment the advances for the Group's commercial development in Iran and of recording receivables in relation to the disposal of Villa Loredan;
- an increase of 19 million in other payables, particularly those due to employees and the tax authorities, those for accrued expenses and deferred income and those representing the valuation of put options held by minority shareholders in Group subsidiaries.

Apart from the changes in working capital discussed above, capital employed increased by an additional 175 million, mainly reflecting a net increase in property, plant and equipment and intangible assets.

Capital employed was 327 million higher than at December 31, 2007, mainly as a result of the cyclical trend and growth in trade receivables due to higher sales, and of the net increase in property, plant and equipment and intangible assets, reflecting:

- 183 million in gross operating investments during the period;
- around 22 million in acquisitions of interests in commercial and manufacturing operations;
- 6 million in net reinstatements to the value of property, plant and equipment;
- 31 million in divestments at net book value;
- 73 million in depreciation and amortization.

The Group's net financial indebtedness of 814 million is discussed in detail in the Explanatory notes.

Cash flows during first nine months 2008 are summarized below with comparative figures for the same period of last year:

(millions of Euro)	Nine months 2008	Nine months 2007
Cash flow from operating activities before changes in working capital	254	233
Cash flow used by changes in working capital	(220)	(268)
Net interest paid - exchange differences	(37)	(31)
Payment of taxes	(33)	(6)
Cash flow used by operating activities	(36)	(72)
Net operating investments/Capex	(161)	(137)
Non-current financial assets	(22)	(5)
Cash flow used by investing activities	(183)	(142)
Free cash flow	(219)	(214)
Cash flow provided by financing activities of which:		
- payment of dividends	(75)	(69)
- purchase of treasury shares	(52)	-
- change in shareholders' equity	-	2
- net change in other sources of finance	293	172
Cash flow provided by financing activities	166	105
Net decrease in cash and cash equivalents	(53)	(109)

Cash flow from operating activities before changes in working capital amounted to 254 million in the period compared with 233 million in first nine months 2007, partly reflecting the improvement in EBITDA.

Changes in working capital used 220 million in cash flow (268 million in first nine months 2007) and mostly reflect:

- an increase in trade payables due to the cyclical nature of purchases of outsourced products and to higher transport costs;
- an increase in trade receivables, associated with growth in revenues and a reduction in factoring.

Cash flow used to pay taxes amounted to 33 million, up from 6 million in the corresponding comparative period.

Operating activities used 36 million in cash flow compared with 72 million in the comparative period, benefiting from the smaller amount of cash absorbed by working capital.

Cash flow used by investing activities increased from 142 million in first nine months 2007 to 183 million this year, mainly due to 132 million in investments in the commercial network, particularly in markets such as Italy, France and Iran, as well as the priority growth markets of India, Russia, the former Soviet Union, Mexico and Turkey. Investments in production, amounting to 34 million, mostly referred to the logistics hub in Castrette di Villorba (Italy) and to the production center in Tunisia. Other investments amounted to 17 million, most of which in Information Technology; among the more important were those in the integrated management of directly operated points of sale and in improving SAP software at certain foreign subsidiaries. Divestments in the period mostly related to the disposal of Villa Loredan, the sports equipment manufacturing business in Hungary, and the textile segment's sale of the property in Cassano Magnago and related manufacturing plant and machinery.

The cash flow of around 22 million used by non-current financial assets includes the purchase of commercial operations in the United States and Italy, and of a manufacturing company in Romania.

Cash flow provided by financing activities includes the payment of 73 million in dividends to the shareholders of the Parent Company, the payment of 2 million in dividends to minority shareholders of certain subsidiary companies and the purchase of treasury shares for 52 million.

Further information of an economic and financial nature is provided in the Explanatory notes to the consolidated financial statements.

Consolidated financial statements

**Consolidated statement
of income**

(thousands of Euro)	Nine months 2008 ^(A)	Nine months 2007 pro-forma ^(A)	Full year 2007 pro-forma ^(A)	Notes
Revenues	1,533,849	1,471,163	2,048,632	1
Materials and subcontracted work	712,679	723,838	1,000,321	2
Payroll and related costs	66,587	60,889	81,567	3
Industrial depreciation and amortization	12,248	12,318	16,583	5
Other manufacturing costs	33,290	31,326	41,701	
Cost of sales	824,804	828,371	1,140,172	
Gross operating profit	709,045	642,792	908,460	
Distribution and transport	46,148	43,266	60,031	
Sales commissions	65,688	60,730	86,237	
Contribution margin	597,209	538,796	762,192	
Payroll and related costs	124,327	115,027	155,907	3
Advertising and promotion	46,164	48,257	61,019	4
Depreciation and amortization	60,784	53,809	73,634	5
Other expenses and income	183,566	155,754	228,835	6
- of which non-recurring expenses/(income)	(7,251)	(6,949)	3,096	
General and operating expenses	414,841	372,847	519,395	
- of which non-recurring expenses/(income)	(7,251)	(6,949)	3,096	
Operating profit	182,368	165,949	242,797	
Share of income/(losses) of associated companies	22	44	43	
Financial (expenses)/income	(28,000)	(21,320)	(29,735)	7
Net foreign currency hedging (losses)/gains and exchange differences	(8,992)	(8,203)	(10,333)	8
Income before taxes	145,398	136,470	202,772	
Income taxes	35,894	33,300	52,578	9
Net income from continuing operations	109,504	103,170	150,194	
Net income from discontinued operations	778	157	195	10
Net income for the period attributable to:	110,282	103,327	150,389	
- shareholders of the Parent Company	109,430	102,936	145,330	
- minority interests	852	391	5,059	
Basic earnings per share (Euro)	0.60	0.56	0.80	
Diluted earnings per share (Euro)	0.60	0.56	0.80	

^(A) 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 (the Explanatory notes to this nine-month report contain a reconciliation between the actual and reclassified statements of income for 2007).

Consolidated balance sheet
- Assets

(thousands of Euro)	09.30.2008	12.31.2007	09.30.2007	Notes
Non-current assets				
Property, plant and equipment				<i>11</i>
Land and buildings	714,635	656,439	640,941	
Plant, machinery and equipment	70,023	75,541	67,626	
Furniture, fittings and electronic devices	61,153	61,295	59,874	
Vehicles and aircraft	23,959	24,648	10,660	
Assets under construction and advances	122,021	61,795	43,153	
Leased assets	5,083	5,285	5,410	
Leasehold improvements	48,765	44,921	45,250	
	1,045,639	929,924	872,914	
Intangible assets				<i>12</i>
Goodwill and other intangible assets of indefinite useful life	34,548	28,458	28,458	
Intangible assets of finite useful life	224,090	212,273	208,516	
	258,638	240,731	236,974	
Other non-current assets				
Investments	1,993	2,066	3,684	<i>13</i>
Guarantee deposits	29,748	25,157	24,567	
Medium/long-term financial receivables	4,855	5,147	5,448	<i>14</i>
Other medium/long-term receivables	24,105	33,996	29,244	<i>15</i>
Deferred tax assets	167,760	163,050	168,350	<i>16</i>
	228,461	229,416	231,293	
Total non-current assets	1,532,738	1,400,071	1,341,181	
Current assets				
Inventories	353,035	336,063	352,519	<i>17</i>
Trade receivables	868,206	680,741	788,009	<i>18</i>
Tax receivables	28,708	27,586	30,281	<i>19</i>
Other receivables, accrued income and prepaid expenses	81,900	88,051	94,939	<i>20</i>
Financial receivables	25,822	19,288	25,280	<i>21</i>
Cash and banks	85,477	133,841	75,984	<i>22</i>
Total current assets	1,443,148	1,285,570	1,367,012	
Assets held for sale	1,312	5,771	3,224	<i>23</i>
TOTAL ASSETS	2,977,198	2,691,412	2,711,417	

**Consolidated balance sheet -
Shareholders' equity
and liabilities**

(thousands of Euro)	09.30.2008	12.31.2007	09.30.2007	Notes
Shareholders' equity				
Shareholders' equity attributable to the Group				24
Share capital	237,483	237,478	237,478	
Treasury shares	(51,898)	-	-	
Additional paid-in capital	65,182	65,155	65,155	
Fair value and hedging reserve	2,509	(2,672)	(2,040)	
Other reserves and retained earnings	1,012,140	941,780	946,117	
Net income for the period	109,430	145,330	102,936	
	1,374,846	1,387,071	1,349,646	
Minority interests	26,749	27,613	23,484	
Total shareholders' equity	1,401,595	1,414,684	1,373,130	
Liabilities				
Non-current liabilities				
Medium/long-term loans	400,231	399,553	399,560	25
Other medium/long-term payables	17,460	58,248	43,574	26
Lease financing	928	2,292	2,865	
Retirement benefit obligations	49,535	50,784	51,320	27
Other medium/long-term provisions and liabilities	26,934	26,380	27,892	28
	495,088	537,257	525,211	
Current liabilities				
Trade payables	373,096	385,401	338,840	29
Other payables, accrued expenses and deferred income	162,687	111,171	107,524	30
Current income tax liabilities	11,185	8,622	9,464	31
Other current provisions and liabilities	4,057	3,291	3,264	32
Current portion of lease financing	1,937	2,952	3,393	
Current portion of medium/long-term loans	71	68	68	
Financial payables and bank loans	527,482	227,966	350,523	33
	1,080,515	739,471	813,076	
Total liabilities	1,575,603	1,276,728	1,338,287	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,977,198	2,691,412	2,711,417	

Shareholders' equity - Statement of changes

(thousands of Euro)	Share capital	Treasury shares	Additional paid-in capital	Fair value and hedging reserve	Other reserves and retained earnings	Currency translation reserve	Net income/(loss)	Minority interests	Total
Balances as of 01.01.2007	237,478	-	65,155	(2,396)	889,258	4,312	124,914	22,288	1,341,009
Carryforward of 2006 net income	-	-	-	-	124,914	-	(124,914)	-	-
Changes in the period (IAS 39)	-	-	-	356	-	-	-	-	356
Dividends distributed as approved by Ordinary Shareholders' Meeting of 04.26.2007	-	-	-	-	(67,590)	-	-	-	(67,590)
Dividends distributed to minority interests	-	-	-	-	-	-	-	(982)	(982)
Payment for share capital and future capital increases	-	-	-	-	-	-	-	2,117	2,117
Differences arising on Euro translation of financial statements of foreign consolidated companies	-	-	-	-	-	(4,777)	-	(330)	(5,107)
Net income for the period	-	-	-	-	-	-	102,936	391	103,327
Balances as of 09.30.2007	237,478	-	65,155	(2,040)	946,582	(465)	102,936	23,484	1,373,130
Changes in the period (IAS 39)	-	-	-	(632)	-	-	-	-	(632)
Formation of new subsidiaries	-	-	-	-	-	-	-	21	21
Dividends distributed to minority interests	-	-	-	-	-	-	-	14	14
Differences arising on Euro translation of financial statements of foreign consolidated companies	-	-	-	-	-	(4,337)	-	(574)	(4,911)
Net income for the period	-	-	-	-	-	-	42,394	4,668	47,062
Balances as of 12.31.2007	237,478	-	65,155	(2,672)	946,582	(4,802)	145,330	27,613	1,414,684
Carryforward of 2007 net income	-	-	-	-	145,330	-	(145,330)	-	-
Exercise of stock options	5	-	27	-	-	-	-	-	32
Changes in the period (IAS 39)	-	-	-	5,181	-	-	-	-	5,181
Dividends distributed as approved by Ordinary Shareholders' Meeting of 04.24.2008	-	-	-	-	(73,072)	-	-	-	(73,072)
Purchase of treasury shares	-	(51,898)	-	-	-	-	-	-	(51,898)
Formation of new subsidiaries and business combination	-	-	-	-	-	-	-	2,035	2,035
Dividends distributed to minority interests	-	-	-	-	-	-	-	(1,832)	(1,832)
Differences arising on Euro translation of financial statements of foreign consolidated companies and other movements	-	-	-	-	-	(1,898)	-	(1,920)	(3,818)
Net income for the period	-	-	-	-	-	-	109,430	853	110,283
Balances as of 09.30.2008	237,483	(51,898)	65,182	2,509	1,018,840	(6,700)	109,430	26,749	1,401,595

**Consolidated
cash flow statement**

(thousands of Euro)	Nine months 2008	Nine months 2007
Operating activities		
Net income for the period attributable to the Group and minority interests	109,504	103,170
Net income from discontinued operations	778	157
Income taxes expense	35,894	33,300
Income before taxes	146,176	136,627
Adjustments for:		
- depreciation and amortization	73,032	66,127
- net capital (gains)/losses and non-monetary items	(12,216)	(7,383)
- net provisions charged to statement of income	17,252	15,336
- use of provisions	(6,823)	(6,926)
- exchange differences	8,992	8,203
- share of (income)/losses of associated companies	(22)	(44)
- net financial expenses/(income)	28,000	21,320
Cash flow from operating activities before changes in working capital	254,391	233,260
Cash flow used by changes in working capital	(220,579)	(268,028)
Payment of taxes	(32,631)	(6,488)
Net interest paid/received	(28,284)	(22,671)
Exchange differences	(8,992)	(8,203)
Cash flow used by operating activities	(36,095)	(72,130)
Investing activities		
Operating investments	(185,941)	(155,448)
Operating divestments	25,503	18,501
Purchases of investments and business combinations	(17,866)	(1,821)
Disposal of investments	36	-
Operations in non-current financial assets	(4,470)	(3,118)
Cash flow used by investing activities	(182,738)	(141,886)
Financing activities		
Payment of dividends	(74,904)	(68,572)
Purchase of treasury shares	(51,898)	-
Change in shareholders' equity	75	1,500
Net change in other sources of finance	292,516	172,401
Cash flow provided by financing activities	165,789	105,329
Net decrease in cash and cash equivalents	(53,044)	(108,687)
Cash and cash equivalents at the beginning of the period	130,784	179,219
Translation differences and other movements	50	93
Cash and cash equivalents at the end of the period ^(A)	77,790	70,625

^(A) Includes Euro 7,687 thousand in current account overdrafts (5,359 in first nine months 2007).

The Explanatory notes (pages 30 through 54) are to be considered an integral part of this report.

Explanatory notes

Group activities

Benetton Group S.p.A. (the "Parent Company") and its subsidiary companies (hereinafter also referred to as the "Group") primarily manufacture and market fashion apparel in wool, cotton and woven fabrics, as well as leisurewear. The manufacture of finished articles from raw materials is undertaken partly within the Group and partly using subcontractors, whereas selling is carried out through an extensive commercial network both in Italy and abroad, consisting mainly of stores operated and owned by third parties.

The legal headquarters and other such information are shown on the last page of this document. The Parent Company is listed on the Milan stock exchange.

The process of delisting the Benetton stock from the Deutsche Börse in Frankfurt, started on February 21, 2008, was finalized on July 18, 2008.

Form and content of the consolidated financial statements

The statement of income format used for the consolidated financial statements and interim financial reports of the Benetton Group differs from the one used by Benetton Group S.p.A. for its individual annual financial statements. This is because this Company principally acts as a financial holding company and provider of services to its subsidiaries.

The consolidated financial statements of the Group include the financial statements as of September 30 of Benetton Group S.p.A. and all Italian and foreign companies in which the Parent Company holds, directly or indirectly, the majority of the voting rights. The consolidated financial statements also include the accounts of certain companies in which the Group's interest is 50%, or less, and over which it exercises a significant influence such that it has control over their financial and operating policies. In particular, the following companies have been consolidated:

- a. Benetton Korea Inc., since the effective voting rights held by Benetton total 51% of all voting rights;
- b. Benetton Giyim Sanayi ve Ticaret A.S. (a Turkish company), since the licensing and distribution agreements grant Benetton a dominant influence over the company, as well as the majority of risks and rewards linked to its business activities;
- c. Milano Report S.p.A., a company which manages stores, mainly in Lombardy, selling Benetton-branded products, insofar as most of the risks and rewards of the business are attributable to Benetton itself by virtue, amongst others, of the margins earned on sales;
- d. New Ben GmbH, a German company, which manages stores selling Benetton-branded products, insofar as the shareholder agreement gives Benetton the right to appoint the majority of the company's Directors. In addition, most of the risks and rewards of the business are attributable to Benetton;
- e. Benlim Ltd., a company based in Hong Kong 50% controlled by Benetton Asia Pacific Ltd. set up for the purpose of manufacturing Sisley products under license in China and marketing and distributing them in this country through Shanghai Sisley Trading Co. Ltd., a Chinese company wholly-owned by Benlim Ltd. Benlim Ltd. has been consolidated because most of the risks and rewards of its business and that of its subsidiary are attributable to Benetton. In particular, the licensing and distribution agreements between the parties give the Group a dominant influence over these companies;
- f. Shanghai Sisley Trading Co. Ltd., 50% controlled by the Group by virtue of the arrangements described in the previous point;
- g. Ben-Mode A.G., because the Group has the majority of directors as well as a majority of voting rights at Shareholders' Meetings. In addition, most of the risks and rewards of the business are attributable to Benetton itself by virtue of the margins earned on sales.

Financial statements of subsidiaries have been reclassified, where necessary, for consistency with the format adopted by the Parent Company. Such financial statements have been adjusted so that they are consistent with the reference international accounting and financial reporting standards.

These financial statements have been prepared on a "going concern" basis, matching costs and revenues to the accounting periods to which they relate. The reporting currency is the Euro and all values have been rounded to thousands of Euro, unless otherwise specified.

Consolidation criteria

The method of consolidation adopted for the preparation of the consolidated financial statements is as follows:

- a. Consolidation of subsidiary companies' financial statements according to the line-by-line method, with elimination of the carrying value of the shareholdings held by the Parent Company and other consolidated companies against the relevant shareholders' equity.
- b. When a company is consolidated for the first time, any positive difference emerging from the elimination of its carrying value on the basis indicated in a. above, is allocated, where applicable, to the assets and liabilities of the subsidiary. The excess of the cost of acquisition over the net assets is recorded as "Goodwill and other intangible assets of indefinite useful life". Negative differences are recorded in the statement of income as income.
- c. Intercompany receivables and payables, costs and revenues, and all significant transactions between consolidated companies, including the intragroup payment of dividends, are eliminated.
Unrealized intercompany profits and gains and losses arising from transactions between Group companies are also eliminated.
- d. Minority interests in shareholders' equity and the result for the period of consolidated subsidiaries are classified separately as "Minority interests" under shareholders' equity and as "Income attributable to minority interests" in the consolidated statement of income.
- e. The financial statements of foreign subsidiaries are translated into Euro using period-end exchange rates for assets and liabilities and average exchange rates for the period for the statement of income. Differences arising from the translation into Euro of foreign currency financial statements are reflected directly in consolidated shareholders' equity as a separate component.

Accounting standards and policies

Application of IFRS. The Group's financial statements for first nine months 2008 and comparative periods have been drawn up in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union, which are in force at the date of preparing this report; more specifically, as required by IAS 34 (Interim Financial Reporting) a condensed reporting format has been adopted.

The Group's consolidated quarterly financial statements have been prepared using the same accounting policies and methods as those used for the last annual financial statements; no new material IFRSs or amendments thereto have come into effect from 2008.

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; the Explanatory notes to this nine-month report contain a reconciliation between the actual and reclassified statements of income for 2007. As a result of this sale, the other and unallocated segment is no longer material, meaning that the segment information has also been reclassified by including the residual amounts from this segment in the apparel segment.

The Group carries out activities that as a whole do not involve significant seasonal or cyclical variations in total sales during the year. When preparing the interim financial report, the Group must nonetheless make estimates and assumptions that affect the amount of revenues, costs, assets and liabilities and the disclosures relating to contingent assets and liabilities at the interim balance sheet date. If in the future such estimates and assumptions, which are based on the Group's best judgment, should differ from the actual circumstances, they will be amended as appropriate in the period in which such circumstances have changed.

In addition, some of these estimation processes, particularly the more complex ones such as determining any impairment losses on non-current assets, are usually carried out completely only at the time of drawing up the annual financial statements, when all the necessary information is available, unless there is evidence of impairment requiring an immediate evaluation of the related losses.

Income taxes have been recognized in the nine-month report using the best estimate of the weighted average rate expected for the entire year.

Business segments. As already described, after a Hungarian subsidiary sold its sports equipment business, the other and unallocated segment was no longer material. This is why the segment information has been reclassified by including the residual amounts from this segment in the apparel segment.

The Group's activities are now divided into two segments in order to provide management with an effective basis for administration and decision-making, and to supply financial investors with representative and meaningful information about company performance.

The business segments are as follows:

- apparel, represented by the brands of United Colors of Benetton Adult and Children, Undercolors, Sisley, Sisley Young, Playlife and Killer Loop. This segment also includes the results of the Group's real estate companies;
- textile, consisting of production and sales activities for raw materials (fabrics, yarns and labels), semi-finished products and industrial services.

Comments on the principal items in the statement of income

[1] Revenues

(thousands of Euro)	Nine months 2008	Nine months 2007 pro-forma
Sales of core products	1,487,104	1,422,870
Miscellaneous sales	29,653	30,521
Royalty income	7,782	7,770
Other revenues	9,310	10,002
Total	1,533,849	1,471,163

Sales of core products are stated net of discounts.

Miscellaneous sales relate mainly to the sale of semi-finished products and sample items.

Other revenues refer mainly to the provision of services such as processing, to cost recharges and miscellaneous services.

Information on the individual segments can be found in the paragraph entitled "Supplementary information - Segment information".

Sales of core products, by brand

(thousands of Euro)	Nine months 2008	Nine months 2007 pro-forma
United Colors of Benetton	709,380	675,452
United Colors of Benetton Children and Sisley Young	426,743	405,462
Sisley	255,772	252,700
Playlife	28,386	18,912
Killer Loop	3,526	9,353
Other sales	63,297	60,991
Total	1,487,104	1,422,870

The United Colors of Benetton brand also includes Euro 73,386 thousand in sales by the Undercolors brand (Euro 58,765 thousand in first nine months 2007). "Other sales" refer to the sale of fabrics and yarns.

Cost of sales

- [2] Materials and subcontracted work**

These include Euro 598,839 thousand (572,052 thousand in first nine months 2007 pro-forma) in costs for the purchase of raw materials, semi-finished products, finished products and related materials and Euro 113,840 thousand (151,786 thousand in first nine months 2007 pro-forma) in costs for subcontracted work.

General and operating expenses

• [3] Payroll and related costs

An analysis of the Group's payroll and related costs is presented below, including industrial ones classified as part of the cost of sales, and those relating to directly operated stores classified as part of general and operating expenses.

Nine months 2008

(thousands of Euro)	Industrial wages, salaries and related costs	Non-industrial salaries and related costs	Advertising division salaries and related costs	Total
Wages and salaries	47,363	95,111	793	143,267
Social security contributions	17,023	25,618	230	42,871
Provision for retirement benefit obligations	1,003	1,152	46	2,201
Other payroll and related costs	1,198	2,446	-	3,644
Total	66,587	124,327	1,069	191,983

Nine months 2007 pro-forma

(thousands of Euro)	Industrial wages, salaries and related costs	Non-industrial salaries and related costs	Advertising division salaries and related costs	Total
Wages and salaries	44,098	88,699	854	133,651
Social security contributions	15,498	22,547	256	38,301
Provision for retirement benefit obligations ⁽¹⁾	407	1,318	51	1,776
Other payroll and related costs	886	2,463	-	3,349
Total	60,889	115,027	1,161	177,077

⁽¹⁾ This includes the impact of changes in the rules on employee termination indemnities made by Italian Law no. 296 of December 27, 2006.

Payroll and related costs have increased partly as a result of growth in the number of directly operated stores, as well as the acquisition of two manufacturing companies in the period.

The number of employees is analyzed by category below:

	09.30.2008	09.30.2007	Period average
Management	101	103	102
White collar	5,389	4,669	5,029
Workers	2,525	2,397	2,461
Part-timers	1,573	1,399	1,486
Total	9,588	8,568	9,078

• [4] Advertising and promotion

Advertising and promotion costs amount to Euro 46,164 thousand (Euro 48,257 thousand in first nine months 2007) and reflect the costs incurred for developing advertising campaigns most suited to each brand's positioning.

- **[5] Depreciation and amortization**

The Group's depreciation and amortization charges for the period, including the industrial ones reported in the cost of sales, are analyzed as follows:

Nine months 2008

(thousands of Euro)	Industrial depreciation/ amortization	Non-industrial depreciation/ amortization	Total
Depreciation of property, plant and equipment	12,104	37,117	49,221
Amortization of intangible assets	144	23,667	23,811
Total	12,248	60,784	73,032

Nine months 2007 pro-forma

(thousands of Euro)	Industrial depreciation/ amortization	Non-industrial depreciation/ amortization	Total
Depreciation of property, plant and equipment	12,209	34,156	46,365
Amortization of intangible assets	109	19,653	19,762
Total	12,318	53,809	66,127

- **[6] Other expenses and income**

(thousands of Euro)	Nine months 2008	Nine months 2007 pro-forma
Non-industrial general costs	90,768	75,954
Other operating expenses/(income)	81,945	70,748
Additions to provisions	16,272	13,747
Other expenses/(income)	(5,419)	(4,695)
Total	183,566	155,754

Details of these amounts are provided in the following tables.

Non-industrial general costs

(thousands of Euro)	Nine months 2008	Nine months 2007 pro-forma
Other services	19,700	16,920
Consulting and advisory fees	13,744	9,169
Rental and hire costs	10,858	8,804
Travel and entertainment costs	7,957	7,069
Maintenance and cleaning	7,165	6,455
Electricity and gas	7,149	6,394
Directors and Statutory Auditors	6,141	4,810
Sundry purchases	5,112	4,509
Telephone and postage expenses	4,432	4,135
Insurance	3,328	3,257
Banking services	2,164	1,978
Surveillance and security	1,765	1,677
Other	1,253	777
Total	90,768	75,954

Other operating expenses/(income)

(thousands of Euro)	Nine months 2008	Nine months 2007 pro-forma
Operating expenses:		
- rental expense	115,391	105,990
- indirect taxes and duties	8,552	7,354
- other operating expenses	16,831	15,249
Total operating expenses	140,774	128,593
Operating income:		
- rental income	(48,831)	(49,301)
- reimbursements and compensation payments	(2,589)	(1,432)
- other operating income	(7,409)	(7,112)
Total operating income	(58,829)	(57,845)
Total	81,945	70,748

Additions to provisions

(thousands of Euro)	Nine months 2008	Nine months 2007
Addition to provision for doubtful accounts	11,367	10,936
Addition to provision for legal and tax risks	3,205	1,311
Addition to provision for sales agent indemnities	1,700	1,500
Total	16,272	13,747

Other expenses/(income)

(thousands of Euro)	Nine months 2008	Nine months 2007
Other expenses:		
- donations	2,301	2,244
- out-of-period expenses	1,106	1,659
- impairment of property, plant and equipment and intangible assets	580	602
- losses on disposal	770	1,045
- costs for expected obligations	8	199
- other sundry expenses	6,991	2,529
Total other expenses	11,756	8,278
Other income:		
- gains on disposals of property, plant and equipment and intangible assets	(7,269)	(9,726)
- reversal of impairment of property, plant and equipment and intangible assets	(6,549)	(192)
- out-of-period income	(1,694)	(2,246)
- release of provisions	(1,228)	(386)
- other sundry income	(435)	(423)
Total other income	(17,175)	(12,973)
Total	(5,419)	(4,695)

The non-recurring income and expenses included in this heading are detailed in the paragraph entitled "Supplementary information – Non-recurring events and significant transactions".

[7] Financial (expenses)/income

Net financial expenses amount to Euro 28,000 thousand in first nine months 2008; the increase on the corresponding period of 2007 is largely due to the rise in average indebtedness over the period, mainly resulting from growth in business and higher investments, and partly to higher interest rates.

[8] Net foreign currency hedging (losses)/gains and exchange differences

Net foreign currency hedging and exchange losses amount to Euro 8,992 thousand; the net amount reflects the higher Euro exchange rate relative to existing currency hedges, particularly those against US dollar purchases invoiced in first nine months 2008.

[9] Income taxes

The tax charge amounts to Euro 35,894 thousand compared with Euro 33,300 thousand in the corresponding period of 2007 (on a pro-forma basis); the tax rate of 24.7% is largely consistent with that in first nine months 2007.

[10] Net income from discontinued operations

This line item summarizes the post-tax income of the sports equipment manufacturing business sold to the Tecnica group on April 1, 2008 by the subsidiary Benetton Ungheria Kft. The Benetton Group continued this manufacturing activity throughout first nine months 2008 in order to complete orders in progress at the date of sale. The statement of income figures relating to this discontinued operation (which was classified in the "other and unallocated" segment up until December 31, 2007) are presented in the following table:

(thousands of Euro)	Nine months 2008	Nine months 2007	Full year 2007
Revenues	11,748	32,667	36,640
Cost of sales	11,758	31,979	35,772
Gross operating profit	(10)	688	868
Contribution margin	(10)	688	868
General and operating expenses	(1,003)	356	489
Operating profit	993	332	379
Income before taxes	993	332	379
Income taxes	215	175	184
Net income from discontinued operations	778	157	195

Net income from discontinued operations mostly refers to the capital gain of Euro 1,140 thousand realized on the disposal of the sports equipment factory along with the business.

The discontinued operation had an immaterial amount of cash flow in first nine months 2008, except for that from the disposal of the assets mentioned above.

Comments on the principal asset items

Non-current assets

- **[11] Property, plant and equipment**

The net book value of the Group's property, plant and equipment is analyzed below:

(thousands of Euro)	09.30.2008	12.31.2007
Land and buildings	714,635	656,439
Plant, machinery and equipment	70,023	75,541
Furniture, fittings and electronic devices	61,153	61,295
Vehicles and aircraft	23,959	24,648
Assets under construction and advances	122,021	61,795
Leased assets	5,083	5,285
Leasehold improvements	48,765	44,921
Total	1,045,639	929,924

Investments in property, plant and equipment in the period, totaling Euro 157,185 thousand, mainly related to:

- acquisitions of properties for commercial use and the modernization and refurbishment of points of sale for the purposes of expanding the commercial network, particularly in Italy, India, Russia, the former Soviet Union and Iran;
- investments for increasing capacity of the logistics hub in Castrette di Villorba (Italy) and of the production center in Tunisia;
- the purchase and renewal of furniture and fittings at points of sale, particularly in Italy, Mexico, Turkey, France and Spain.

The change in "Land and buildings" and "Plant, machinery and equipment" also includes investments relating to the purchase of a manufacturing company in Romania, details of which are summarized in the paragraph "Supplementary information – Business combinations".

Leasehold improvements mainly refer to the cost of restructuring and modernizing stores belonging to third parties.

Disposals in the period mainly referred to the sale of Villa Loredan, whose value was reinstated by Euro 6,549 thousand in second quarter 2008, the sports equipment manufacturing business (more details of which can be found in the note on "Net income from discontinued operations") and the textile segment's disposal of the property in Cassano Magnago and related manufacturing plant and machinery.

In addition, Euro 580 thousand in impairment has been recognized to adjust certain commercial assets to their recoverable amount.

Except as specified above, no other signs were reported during the period that property, plant and equipment might be impaired; this is why, in compliance with IAS 36, no impairment testing has been carried out at September 30, 2008.

- **[12] Intangible assets**

The net book value of the Group's intangible assets is analyzed below:

(thousands of Euro)	09.30.2008	12.31.2007
Goodwill and other intangible assets of indefinite useful life	34,548	28,458
Intangible assets of finite useful life:		
- industrial patents and intellectual property rights	3,062	3,333
- concessions, licenses, trademarks and similar rights	17,034	18,123
- deferred charges	164,917	149,797
- other	39,077	41,020
Total intangible assets of finite useful life	224,090	212,273
Total	258,638	240,731

A total of Euro 26,129 thousand was invested in intangible assets during the period, most of which relating to:

- the acquisition of commercial operations in Italy, France and Mexico;
- the development and implementation of the integrated management system for directly operated points of sale as well as the improvement of SAP software at certain foreign subsidiaries.

Investments were also made during the period in acquiring commercial operations in America and Switzerland, details of which are summarized in the paragraph "Supplementary information – Business combinations".

"Goodwill and other intangible assets of indefinite useful life" consist of consolidation differences and residual amounts of goodwill arising on the consolidation of acquired companies.

"Intangible assets of finite useful life" include:

- "Concessions, licenses, trademarks and similar rights", which include the net book value of the following brands: United Colors of Benetton, Sisley and Killer Loop;
- "Deferred charges", mainly consisting of costs associated with the acquisition of commercial activities, which are amortized over the term of the related lease agreements (with the exception of "fonds de commerce" which are amortized over 20 years). This line item also includes costs incurred for the early vacation of third party premises, as well as expenses for taking over property and business leases, which are amortized over the term of the related lease contracts;
- "Other", mainly consisting of costs relating to the purchase and development of software for implementation, the purchase of computer programs and applications and the value of assets under development and advances.

There have been no signs in the period indicating any potential impairment of intangible assets; this is why, in compliance with IAS 36, no impairment testing has been carried out at September 30, 2008.

- **Other non-current assets**

[13] Investments. Investments in subsidiary and associated companies relate mainly to commercial companies not included in the consolidation because they were not yet operational or were in liquidation at the balance sheet date. Investments in other companies are stated at cost and refer to minority stakes in a number of companies in Italy, Japan, Korea and Switzerland.

[14] Medium/long-term financial receivables. This line item refers to the long-term portion of financial receivables, which earn interest at market rates.

[15] Other medium/long-term receivables. This line item, totaling Euro 24,105 thousand, includes Euro 7,697 thousand in receivables due from Ragione S.A.p.A. di Gilberto Benetton e C. for current taxes, calculated on taxable losses, as allowed in the rules governing participation in the group tax election for Italian companies.

This line item also includes Euro 3,756 thousand in customer trade receivables (stated net of Euro 3,687 thousand in provisions for doubtful accounts), Euro 5,198 thousand in receivables due for fixed asset disposals and Euro 2,963 thousand in recoverable VAT, while the remainder relates to other sundry receivables.

[16] Deferred tax assets. The Group offsets deferred tax assets against deferred tax liabilities for Italian companies that have made the group tax election and for foreign subsidiaries to the extent legally allowed in their country of origin. This balance is mostly attributable to taxes paid in advance as a result of differences in calculating the depreciable/amortizable base of assets. The associated deferred tax assets have been recognized on the basis of the Group's future expected profitability following its reorganization in 2003. The balance also includes deferred tax assets recognized on provisions and costs already reported in the financial statements that will become deductible for tax in future periods.

Current assets

[17] Inventories. Inventories, totaling Euro 353,035 thousand (Euro 336,063 thousand at December 31, 2007), are shown net of the related write-down provision.

The valuation of closing inventories at weighted average cost is not appreciably different from their value at current purchase cost.

[18] Trade receivables

(thousands of Euro)	09.30.2008	12.31.2007
Current trade receivables	927,236	740,876
(Provision for current doubtful accounts)	(59,030)	(60,135)
Current trade receivables	868,206	680,741
Non-current trade receivables	7,443	13,726
(Provision for non-current doubtful accounts)	(3,687)	(8,248)
Non-current trade receivables	3,756	5,478
Total	871,962	686,219

Trade receivables also include Euro 222 thousand in amounts due from holding, associated and related companies. A total of Euro 5,209 thousand in receivables not yet due had been factored without recourse at September 30, 2008 (Euro 23,435 thousand at December 31, 2007).

[19] Tax receivables. This balance includes:

(thousands of Euro)	09.30.2008	12.31.2007
VAT recoverable	21,433	20,370
Tax credits	5,371	6,273
Other tax receivables	1,904	943
Total	28,708	27,586

[20] Other receivables, accrued income and prepaid expenses. This balance includes:

(thousands of Euro)	09.30.2008	12.31.2007
Other receivables:		
- other	43,065	52,033
- receivables from holding and related companies	19,537	22,024
Total other receivables	62,602	74,057
Accrued income and prepaid expenses:		
- accrued income and prepaid expenses on operating leasing	9,412	9,593
- other accrued income and prepaid expenses	9,886	4,401
Total accrued income and prepaid expenses	19,298	13,994
Total	81,900	88,051

Other receivables, which total Euro 62,602 thousand (Euro 74,057 thousand at December 31, 2007), include Euro 43,065 thousand in advances given to various suppliers and employees, receivables from social security institutions as well as receivables for fixed asset disposals. The change since December 31, 2007 includes the reclassification of Euro 16,650 thousand in advances for the purchase of a property in Iran to "Land and buildings" classified under property, plant and equipment.

Receivables from holding and related companies of Euro 19,537 thousand include the receivables due from Ragione S.A.p.A. di Gilberto Benetton e C. in relation to the group tax election for Italian companies.

[21] Financial receivables. This line item mostly refers to:

- short-term loans as well as the current portion of long-term loans to third parties;
- positive differentials on forward exchange contracts, mainly relating to the adjustment to period-end rates of outstanding hedges against economic, transaction and translation exchange risks;
- accrued interest on loans and derivatives, particularly those relating to interest rate risk.

[22] Cash and banks

(thousands of Euro)	09.30.2008	12.31.2007
Checks	26,746	75,790
Bank and post office current accounts in Euro	29,895	37,914
Bank current accounts in other currencies	26,985	18,729
Time deposits	1,179	-
Cash in hand	672	1,408
Total	85,477	133,841

The time deposits are liquid funds belonging to the finance companies and the Parent Company. Average interest rates reflect market returns for the various currencies concerned. The amount of checks is the result of customer payments, received in the last few days of the reporting period.

[23] Assets held for sale. This balance reports, at the lower of net book value and fair value less costs to sell, the factory in Piedimonte that is no longer operating after commencing plans to restructure the textile sector at the end of 2005.

Comments on the principal items in shareholders' equity and liabilities

Shareholders' equity

- **[24] Shareholders' equity attributable to the Group**

The Shareholders' Meeting of Benetton Group S.p.A. resolved on April 24, 2008 to pay a dividend of Euro 0.40 per share, totaling Euro 73,072 thousand; this dividend was paid on May 8, 2008.

Changes in shareholders' equity during the period are detailed in the statement of changes contained in the "Consolidated financial statements" section.

Share capital. The share capital of Benetton Group S.p.A. amounts to Euro 237,482,715.60 at September 30, 2008 and consists of 182,679,012 shares with a par value of Euro 1.30 each. This amount has increased by Euro 4,576 since December 31, 2007 after 3,520 options were exercised under the 2004 stock option plan.

Treasury shares. The Shareholders' Meeting of April 24, 2008 granted the Board of Directors the authority to buy back and dispose of up to 18,000,000 Benetton ordinary shares, provided these are no more than 10% of share capital. This authority was granted for a period of 18 months commencing May 6, 2008. The minimum purchase price may not be 30% below the official share price reported in the trading session prior to each individual transaction, while the maximum purchase price may not be 20% above such official share price; the disposal price may not be less than 90% of the official share price reported in the trading session prior to each individual transaction.

Between the date the buy-back program commenced on May 14, 2008, under a resolution adopted by the Board of Directors, and September 30, 2008, Benetton Group S.p.A. bought 6,923,678 treasury shares, corresponding to 3.79% of share capital, for around Euro 51,898 thousand (including commissions).

Liabilities

- **Non-current liabilities**

[25] Medium/long-term loans. This balance mostly refers to three loans repayable by 2012 totaling Euro 400 million, of which Euro 150 million from Intesa Sanpaolo S.p.A., Euro 150 million from UniCredit Banca d'Impresa S.p.A. and Euro 100 million from BNL S.p.A. (BNP Paribas group). These loans carry interest of one, two, three or six-month Euribor plus a spread ranging between 20 and 50 basis points depending on the ratio between net financial position and EBITDA, and call for compliance with two financial covenants, observance of which is verified every six months on the basis of the consolidated financial statements, namely:

- a ratio of 4 or above between EBITDA and net financial expenses;
- a ratio of 3.5 or less between net financial position and EBITDA.

[26] Other medium/long-term payables

(thousands of Euro)	09.30.2008	12.31.2007
Other payables due to holding and related companies	157	46,026
Other payables due to third parties	13,238	7,552
Guarantee deposits received	3,261	3,802
Non-current liabilities for the purchase of fixed assets	804	868
Total	17,460	58,248

"Other payables due to holding and related companies" at September 30, 2008 all refer to amounts owed to Ragione S.A.p.A. di Gilberto Benetton e C. for current taxes calculated on taxable income, as required under the Rules governing relationships between companies participating in the group tax election.

"Other payables due to third parties" include the value attributed to the put options held by minority shareholders in subsidiary companies.

[27] Retirement benefit obligations. These refer to provisions for post-employment benefit plans relating to Group employees, of which Euro 46,509 thousand relates to provisions for employee termination indemnities (TFR) reported by the Group's Italian companies.

[28] Other medium/long-term provisions and liabilities. This line item includes Euro 20,231 thousand in provisions for sales agent indemnities and Euro 5,535 thousand in provisions for legal and tax risks and provisions; the remaining balance relates to provisions made in previous years for the closure of a number of directly operated stores.

• **Current liabilities**

[29] Trade payables. These represent the Group's liabilities for the purchase of goods and services amounting to Euro 373,096 thousand (Euro 385,401 thousand at December 31, 2007).

[30] Other payables, accrued expenses and deferred income

(thousands of Euro)	09.30.2008	12.31.2007
Other payables:		
- other payables due to holding and related companies	57,056	15,819
- payables for the purchase of fixed assets	34,134	36,301
- other payables due to employees	24,213	19,103
- other payables due to third parties	14,402	11,210
- payables due to social security and welfare institutions	6,906	9,773
- VAT	7,011	2,319
- other payables due to tax authorities	5,078	7,120
Total other payables	148,800	101,645
Accrued expenses and deferred income:		
- accrued expenses and deferred income on operating leasing	7,566	7,867
- other accrued expenses and deferred income	6,321	1,659
Total accrued expenses and deferred income	13,887	9,526
Total	162,687	111,171

"Other payables due to holding and related companies" entirely refer to amounts owed to Ragione S.A.p.A. di Gilberto Benetton e C. under the group tax election.

"Payables for the purchase of fixed assets" mostly refer to investments in the commercial network, the manufacturing division and Information Technology.

"Other payables due to employees" refer to amounts accruing and not paid at the end of September.

"Other payables due to third parties" include non-trade related payables, amongst which: remuneration owed to directors, payables due to insurance companies, current guarantee deposits received and the liability representing the valuation of put options held by minority shareholders in Group subsidiaries.

"Payables due to social security and welfare institutions" relate to amounts owed to these institutions by Group companies and their employees.

[31] Current income tax liabilities. These represent the amount payable by the Group for current income tax, stated net of taxes paid in advance, tax credits and withholding taxes.

[32] Other current provisions and liabilities. This line item relates to the Group's provisions against legal and tax disputes or liabilities that it expects to be resolved or settled within one year.

The provision for legal and tax risks mostly refers to legal disputes likely to be settled in the short term.

Other provisions mostly refer to the costs foresee to be incurred by the Group for the closure of certain stores.

[33] Financial payables and bank loans. These mainly refer to:

- short-term loans from third parties;
- negative differentials on forward exchange contracts, mainly relating to the adjustment to period-end rates of outstanding hedges against economic, transaction and translation exchange risks;
- accrued interest on loans and derivatives, particularly those relating to interest rate risk;
- bank loans and overdrafts (details of the type of loans can be found in the paragraph on "Financial position").

Commentary on the cash flow statement

Cash flow from operating activities before changes in working capital amounted to Euro 254,391 thousand in first nine months 2008, compared with Euro 233,261 thousand in the corresponding prior year period, partly reflecting the improvement in EBITDA.

Changes in working capital used Euro 220,579 thousand in cash flow (Euro 268,028 thousand in the comparative period), mostly reflecting:

- an increase in trade payables due to the cyclical nature of purchases of outsourced products and to higher transport costs;
- an increase in trade receivables, associated with growth in revenues and a reduction in factoring.

Cash flow used to pay taxes amounted to Euro 32,631 thousand, having increased by Euro 26,143 thousand relative to the corresponding comparative period.

Operating activities used Euro 36,095 thousand in cash flow relative to Euro 72,129 thousand in the comparative period, benefiting from the smaller amount of cash absorbed by working capital.

Cash flow used by investing activities increased to 182,738 thousand (Euro 141,886 thousand in the comparative period) mainly due to the higher amount of operating investments in first nine months 2008. These investments mainly related to:

- the commercial network, particularly in markets such as Italy, France and Iran, as well as the priority growth markets of India, Russia, the former Soviet Union, Mexico and Turkey;
- development of the logistics hub in Castrette di Villorba (Italy) and the production center in Tunisia;
- Information Technology (Oracle/Retail for the integrated management of direct points of sale and improvement of SAP software at certain foreign subsidiaries).

Divestments in the period mostly related to the disposal of Villa Loredan, the sports equipment manufacturing business in Hungary, and the textile segment's sale of the property in Cassano Magnago and related manufacturing plant and machinery.

The cash flow of Euro 22,300 thousand used by non-current financial assets includes the purchase of commercial operations in the United States and Italy, and of a manufacturing company in Romania.

Cash flow provided by financing activities includes the payment of Euro 73,072 thousand in dividends to the shareholders of the Parent Company, the payment of Euro 1,832 thousand in dividends to minority shareholders of certain subsidiary companies and the purchase of treasury shares for Euro 51,898 thousand (inclusive of commissions).

Supplementary information

Financial position

Net financial indebtedness increased by Euro 339,940 thousand since December 31, 2007 to Euro 814,495 thousand at the end of September 2008, compared with Euro 649,697 thousand a year earlier. It is analyzed as follows:

(thousands of Euro)	09.30.2008	12.31.2007	Change	09.30.2007
Cash and banks	85,477	133,841	(48,364)	75,984
A Liquid assets	85,477	133,841	(48,364)	75,984
B Current financial receivables	25,822	19,288	6,534	25,280
Current portion of medium/long-term loans	(71)	(68)	(3)	(68)
Financial payables, bank loans and lease financing	(529,419)	(230,918)	(298,501)	(353,916)
C Current financial payables	(529,490)	(230,986)	(298,504)	(353,984)
D = A+B+C Current financial indebtedness	(418,191)	(77,857)	(340,334)	(252,720)
E Non-current financial receivables	4,855	5,147	(292)	5,448
Medium/long-term loans	(400,231)	(399,553)	(678)	(399,560)
Lease financing	(928)	(2,292)	1,364	(2,865)
F Non-current financial payables	(401,159)	(401,845)	686	(402,425)
G = E+F Non-current financial indebtedness	(396,304)	(396,698)	394	(396,977)
H = D+G Net financial indebtedness	(814,495)	(474,555)	(339,940)	(649,697)

The Group's net financial indebtedness is mainly made up of:

- **Cash and banks:**

Euro 26,746 thousand is relating to checks received from customers at the end of September 2008 and substantially all of the balance is represented by current accounts and bank deposits.

- **Financial payables, bank loans and lease financing:**

This mostly consists of club deal and uncommitted credit facilities drawdowns, whose main features are summarized in the table below.

Committed club deal	
Amount	Euro 500 million (revolving credit facility)
Duration	2005-2010
Cost	1/2/3/6 month Euribor +27.5/60 basis points ^(A)
Financial covenants ^(B)	EBITDA/Net financial expenses: min 4 Net financial position/EBITDA: max 3.5 Net financial position/Equity: max 1
Drawdown at 09.30.2008	Euro 440 million (repayment expected within one month, with new drawdowns)
Uncommitted credit facilities	
Amount	Euro 350 million
Cost	Interbank (or prime) rate + spread
Drawdown at 09.30.2008	Euro 61 million

- **Medium/long-term loans:**

Long-term loans

Amount	Euro 100 million BNL (BNP Paribas group) Euro 150 million Intesa Sanpaolo S.p.A. Euro 150 million UniCredit Banca d'Impresa S.p.A.
Duration	2007-2012
Cost	1/2/3/6 month Euribor + 20/50 basis points ^(A)
Financial covenants ^(B)	EBITDA/Net financial expenses: min 4 Net financial position/EBITDA: max 3.5
Drawdown at 09.30.2008	Euro 400 million

^(A) Depending on the ratio Net financial position/EBITDA.

^(B) Calculated every six months.

Both the committed club deal of Euro 500 million and the three long-term loans totaling Euro 400 million also carry additional covenants to be respected by Benetton Group S.p.A. and, in some cases, by other Group companies, where the relevant are:

- negative pledge clauses, which limits the creation of any security (mortgage, pledge, lien) over Group's assets;
- pari passu clauses, which define that all the obligations on the above transactions will have the same ranking of any other new unsecured and unsubordinated obligations;
- periodic reporting obligations;
- cross default clauses, which entitle the lender to call for immediate repayment of the loans in the event of certain types of default on other financial instruments issued by the Group;
- restrictions on major asset disposals;
- other clauses generally used in similar transactions.

These covenants are nevertheless subject to several exceptions and restrictions.

There are no relationships of a financial nature with the tax group consolidating companies Edizione Holding S.p.A. and Ragione S.A.p.A. di Gilberto Benetton e C.

Segment information

As already described, after a Hungarian subsidiary of the Group sold its sports equipment business, the other and unallocated segment was no longer material. This is why the segment information has been reclassified by including the residual amounts from the "other" segment in the apparel segment.

• Segment results – first nine months 2008

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	1,466	68	-	1,534
Inter-segment revenues	1	109	(110)	-
Total revenues	1,467	177	(110)	1,534
Cost of sales	771	162	(108)	825
Gross operating profit	696	15	(2)	709
Selling costs	107	6	(1)	112
Contribution margin	589	9	(1)	597
General and operating expenses	409	6	-	415
- of which non-recurring expenses/(income)	(5)	(2)	-	(7)
Operating profit	180	3	(1)	182

• Segment results – first nine months 2007 pro-forma

(millions of Euro)	Apparel	Textile	Eliminations	Consolidated
Revenues from third parties	1,403	68	-	1,471
Inter-segment revenues	1	109	(110)	-
Total revenues	1,404	177	(110)	1,471
Cost of sales	780	158	(110)	828
Gross operating profit	624	19	-	643
Selling costs	99	6	(1)	104
Contribution margin	525	13	1	539
General and operating expenses	365	7	1	373
- of which non-recurring expenses/(income)	(7)	-	-	(7)
Operating profit	160	6	-	166

• Apparel segment results

(millions of Euro)	Nine months 2008		Nine months 2007 pro-forma		Change		Full year 2007 pro-forma	
		%		%		%		%
Revenues from third parties	1,466		1,403		63	4.5	1,960	
Inter-segment revenues	1		1		-	46.6	2	
Total revenues	1,467	100.0	1,404	100.0	63	4.5	1,962	100.0
Cost of sales	771	52.6	780	55.6	(9)	(1.2)	1,075	54.8
Gross operating profit	696	47.4	624	44.4	72	11.6	887	45.2
Selling costs	107	7.2	99	7.0	8	8.0	140	7.1
Contribution margin	589	40.2	525	37.4	64	12.3	747	38.1
General and operating expenses	409	27.9	365	26.0	44	12.1	511	26.1
- of which non-recurring expenses/(income)	(5)	(0.3)	(7)	(0.5)	2	(30.0)	3	0.2
Operating profit	180	12.3	160	11.4	20	12.7	236	12.0

- Textile segment results

(millions of Euro)	Nine months 2008		Nine months 2007		Change		Full year 2007	
		%		%		%		%
Revenues from third parties	68		68		-	0.2	88	
Inter-segment revenues	109		109		-	(0.4)	137	
Total revenues	177	100.0	177	100.0	-	(0.2)	225	100.0
Cost of sales	162	91.4	158	89.2	4	2.3	203	90.1
Gross operating profit	15	8.6	19	10.8	(4)	(20.9)	22	9.9
Selling costs	6	3.6	6	3.5	-	0.5	8	3.7
Contribution margin	9	5.0	13	7.3	(4)	(31.2)	14	6.2
General and operating expenses	6	3.0	7	4.2	(1)	(27.4)	8	3.7
- of which non-recurring income	(2)	(1.3)	-	-	(2)	n.s.	-	-
Operating profit	3	2.0	6	3.1	(3)	(36.3)	6	2.5

The number of employees in each segment is detailed below:

	09.30.2008	12.31.2007	Period average
Apparel	8,029	7,628	7,828
Textile	1,559	1,268	1,414
Total	9,588	8,896	9,242

The increase relating to the apparel segment since December 31, 2007 is due to the growth in the size of the directly operated commercial network, while the increase relating to the textile segment is mainly due to the acquisition of two manufacturing companies in the period.

Information by geographical area

- Revenues by geographical area and business segment

(thousands of Euro)	Italy		Rest of Europe		The Americas		Asia		Rest of the world		Total
		%		%		%		%		%	
Apparel	679,953	94.0	528,851	97.3	47,361	99.6	200,890	96.5	8,525	78.0	1,465,580
Textile	43,559	6.0	14,818	2.7	202	0.4	7,280	3.5	2,410	22.0	68,269
Total revenues nine months 2008	723,512	100.0	543,669	100.0	47,563	100.0	208,170	100.0	10,935	100.0	1,533,849
Total revenues nine months 2007 pro-forma	699,124		522,428		42,984		197,924		8,703		1,471,163
Change	24,388		21,241		4,579		10,246		2,232		62,686

Revenues are allocated according to the geographical area in which customers are located.

Other information

Business combinations. On February 29, 2008 the Group acquired, through its subsidiaries Benetton USA Corp. and Benetton Canada Inc., the control of 54 Benetton stores in the United States and Canada, previously operated by a commercial partner.

The figures relating to this transaction can be summarized as follows:

(thousands of Euro)	Pre-combination value	Adjustments to fair value	Fair value
Property, plant and equipment	1,246	-	1,246
Intangible assets	-	5,234	5,234
Guarantee deposits	104	-	104
Inventories	855	-	855
Other receivables	122	-	122
Cash	10	-	10
Other payables	(47)	-	(47)
Fair value of assets acquired			7,524
Goodwill			3,451
Acquisition cost			10,975

The goodwill arises from recognition of the acquired enterprise's commercial and organizational know-how.

In May 2008 Bencom S.r.l. subscribed to 10% of the share capital in Ben-Mode A.G., a company set up to manage a megastore in Zurich. This company has been consolidated at September 30, 2008 because Benetton has a dominant influence over it for the following reasons:

- the Group has the majority of directors, and of effective voting rights in Shareholders' Meetings; in addition, most of the risks and rewards of the business are attributable to Benetton itself by virtue of the margins earned on sales;
- there is a put-call option, maturing in 2013 with a present value of Euro 4,975 thousand, over 80% of the shares held by one of the third-party shareholders, which effectively gives the Group control over 90% of the investment.

The figures relating to this transaction can be summarized as follows:

(thousands of Euro)	Pre-combination value	Adjustments to fair value	Fair value
Intangible assets	1,308	4,314	5,622
Cash	561	-	561
Deferred tax liabilities	-	(1,078)	(1,078)
Financial payables	(1,557)	-	(1,557)
Fair value of assets acquired			3,548
attributable to the Group			3,516
Goodwill			1,112
Acquisition cost			4,628

Over the course of July and August, the Group, through its subsidiary Olimpias S.p.A., acquired 49% of Aerre S.r.l. (Vittorio Veneto, Treviso) and 30% of S.C. Anton Industries S.r.l., a Romanian registered company 50% owned by Aerre S.r.l. Both these companies operate in the production of textiles and knitwear. These companies have been consolidated at September 30, 2008 because Benetton controls them on the basis of the following factors:

- the Group has the majority of Directors, and of voting rights in Shareholders' Meetings;
- there are put-call options over 11% of Aerre S.r.l. held by a minority shareholder, currently worth Euro 333 thousand and expiring between 2010 and 2012, which effectively give the Group control of 60% of both companies.

(thousands of Euro)

Acquisition cost	2,991
Fair value of assets acquired	2,142
Goodwill	849

Relations with the holding company, its subsidiaries and other related parties. The Benetton Group has trade dealings with Edizione Holding S.p.A. (the holding company), with subsidiary companies of the same and with other parties which, directly or indirectly, are linked by common interests with the majority shareholder. Trading relations with such parties are conducted on an arm's-length basis and using the utmost transparency, in compliance with the Group Procedure for related party transactions. The total value of such transactions was nonetheless not significant in relation to the total value of the Group's production. These transactions mostly relate to the purchase and sale of goods and services. The Group's Italian companies have elected to file for tax on a group basis as allowed by articles 117 et seq. of the Tax Consolidation Act DPR 917/86, based on a proposal by the consolidating company Ragione S.p.A. di Gilberto Benetton e C., which decided to opt for this type of tax treatment on June 15, 2007. The election lasts for three years, starting from the 2007 financial year and represents a renewal of the previous election for the 2004-2006 tax period under Edizione Holding S.p.A. The relationships arising from participation in the group tax election are governed by specific rules, approved and signed by all participating companies. Transactions have also taken place between companies directly or indirectly controlled by the Parent Company or between such companies and the Parent Company itself. The Parent Company's management considers that such transactions have been conducted on an arm's length basis.

In addition, Edizione Holding S.p.A., the majority shareholder, purchased a total of 634,361 shares in Benetton Group S.p.A. on January 17 and 18, 2008.

No Director, manager, or shareholder is a debtor of the Group.

Non-recurring events and significant transactions. The impact on the statement of income of the Group's non-recurring events and transactions has resulted in net income of Euro 7,251 thousand in first nine months 2008 (Euro 6,949 thousand in first nine months 2007), of which:

- Euro 9,543 thousand relates to the reinstated value and capital gain realized as a result of selling Villa Loredan at the end of September;
- Euro 2,387 thousand relates to the capital gain realized on the sale of the textile factory in Cassano Magnago;
- Euro 3,580 thousand relates to the compensation paid for the early termination of a lease relating to a property in Great Britain.

Atypical and/or unusual transactions. The Group has not undertaken any atypical and/or unusual transactions, meaning those whose significance/materiality, nature of the counterparties, purpose, method of determining the transfer price and timing, might give rise to doubts as to: the fairness/completeness of the information contained in the financial statements, conflicts of interest, the safekeeping of assets and interests of minority shareholders.

Significant events after September 30, 2008. In October Benetton Retail Deutschland GmbH, a German registered company which owns 50% of New Ben GmbH, which in turn is involved in direct store management in Germany, reached an agreement to purchase the shares from the four shareholders who own the remaining 50% of this company. Benetton Retail Deutschland GmbH and the four shareholders have given each other respectively a call option, to be exercised from 2010 until 2013, and a put option, to be exercised during 2013.

Contingent liabilities. The Group has an estimated Euro 27 million in contingent liabilities associated with ongoing legal disputes. The Group does not consider it necessary to make any provision against such liabilities because it believes the likelihood of any outlay to be remote.

The subsidiary Bencom S.r.l. had a partial tax inspection at the end of 2007 by the Venice Tax Police for tax periods 2004-2005-2006 in relation to IRES (Italian corporate income tax), IRAP (Italian regional business tax) and VAT. The related report, received on October 18, 2007, raised issues regarding the alleged evasive nature of permanent establishments set up abroad upon the introduction of the "Tremonti" reform and the partial deductibility of sponsorship paid to amateur sports associations.

The contested items correspond to an estimated Euro 65 million in additional tax.

The investigation was extended in October 2008 to Benetton Group S.p.A. for a dual set of reasons: the continuous relationship resulting from the spin-off in 2003 whereby Benetton Group S.p.A. spun off part of its business to Bencom S.r.l.; the same type of issues raised during the inspection of Bencom S.r.l. The Venice Tax Police has completed a partial tax inspection of Benetton Group S.p.A. on the basis of these reasons in relation to IRPEG (Italian corporate income tax) and IRAP (Italian regional business tax) for tax period 2003. The related report, received on October 15, 2008, raises issues regarding the disallowance of certain costs, including sponsorship paid to amateur sports associations. The contested items correspond to an estimated Euro 3 million in additional tax.

The subsidiary Benind S.p.A. has also had a partial tax inspection in 2008 by the Treviso Revenue Office for tax period 2005 in relation to IRES, IRAP and VAT. The related report, received on October 15, 2008, raises issues regarding the non-business related nature of certain costs, resulting in an estimated Euro 3.4 million in additional tax.

The Boards of Directors of these companies consider the matters raised to be unsubstantiated and so have decided not to make any provision against tax contingencies, also on the strength of authoritative external professional advice.

In addition, the subsidiary Benind S.p.A. has been in dispute since April 2007 with the Italian customs authorities, which could give rise to a liability of approximately Euro 6.5 million, plus as yet unquantified penalties.

The level-one ruling was filed on May 21, 2008 at the Treviso Provincial Tax Commission, which accepted the legal aspects and substance of the appeal presented by Benind S.p.A. Tax assessments totaling around Euro 4.2 million were cancelled as a result of this ruling. Similar appeals against around Euro 2.3 million in assessments are pending before the same Tax Commission.

The Board of Directors of Benind S.p.A. has limited itself to making provision, in 2007, against the related legal costs.

Statement of income reconciliation. As already described, 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. The related figures for the corresponding period in 2007 have also been reclassified to make them comparable with 2008; the related reconciliation is presented below.

Reconciliation first nine months 2007

(thousands of Euro)	Nine months 2007	of which sports equipment	Nine months 2007 pro-forma
Revenues	1,503,830	32,667	1,471,163
Materials and subcontracted work	752,785	28,947	723,838
Payroll and related costs	62,180	1,291	60,889
Industrial depreciation and amortization	12,914	596	12,318
Other manufacturing costs	32,471	1,145	31,326
Cost of sales	860,350	31,979	828,371
Gross operating profit	643,480	688	642,792
Distribution and transport	43,266	-	43,266
Sales commissions	60,730	-	60,730
Contribution margin	539,484	688	538,796
Payroll and related costs	115,119	92	115,027
Advertising and promotion	48,257	-	48,257
Depreciation and amortization	53,816	7	53,809
Other expenses and income	156,011	257	155,754
- of which non-recurring expenses/(income)	(6,949)	-	(6,949)
General and operating expenses	373,203	356	372,847
- of which non-recurring expenses/(income)	(6,949)	-	(6,949)
Operating profit	166,281	332	165,949
Share of income/(losses) of associated companies	44	-	44
Financial (expenses)/income	(21,320)	-	(21,320)
Net foreign currency hedging (losses)/gains and exchange differences	(8,203)	-	(8,203)
Income before taxes	136,802	332	136,470
Income taxes	33,475	175	33,300
Net income from continuing operations	103,327	157	103,170
Net income from discontinued operations	-	(157)	157
Net income for the period attributable to:	103,327	-	103,327
- shareholders of the Parent Company	102,936	-	102,936
- minority interests	391	-	391

Reconciliation full year 2007

(thousands of Euro)	Full year 2007	of which sports equipment	Full year 2007 pro-forma
Revenues	2,085,272	36,640	2,048,632
Materials and subcontracted work	1,032,103	31,782	1,000,321
Payroll and related costs	83,257	1,690	81,567
Industrial depreciation and amortization	17,388	805	16,583
Other manufacturing costs	43,196	1,495	41,701
Cost of sales	1,175,944	35,772	1,140,172
Gross operating profit	909,328	868	908,460
Distribution and transport	60,031	-	60,031
Sales commissions	86,237	-	86,237
Contribution margin	763,060	868	762,192
Payroll and related costs	156,035	128	155,907
Advertising and promotion	61,019	-	61,019
Depreciation and amortization	73,642	8	73,634
Other expenses and income	229,188	353	228,835
- of which non-recurring expenses/(income)	3,096	-	3,096
General and operating expenses	519,884	489	519,395
- of which non-recurring expenses/(income)	3,096	-	3,096
Operating profit	243,176	379	242,797
Share of income/(losses) of associated companies	43	-	43
Financial (expenses)/income	(29,735)	-	(29,735)
Net foreign currency hedging (losses)/gains and exchange differences	(10,333)	-	(10,333)
Income before taxes	203,151	379	202,772
Income taxes	52,762	184	52,578
Net income from continuing operations	150,389	195	150,194
Net income from discontinued operations	-	(195)	195
Net income for the period attributable to:	150,389	-	150,389
- shareholders of the Parent Company	145,330	-	145,330
- minority interests	5,059	-	5,059

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 document corresponds to the document results, books and accounting records.

Corporate information

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