COMPANY REPORT

ITALY

19 November 2007

TEXTILE RETAILERS
UPDATE

Benetton

A machine ready to run

Rating	2 to 1/Selected List
Target price (6 months)	+20.2% EUR15 (14.4)
Price (15/11/2007)	EUR12.482

Reuters: **BNG.MI** Bloomberg: **BEN IM**

■ We include the stock in our selected list

We stick to our positive stance on Benetton and include it in our Selected List, fine tuning our target price to EUR15. We believe that the positive performance in the coming quarters might enable a significant improvement in margins. In addition, Benetton trades on very cheap multiples, and its price embeds significant value for commercial real estate.

■ New management might speed up expansion plans

After tough work to streamline production and logistics and the relaunch of the brand with several successful collections, Benetton is now ready to pursue more aggressive expansion. We estimate that the company might deliver roughly 3-4% organic growth plus another 3-4% annual growth from the expansion of the retail network, mainly in emerging markets.

■ We see significant room to improve margins

With a 35-36%% contribution margin to fixed costs and significant pressure on margins over the past two years due to the aggressive relaunch strategy, we estimate that Benetton could exploit good operating leverage. With our 7-7.5% sales CAGR forecasts, we expect margins could move from 11% to 13%, leading to over 15% EPS CAGR.

■ Very appealing valuation

The stock trades on a P/E 2008 of 13x and an EV/EBIT of 10.4x, with a significant discount to direct peers in the apparel business. Restating for the value of commercial real estate, the valuation profile becomes even more appealing with EV/EBIT moving from 10.4x to 8.6x. Our DCF points to a valuation of EUR15 per share, which could be upgraded to EUR17 if the company is able to deliver 11x 8% revenue growth (vs. our 7% forecast).

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Stock data

Market capitalisation	EUR2 279m
Free Float	EUR749m
Enterprise value	EUR2 762m
No. of shares, adjusted	182.6 m
Daily volume	EUR7.23m

Performances

	1 month	3 months	12 months
Absolute perf.	1.9%	11.0%	-10.9%
Relative perf.	9.3%	16.5%	-4.5%

Next event:

Preliminary results in February 2008

Sector focus

Sector Top Picks	Ahold, PPR
Least favoured	Laurus

Shareholders

Benetton Family 67.1%, Free Float 32.9%

To 31/12 (EUR)	2006	2007E	2008E	2009E
Sales (m)	1 911.0	2 085.4	2 241.2	2 399.0
EBITDA (m)	264.0	320.1	377.6	425.3
EBIT (m)	180.0	230.1	268.6	307.3
Net att. profit, rest.	125.0	143.7	175.1	201.0
Free cash flow (m)	34.0	(9.8)	48.7	84.7
Clean EPS	0.69	0.79	0.96	1.10
Net dividend	0.37	0.42	0.52	0.59

	2006	2007E	2008E	2009E
P/E (x)	21.1	15.9	13.0	11.3
EV/EBITDA (x)	11.5	8.6	7.4	6.6
Attrib. FCF yield (%)	1.3	NS	2.1	3.7
Net debt/EBITDA (x)	1.4	1.4	1.3	1.1
Yield (%)	2.6	3.4	4.2	4.7
ROCE (%)	10.9	12.4	13.5	14.6
EV/Capital empl. (x)	1.8	1.5	1.4	1.3

Investment case

Rating upgraded to 1/Selected List

We stick to our positive stance on Benetton, fine-tuning our target price to EUR15: we believe that the positive performance of the top line in the coming quarters might enable a significant improvement in margins. In addition, Benetton trades on very cheap multiples, and its price embeds significant value for commercial real estate.

New management might speed up expansion plans

After tough work to streamline production and logistics and the relaunch of the brand with several successful collections, Benetton is now ready to pursue more aggressive expansion. We estimate that the company might deliver roughly 3% organic growth plus another 3-4% annual growth from the expansion of the retail network, mainly in emerging markets.

We see significant room to improve margins in the future

With a 35-36% contribution margin to fixed costs and significant pressure on margins over the last two years deriving from the aggressive re-launch strategy, we estimate that Benetton could exploit good operating leverage: with our 7-7.5% sales CAGR forecasts we expect margins could move from 11% to 13%, leading to over 15% EPS CAGR.

Very appealing valuation

The stock trades on a P/E 2008 of 13x and an EV/EBIT 10.4x, with a significant discount to direct peers in the apparel business. Restating for the value of commercial real estate, the valuation profile becomes even more appealing with EV/EBIT moving from 10.4x to 8.6x. Our DCF points to a valuation of EUR15 per share, which could be upgraded to EUR17 if the company is able to deliver 8% revenue growth (vs. our 7% forecast).

SWOT analysis

Strengths	*Weaknesses*
■ Worldwide brand recognition ■ Successful business model ■ Successful track record of recent collections	■ Brand appeal has declined ■ No control of commercial partners ■ Longer time-to-market vs. pure retailers

Opportunities	*Threats*
■ Expansion in emerging markets ■ Strong operating leverage ■ Benefits from USD weakness ■ Embedded capital gains in real estate porfolio	■ Expensive real estate acquisitions in retail ■ Lower growth vs. its peers ■ Small size in several markets

Valuation

We value Beneton at EUR15 per share based on a DCF valuation.

■ **DCF**. Our DCF is based on a WACC of 7.6% derived from the combination of 8.3% cost of equity and 3.8% net cost of debt. Our terminal value corresponds to an EV/EBIT 2007 of 10.9x.

■ **Valuation sensitivity.** The key driver of Benetton's valuation is top-line growth. We estimate that in the best-case scenario of 8% sales CAGR for 2007-2010, we might reach EUR17 per share. With 6% sales CAGR our valuation would move to EUR13.6. Every EUR0.10 change in the USD exchange rate has a 5% impact on Benetton's fair value.

■ **Multiples.** Benetton trades at a very significant discount to peers, partially justified by less exciting top-line and EPS growth. The P/E 2008 of 13x compares with over 20x for Inditex and H&M, while the EV/EBIT of 10.4x is 30% below the average of 14.7x. When restating for real estate, we can calculate an even more appealing valuation profile.

Company profile

Benetton is one of the leading apparel brands worldwide. It specialises in casual wear and operates through a broad distribution network, which is active in 120 countries and via more than 5,500 retail stores that are managed by commercial partners. Benetton has also opened 346 directly operated stores (of which 169 megastores), representing roughly 20% of revenues.

Benetton's new management team was recruited in early 2007 to accelerate the international development of the company, with a particular focus on emerging markets, following the production relocation and restructuring carried out by previous management. Following a tough and expensive policy of cutting prices and giving a higher mark-up to commercial partners in order to boost volumes (ended with Spring/Summer 2007 collection), Benetton is now growing at a high single-digit rate on the current collection

Net debt should total roughly EUR450m at end-2007, corresponding to 35% gearing. The company is owned by Benetton family, with a 67% stake.

Investment recommendation

Rating upgraded to 1/Selected List with a target price of EUR15

We reiterate our positive stance on Benetton, slightly increasing our target price (from EUR14.4 to EUR15) and including the stock in our Selected List. We like Benetton because of the potential improvement in profitability in the coming 2-3 years if the company succeeds in maintaining the current 6-8% top line growth. In addition, we believe that the positive correlation between company performance and the weak US dollar and extremely cheap valuation might support the stock in the current market environment.

Growth after restructuring

With a streamlined production and logistic structure and a very flexible retail expansion model (based on independent mono-brand stores), Benetton is now ready to pursue more aggressive growth. After a series of successful collections, we believe that the company might deliver roughly 7% revenue growth on the back of the 3-4% benefit from the opening of new stores (mainly in emerging markets) and the rest from organic growth (of which 1-1.5% from the improvement of the product mix).

Top-line growth could enable over 15% EPS growth thanks to operating leverage

Given a 35% contribution margin and the strong pressure on margins over the last three years, mainly due to the effort to relaunch the brand and to restore the relationship with the commercial network, we estimate strong operating leverage. We estimate that with 7% revenue growth Benetton might improve its margin in 2010 to ~13% from 11% in 2007 (12% EBIT CAGR); while in a best-case scenario of a three-year revenue CAGR of 8%, we would not be surprised if Benetton could reach 15% EBIT margin (20% EBIT CAGR).

New management might speed up expansion, 2008 budget in February

With new management (CEO appointed last June) and a positive operating performance for the last few collections, we believe that Benetton could continue to deliver good results with a positive news flow. The positive correlation of operating results with the USD exchange rate (USD weakness has a positive impact on EBIT) might leave room for further upgrades in estimates, and the presentation of the 2008/09 guidelines expected next February might continue to represent a support for the shares.

Very cheap valuation

Benetton trades on extremely cheap multiples, only partially justified by lower growth (15% expected in 2007-10 vs. 20% of its peers). With a P/E of 13x, the stock is at a heavy discount to its peers in the apparel business, which trade at over 20x. The same is true for EV multiples: Benetton trades on an EV/EBIT of 11x for 2008 vs. a range of 14-15x. Once restating Benetton multiples for the heavy exposure to commercial real estate (at least EUR0.7-0.8bn value), we reach an even more appealing valuation scenario.

BENETTON: PEER COMPARISON

(X, %)	P/E		EPS	EV/EBIT		EBIT	EBIT
	07E	08E	Growth	07E	08E	Margin	Growth
Hennes & Mauritz	25.1	21.3	*19.2%*	16.9	14.3	*24.6%*	*18.3%*
Inditex	25.4	21.7	*18.1%*	17.8	15.2	*17.2%*	*19.2%*
Weighted Average	25.3	21.4	*18.7%*	17.3	14.7	*21.1%*	*18.7%*
Median	25.3	21.5	*18.6%*	17.4	14.7	*20.9%*	*18.8%*
Benetton	15.9	13.0	*16.8%*	12.0	10.4	*12.0%*	*19.5%*

Source: Cheuvreux

CONTENTS

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I — Valuation

We set a DCF-derived target price of EUR15 for Benetton. We believe that the stock's relative valuation is very appealing: Benetton stands on a 20-30% discount to the multiples of its peers, which can be only partially justified by the lower growth and profitability. In addition, when stripping out the value of real estate (25% of the enterprise value) we reach an even more appealing outlook.

■ DCF valuation of EUR15 per share

Estimated equity value of EUR2.7bn

Our DCF valuation delivers an equity value of EUR2.7bn for Benetton, corresponding to an EV of EUR3.1bn, less EUR370m of net debt. The key assumptions of our valuation are as follows:

- Cost of capital. We used an average WACC of 7.6%, based the combination of an 8.3% cost of equity (levered beta of 0.9x with 4.7% free risk rate and a 3.5% market risk premium) and a 3.8% net cost of debt (16% weight).
- Our terminal value of EUR3.6bn (EUR2.8bn discounted), corresponds to a terminal EV/EBIT in the region of 10.9x, which is in line with the average of the recent years and the 2008 multiple (10.4x).

DCF SUMMARY

(EUR m, EUR)	Total	Per share
DCF 07-10	277	1.5
Terminal value	2 821	15.5
EV	3 098	17.1
Debt	(369)	(2.0)
Equity value	2 729	15.0

Source: Cheuvreux

WACC DETAIL

(x, %)	2007	Terminal
Beta	1.02	1.02
Cost of equity	*8.3%*	*8.3%*
Cost of debt	*3.8%*	*3.8%*
WACC	*7.6%*	*7.6%*
Terminal EV/EBIT		10.9

Source: Cheuvreux

■ Sensitivity analysis

Growth is the key value driver

We ran a sensitivity analysis on the top-line growth of Benetton, as we feel that this is the most relevant issue at the present time, bearing in mind that our model factors in quite significant operating leverage (20% EBIT growth with 8% sales growth, 12% with 6% sales growth). In a worst-case scenario of 6% sales CAGR, we derive a EUR13.6 fair value, while in the best-case scenario (8% sales CAGR), the valuation of the stock would jump to EUR17 per share.

USD weakness to boost upside

Benetton is also a dollar play, as it sourcing costs are mostly related to this currency. For this reason, Benetton structurally benefits from the depreciation of the USD: a very rough calculation of a EUR1m benefit in terms of EBIT for every EUR0.01 change in the EUR/USD exchange rate leads to a EUR10-12m benefit on valuation, corresponding to roughly a 0.5% benefit for the equity value. Assuming a shift from EUR1=USD1.35 to USD1.45, we would assume a benefit for Benetton's share price in the region of 5-6%.

Commercial real estate sensitivity

Since Benetton valuation also includes some real estate assets, which might be cautiously valued EUR700m, it is also worth calculating a sensitivity to the value of real estate assets. A 10% change of the value of the company's real estate would imply a 2.5-3% change in the fair value of the equity.

Multiples

Benetton is a cheap stock within the apparel-textile sector. The most common comparison is made with H&M and Inditex, which are Benetton competitors with a much higher scale, profitability and expected growth. For this reason, while Benetton is extremely cheap, there are also reasons why its valuation has to be lower than its peers. As a result, we also decided to value Benetton against a wider number of stocks, not necessarily involved in the consumer goods sector, but sharing with Benetton similar levels of profitability and size. We also decided to strip out the value of real estate, which should virtually trade at a higher multiple than the apparel business.

BENETTON VS. H&M AND INDITEX

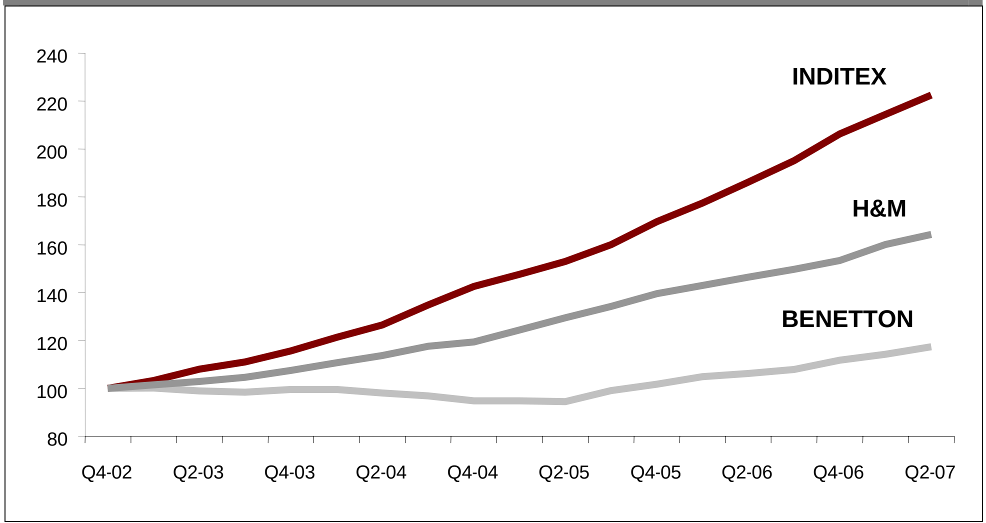
(x,%)	P/E 07E	P/E 08E	EPS Growth	EV/EBIT 07E	EV/EBIT 08E	EBIT Margin	EBIT Growth
Hennes & Mauritz	25.1	21.3	*19.2%*	16.9	14.3	*24.6%*	*18.3%*
Inditex	25.4	21.7	*18.1%*	17.8	15.2	*17.2%*	*19.2%*
Weighted Average	**25.3**	**21.4**	***18.7%***	**17.3**	**14.7**	***21.1%***	***18.7%***
Median	**25.3**	**21.5**	***18.6%***	**17.4**	**14.7**	***20.9%***	***18.8%***
Benetton	**15.9**	**13.0**	***16.8%***	**12.0**	**10.4**	***12.0%***	***19.5%***

Source: Cheuvreux

Benetton vs. H&M and Inditex

Benetton trades on multiples at a 30-40% discount to H&M and Inditex. This discount can be partially justified by a lower growth profile (17% EPS growth vs. 18-19% for its peers), lower profitability (11-12% EBIT margin vs. 16-18%) and size (EUR2.2bn market value vs. over EUR30bn). However, over the past two years Benetton has returned to a decent growth path, and we believe that the huge discount at which the stock is trading might not be completely justified.

BENETTON TOP LINE VS. INDITEX AND H&M (BASE 100 IN 2002)



Source: Cheuvreux

Benetton vs. Italian mid caps

Moving the comparison to the Italian small and mid caps, we get a more consistent picture, but not different conclusions. It still appears to be a cheap stock based on P/E, while it looks more expensive on EV multiples, due to the exposure to real estate. Benetton trades roughly in line in terms of P/E, with EPS growth of 17% vs. 8% for our sample. Moving to EV multiples, the picture is different as Benetton trades at a 10-15% premium vs. the median of our sample, with a similar profitability but, also in this case, with a better growth outlook (20% 2006-09 EBIT growth vs. 12%).

BENETTON VS. ITALIAN SMALL AND MID CAPS

	P/E		EPS	EV/EBIT		EBIT	EBIT
	07E	08E	Growth	07E	08E	Margin	Growth
Italian small and mid caps	15.9	13.7	8.5%	10.1	9.0	12.0%	12.1%
BENETTON	15.9	13.0	16.8%	12.0	10.4	12.0%	19.5%

Source: Cheuvreux

Multiples excl. real estate

Given the strong impact of real estate assets on Benetton's EV (net book value of EUR0.5bn vs. a total EV of EUR2.7bn), we propose a restated multiple to assess the impact of this "anomaly". We deducted a hypothetical EUR0.8bn real estate value from EV and capital employed. We then subtracted the potential rental (8% of the value) from Benetton's EBIT and added back the depreciation (3.3%). The recalculated EV/EBIT and return on capital show that the multiple of the core business would be 15-18% below the stated multiple, while the return on capital would move from the 12-13% range to the 18-20% range. Assuming a more aggressive valuation of EUR1.1bn (similar to the gross book value of the portfolio), we would derive a multiple of Benetton core business of 9.3x for 2007 and 7.8x for 2008.

BENETTON EV/EBIT AND RETURN ON CAPITAL (%) RESTATED FOR REAL ESTATE ASSETS

(EUR m, %)	2007E	2008E	2009E
Enterprise value	2 762.80	2 789.90	2 797.90
Capital employed	1 864.30	1 991.30	2 108.10
EBIT	230.1	268.6	307.3
EV/EBIT	**12.0**	**10.4**	**9.1**
Return on capital	*12.3%*	*13.5%*	*14.6%*
Excluding commercial real estate			
Enterprise value	1 962.80	1 989.90	1 997.90
Capital employed	1 064.30	1 191.30	1 308.10
EBIT	192.5	231	269.7
EV/EBIT ex real estate	**10.2**	**8.6**	**7.4**
Return on capital	*18.1%*	*19.4%*	*20.6%*

Source: Cheuvreux

II— A MACHINE READY TO RUN

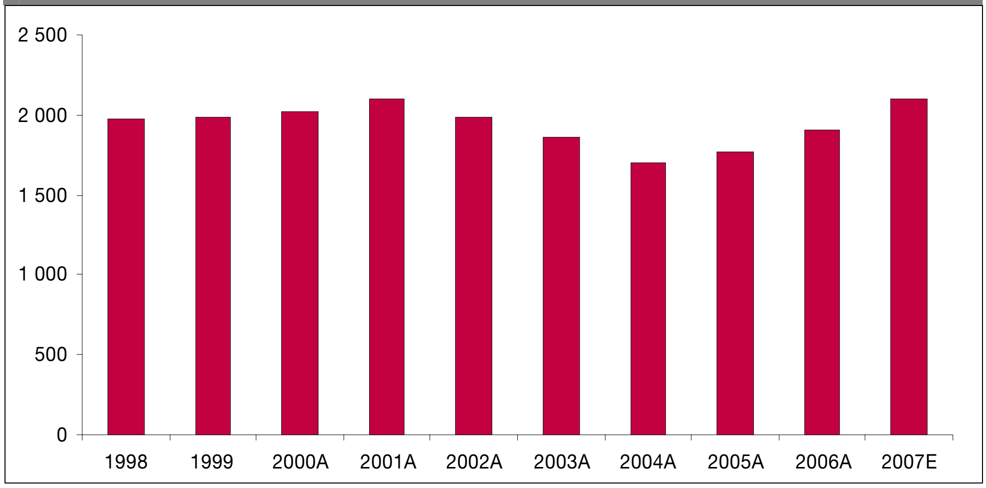
■ Tough work over the past three years...

Three tough years are behind it

Over the past three years, Benetton went through a significant restructuring and re-launch of its operations. In December 2004, the company announced a new business plan with lower than expected targets. A few months later, management announced an even more challenging plan in order to relaunch the momentum of UCB and Sisley. From the beginning of 2005, Benetton reviewed its operating processes, collection structure and its relations with the retail network. In detail:

■ The company actively moved from a simple Autumn/Winter and Spring/Summer collection structure into a more complex four collections with 6/8 drops to revamp the stores merchandising with a precise and constant schedule. In this way, Benetton upgraded its commercial strategy in line with its main competitors in the apparel market.

HISTORICAL REVENUE TREND



Source: Cheuvreux

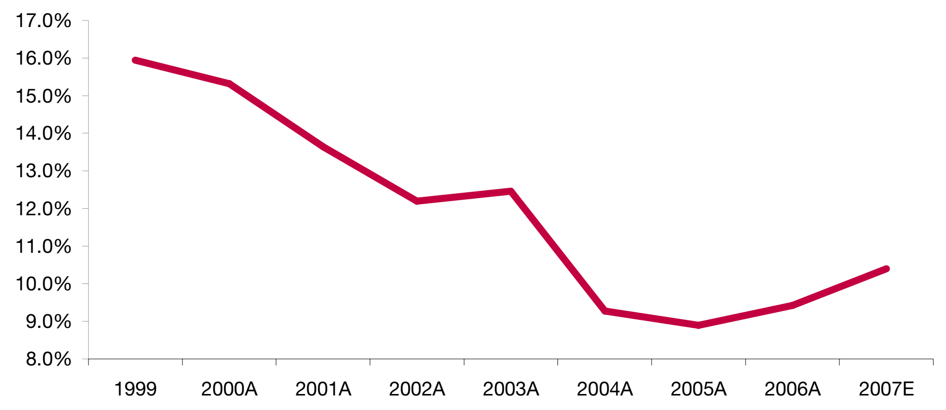
Restoring the virtuous cycle in retail

■ In order to restore the confidence of the network, Benetton decided to take a very active approach on improving the pricing of a few products and, more important, it strongly enhanced the retailers' margin. These actions were carried out between 2005 and H1-07, starting from the A/W 2005 collection, with an initial investment (or lower profit) of a total of EUR140m for 2005, split roughly half between prices (-4% on average) and support of the chain. In 2006, this policy continued although at a lower magnitude (EUR20-30m of further price cuts, still EUR70-80m transferred to the retail chain). All in all, over 2005 and 2006, Benetton gave up the margin on all additional sales by supporting the retail chain, cutting prices or restructuring its operations.

■ These actions were coupled with significant work on outsourcing and the management of inventories. A new logistic system was put in place, with a lower time to market and more efficient inventories management.

The company restored its relation with the most important dealers (roughly 50 partners represent 40% of the group's wholesale revenues), by sharing the design of the new collections and actively pursuing improvements in the sell out. The better relations coupled with a couple of successful collections allowed Benetton to trigger a virtuous cycle of a more successful sell out turning into higher orders for the following collection.

HISTORICAL EBIT MARGIN TREND (IFRS FROM 2004)



Source: Cheuvreux

Improving situation but margins are low

,All these actions allowed Benetton to restore confidence in its products. In 2006 and 2007, volume growth was above 10%, thus significantly outpacing the dilutive impact of the above-mentioned measures. However, these higher sales failed to translate into better profits. The need to manage more volumes implied a significant increase in distribution costs. While the company kept a rather satisfactory gross margin in the region of 42-43%, the contribution margin to fixed costs moved from 38-39% in 2003-2004 to the current 35-36% range. Higher operating costs for the retail stores (representing 20.7% of apparel sales in the first 9 months of 2007), coupled with the change of accounting standards, implied a reduction of the EBIT margin from 12-13% to the current 10-11% range. When looking at absolute numbers, the turnaround of Benetton is more evident. The company is expected to report a pretax profit in 2008 of EUR235m-240m, which is still well below the EUR300m-310m, which the company reported in 2000-2001.

■ New management as of 2007, same business model

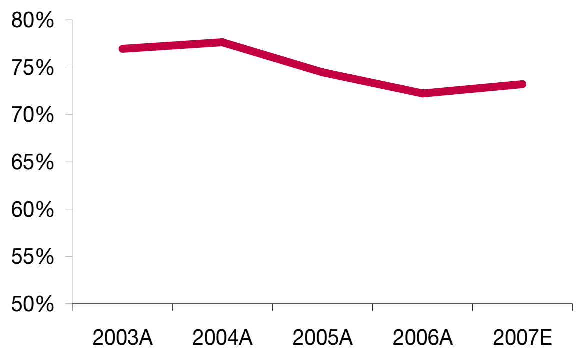
The management reshuffle in Q4-06 was quite a surprising event for Benetton, disrupting a very successful investment case. For a few months now, Benetton has a new top management, which is basically continuing the development strategy started two years ago with a particular focus on new growth opportunities in emerging markets.

Wholesale business to remain key

Benetton's strategy is to grow mainly through a wholesaler business model, leaving a tactical direct retail exposure to very specific locations and as a support to penetrate new markets, rather than as an investment priority. Over the past three years, the weight of retail has gradually increased, reaching 20.7% of sales (9 months 2007). However, when the previous management left the company, the Benetton family clearly stated that the involvement of Benetton in direct retail operations would not continue. On the other hand, Benetton has confirmed its strategy of securing appealing retail locations by investing directly in real state, eventually leaving the management of the store to a commercial partner. These investments have been carried out starting from 2000, and in 2007 they even accelerated. If the company meets its targets, the book value of commercial real estate might move from slightly less than EUR500m to roughly EUR650m. This strategy has a number of positive and negative implications. On the positive side:

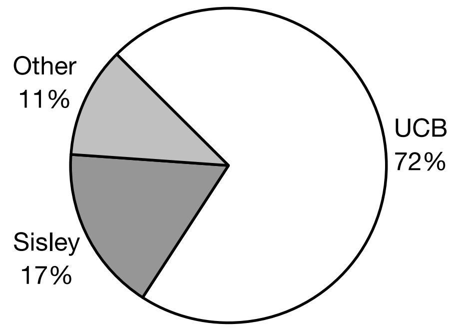
- The focus on wholesale business allows Benetton to have a very flexible and quick expansion of the retail network through its partners, using the lever of direct retail exposure only when required. Given the commitment to invest in real estate where opportunities arise, this is, however, not translating into a less capital intensive business model.

WHOLESALE REVENUES (% OF CONSOLIDATED)



Source: Cheuvreux

SALES BREAKDOWN BY BRAND (2007E)



Source: Cheuvreux

- As a wholesaler, Benetton can rely on very strong operating leverage. The contribution margin is 35% and operating expenses (mostly fixed) are over 20% of sales, implying that even a single-digit increase in revenues could have a positive impact on profitability. The excellence in sourcing and manufacturing could leave room for significant benefits on margins going forward.

Capital intensive business model

On the negative side, it is to be recognised that the business model shows its weakness when collections are not well received (which has not been the case in the last couple of years). The relationship between the retailers and Benetton (as a wholesaler) is based on a commercial partnership: the independence of the retailers might not allow a maximisation of the sell-out (commercial partners are free in their purchases, although Benetton guidance is usually followed). Finally, the sizeable investment in commercial real estate is a very difficult asset to evaluate, and most of the times it becomes a sort of hidden asset since there are no precise yardsticks (besides the EUR517m book value at September 2007) by which to value it.

■ Many areas for possible improvement

We believe that despite the achievements of the last 2 years, Benetton still has significant room to improve both its top-line growth and profitability. The historical weaknesses of the company have been addressed, but there is still a lot to be done: 1) the exposure of the company to menswear has moved from 15% in S/S 2006 collection to the current 18%, already close to the medium term target of 20%; 2) the penetration in the accessories business improved from 4% to 8% in the last two years, but there is still a lot of room to grow by upgrading the mix up to a level of 10%; 3) the brand awareness of Benetton is huge and not exploited in several emerging markets (Benetton still concentrates 80% of its sales in the wealthy markets), allowing potential for speeding up the development of the retail network; and 4) Moreover, according to the new management the two key brands (UCB adult, representing 45% of sales and Sisley 19%) can still be differentiated in order to maximise sales.

EXPECTED ORGANIC GROWTH IN THE APPAREL BUSINESS

(%)	2006A	2007E	2008E	2009E	2010E
Apparel growth	***8.8%***	***9.9%***	***8.0%***	***7.5%***	***7.0%***
Organic growth	*7.6%*	*10.1%*	*8.0%*	*7.5%*	*7.0%*
Acquisitions	*1.5%*	*0.6%*	*0.0%*	*0.0%*	*0.0%*
Currencies	*-0.4%*	*-0.8%*	*0.0%*	*0.0%*	*0.0%*

Source: Cheuvreux

New markets and new sourcing opportunities

Benetton's expansion in new markets is probably one of the company's key growth drivers. The company has identified these areas as the most promising: Russia and East European countries (now 6% of sales with 356 stores), China and India (1.5% of sales and 120-140 stores each), Turkey (2% of sales with 149 stores) and Latin America (where the company has for the time being a residual exposure). With same-store growth in the region of 3-4% (of which 1% deriving from better mix) vs. a stated objective of 6-8% revenue growth in the medium term, we believe that the increase in the commercial network will represent a key growth driver. The expansion in new, emerging markets might also provide new sourcing opportunities. More aggressive expansion in Latin and Central America could provide the opportunity to set up a new logistic and production system in the region.

6-8% sales growth ahead

All in all, we breakdown Benetton's expected growth over the next three to four years in the following way (defined as annual growth):

- 2.5-3% same-store growth, slightly more conservative than the 3.5% we expect for 2007;
- an impact of 1-1.5% in terms of production mix, deriving from the gradual shift of the collections to hanging garments vs. basic knitwear (in line with the current trend);
- a 3-4%% contribution from new openings, representing an increase of the retail network from the current 5,500-5,600 doors to 6,100-6,200 in 2010.

BREAKDOWN OF ORGANIC GROWTH, 2007-2010

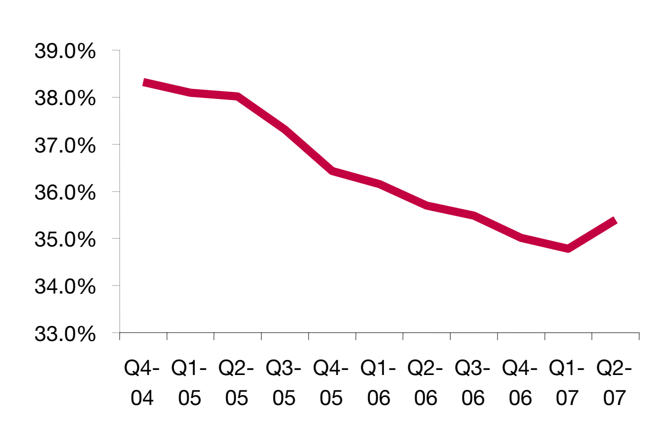
(%)	2006A	2007E	2008E	2009E	2010E
Organic growth	***7.65%***	***10.1%***	***8.00%***	***7.50%***	***7.00%***
Comparable sales	*-1.13%*	*2.3%*	*3.00%*	*3.00%*	*2.50%*
Mix change	*5.00%*	*4.0%*	*1.50%*	*1.00%*	*1.00%*
Store network	*3.78%*	*3.7%*	*3.50%*	*3.50%*	*3.50%*

Source: Cheuvreux

With very strong operating leverage

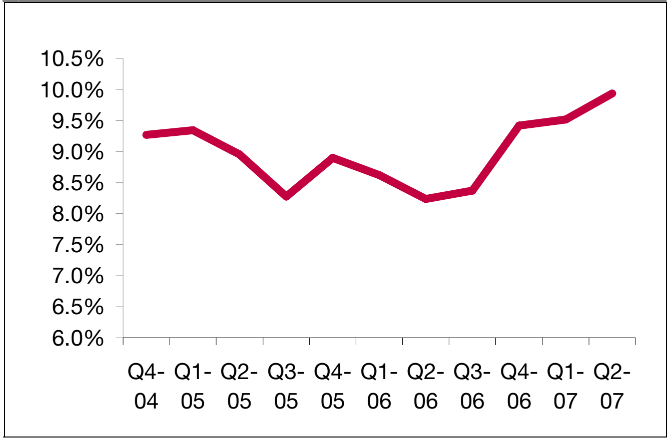
Adding these items we arrive at 6-8% potential yearly growth of the top line. If this target is met, we believe that the potential for improvement in EBIT margin could be quite significant. Based on our estimates, with a 6% sales CAGR we estimate that Benetton might improve its EBIT margin from 11% to 13% in 2010; while in a best-case scenario of 8% sales CAGR (of which 1.5% from the mix) we would not be surprised to see the margin moving from 11% back to a level in the region of 15%. Moving to growth rates, these scenarios lead to a worst-case of 12% EBIT CAGR to a best-case scenario of 20%.

CONTRIBUTION MARGIN (%, YEARLY BASIS)



Source: Cheuvreux

EBIT MARGIN (%, YEARLY BASIS)



Source: Cheuvreux

Further help from the US dollar

Benetton is one of the few companies in Italy benefiting from the depreciation of the US dollar. The company generates only 3% of its revenues on the American continent (EUR50-55m out of EUR2bn), while a sizeable portion of the production costs (EUR1bn expected in 2007) are dollar denominated, since they are sourced to low-cost Far East suppliers. The company estimates that a 0.01 change of the EUR/USD exchange rate has a EUR1m positive impact on Benetton's operating profit. Since Benetton usually hedges its dollar balance, this impact is felt with a delay of roughly 12 months (when the hedge expires and it is updated at the new exchange rate level), while in the short term the company books the gain/loss on the derivative (EUR8m negative impact expected in 2007, offsetting a similar benefit at the operating level).

III— ESTIMATES SUMMARY

Fine-tuning estimates

After the release of Q3 results, we have fine tuned our forecasts. In detail we have slightly reduced our bottom line estimate for 2007 from EUR150m to EUR144m, on the back of slightly higher financial charges and taxes. In terms of operating profit, the strong dollar is helping Benetton: as a result, we increased EBIT from EUR219m to EUR230m, while we have increased our forex hedging losses from EUR4m to EUR9m. As far as 2008-2009 is concerned, we are becoming more bullish on profitability, while we are marginally scaling back our top-line growth forecast to an average 7.3% CAGR for 2008-09 (vs. 7.7% before). As explained above, we believe that Benetton's business model has significant operating leverage and if the company succeeds in keeping a mid to high single-digit top-line growth, margins can improve significantly. We are increasing our EBIT margin forecast from 11% to 12% for 2008 and from 11.2% to 12.8% for 2009. At the net profit level we feel that this will be partly offset by higher financial charges in 2008 (+1.6% EPS), while for 2009 we are raising our EPS by 6%.

BENETTON: REVISED ESTIMATES

(EUR m, %)			New			Old		
	2005A	2006A	2007E	2008E	2009E	2007E	2008E	2009E
Sales	1 765	1 911	2 085	2 241	2 399	2 099	2 279	2 439
EBITDA	290	264	320	378	425	320	374	410
Margin (%)	*16.4%*	*13.8%*	*15.3%*	*16.8%*	*17.7%*	*15.2%*	*16.4%*	*16.8%*
EBIT	157	180	230	269	307	219	253	274
Net profit	112	125	144	175	201	150	172	190
EPS	0.78	0.69	0.79	0.96	1.10	0.82	0.94	1.04
% Change			*-4.5%*	*1.6%*	*5.9%*			
DPS (EUR)	0.34	0.37	0.42	0.52	0.59	0.44	0.51	0.56
Net debt	351	369	446	475	485	449	481	486
Gearing (%)	28	28	31	31	30	32	32	30

Source: Cheuvreux

17% EPS growth

We now expect 2006-2009 revenue CAGR of 8% and an EBIT and net profit CAGR of 20% over the same period. We estimate that Benetton will keep debt roughly flat in the EUR450m-500m range, as the increasing cash flow (expected CAGR of 25% between 2006 and 2009) is used to increase dividends and to feed expansion in new markets (supporting the 3-4% growth of the store network on an annual basis). We expect EPS to progress by roughly 17% on a three years basis.

SUMMARY OF OUR FORECASTS

(EUR m, %)	2003A	2004A	2005A	2006A	% Chg.	2007E	% Chg.	2008E	% Chg.	2009E	% Chg.	CAGR
Sales	1 859	1 704	1 765	1 911	*8.3%*	2 085.4	*9.1%*	2 241.2	*7.5%*	2 399.0	*7.0%*	*7.9%*
EBITDA	336.0	324.0	290.0	264.0	*-9.0%*	320.1	*21.2%*	377.6	*18.0%*	425.3	*12.7%*	*17.2%*
EBIT	232.0	158.0	157.0	180.0	*14.6%*	230.1	*27.8%*	268.6	*16.7%*	307.3	*14.4%*	*19.5%*
Pre-tax profit	165.0	136.0	134.0	159.0	*18.7%*	193.1	*21.4%*	236.6	*22.5%*	273.3	*15.5%*	*19.8%*
Net profit	**108.0**	**108.0**	**112.0**	**125.0**	***11.6%***	**143.7**	***15.0%***	**175.1**	***21.8%***	**201.0**	***14.8%***	***17.2%***
Cash Flow	255.6	254.0	262.0	173.0	*-34%*	252.1	*45.7%*	299.2	*18.7%*	333.4	*11.4%*	*24.4%*
Net debt	467.5	441.0		369.3		446.5		475.3		484.9		

Source: Cheuvreux

7-7.5% revenue growth for 2008-09

Our top-line forecasts point to 7.5% consolidated revenue growth in 2008 and 7% in 2009, based on 7.5-8% growth in the apparel business, which represents, in our view, a relatively cautious forecast of what Benetton could deliver on the back of a slightly more aggressive expansion path vs. the previous years.

■ We forecast a 7.5% revenue 2006-09 CAGR in Italy, also helped by acquisitions (Milano Fashion), while Europe is likely to be close to double-digit thanks to the growing contribution from Eastern European markets. Starting from 2008, we expect a strong rebound in Asia and in the Americas, again driven by emerging markets such as South East Asia and Mexico-Latam.

REVENUE BREAKDOWN BY COUNTRIES 2004-2009E

(EUR m, %)	2004A	2005A	2006A	2007E	2008E	2009E	CAGR
Italy	854	849	915	1 029	1 093	1 136	*7.5%*
Europe	596	632	694	777	847	915	*9.7%*
Asia	176	207	231	215	232	267	*4.9%*
America	73	73	63	52	54	61	*-1.1%*
Other	5	4	8	12	15	20	*35.7%*

Source: Cheuvreux

■ In terms of brands, the key driver of growth remains United Colors of Benetton, which we expect to show a 8.5-9% sales CAGR to 2009, while Sisley should post roughly 7% sales growth.

REVENUE BREAKDOWN BY BRAND AND TOTAL STORES 2004-2009E

(EUR m, %)	2004A	2005A	2006A	2007E	2008E	2009E	CAGR
UCB	1 158	1 232	1 362	1 501	1 629	1 759	*8.9%*
Sisley	304	318	323	345	371	397	*7.1%*
Other	242	215	227	240	242	244	*2.5%*
Total shops	5 080	5 164	5 359	5 559	5 754	5 955	*3.6%*

Source: Cheuvreux

Improving contribution margin and EBIT

In terms of profitability, we expect a slightly improvement in terms of contribution margin, while we are more positive on EBIT, since we feel that G&A and operating expenses can be kept under control. In our model, we have assumed a very marginal increase in gross margin (20bp per annum from 43% in 2007 to 43.4-43.5% in 2009-2010), as Benetton has basically completed its strategy of production outsourcing (although it is still working on some further production relocation). Similarly, with a strategy mainly based on volume growth, we believe that distribution and selling expenses could remain roughly flat on sales. On the other hand, we believe that if the 7% top-line growth is achieved, the EBIT margin could have a significant room for improvement:

■ Advertising could be flattish in 2007-2008 after the special effort made for the celebration of the 40th anniversary of Benetton's foundation;

■ We estimate that G&A and payroll costs within the opex line could increase at a rate of 2-3% vs. the 7-8% pace of the contribution margin.

■ The operating performance could be helped by the USD depreciation, which should bring a EUR8m-9m benefit to 2008 EBIT if the exchange rate stays above EUR1=USD1.40.

All in all we believe that it is fair to assume that Benetton's EBIT margin could approach 12% already in 2008 and move to a higher level in 2009, depending on the revenue growth that is achieved. With 7% top line growth, we estimate that the margin might improve by 70-80bp p.a.

CONTRIBUTION MARGIN AND EBIT (2004-2009E)

(EUR m)	2004A	2005E	2006E	2007E	2008E	2009E
Contribution margin	**653**	**643**	**669**	**750**	**814**	**877**
% Change	*-6.1%*	*-1.5%*	*4.0%*	*12.1%*	*8.5%*	*7.7%*
Margin (%)	*38.3%*	*36.4%*	*35.0%*	*36.0%*	*36.3%*	*36.6%*
EBIT	**158**	**157**	**180**	**230**	**269**	**307**
% Change		*-0.6%*	*14.6%*	*27.8%*	*16.7%*	*14.4%*
Margin (%)	*9.3%*	*8.9%*	*9.4%*	*11.0%*	*12.0%*	*12.8%*

Source: Cheuvreux

Room for over 15% EPS growth in 2008

Benetton's bottom line is expected to be partially affected by higher financial charges, due both to a higher average debt (over EUR450m vs. the EUR350-400m of the past two years) and to less favourable interest rates. We also factor in a higher tax rate (from 19% in 2006 to 24-25% in 2008-2009). Despite that, we estimate that in 2008 Benetton could increase its bottom line by 18-20%, and a further 10-12% increase is possible in 2009 without being too aggressive on operating forecasts.

FINANCIAL STRUCTURE

(EUR m)	2003A	2004A	2005A	2006A	2007E	2008E	2009E
Net debt	467.5	441.0	351.3	369.3	446.5	475.3	484.9
Equity	1 173.9	1 206.0	1 261.9	1 318.8	1 395.1	1 492.8	1 599.4
Minorities	12.8	7.0	13.0	22.2	22.7	23.2	23.7
Gearing (%)	*39.4%*	*36.4%*	*27.6%*	*27.5%*	*31.5%*	*31.4%*	*29.9%*
NetDebt/EBITDA	1.5	1.4	1.2	1.4	1.4	1.3	1.1

Source: Cheuvreux

The increase in the investment in real estate is likely to lead to flat debt in the region of EUR450m-500m. We consider this level quite appropriate for Benetton based on the following: 1) the asset base is very sound with over EUR0.6bn represented by the book value of commercial real estate; and 2) the key financial ratios are well under control, with gearing of 30-32% and Debt/EBITDA of 1.2-1.4x.

Our forecasts are based on the following key assumptions:

- An investment plan (net capex) of EUR220m-240m for 2008-2009 after the EUR280m expected for 2007, still with around EUR100m-120m devoted to the purchase of commercial real estate properties, which could therefore top EUR0.8bn-0.9bn in book value by end-2009.
- A flat payout ratio of ~55% for the next few years, implying a cumulative 2008-2009 cash outflow for dividends of EUR170m-175m after the EUR67m paid in 2007.
- A quite small working capital absorption, given the positive track record of the company in keeping this item under control.

CASH FLOW STATEMENT

(EUR m, %)	2003	2004	2005	2006	2007E	2008E	2009E
Cash flow	255.6	254.0	262.0	173.0	252.1	299.2	333.4
% Change	*8.0%*	*-0.6%*	*3.1%*	*-34.0%*	*45.7%*	*18.7%*	*11.4%*
Change in WCR	(3.8)	15.0	23.0	65.0	13.1	(10.6)	(28.7)
Capex	(150.5)	(69.0)	(100.0)	(204.0)	(275.0)	(240.0)	(220.0)
Net cash flow	101.3	200.0	185.0	34.0	(9.8)	48.7	84.7
Financial investments	(42.0)	(23.0)	(18.0)	0.0	0.0	0.0	0.0
Disposals	143.9	50.0	0.0	0.0	0.0	0.0	0.0
Dividend paid	(64.3)	(69.0)	(61.7)	(64.0)	(67.4)	(77.5)	(94.4)
Capital increase	0.0	0.0	2.0	12.0	0.0	0.0	0.0
Other cash flow	6.0	(121.0)	(28.0)	0.0	0.0	0.0	0.0
Dec. [inc.] in net debt	144.9	37.0	79.3	(18.0)	(77.2)	(28.8)	(9.7)

Source: Cheuvreux

Benetton

FY to 31/12 (Euro m)	2002	2003	2004	2004	2005	2006	2007E	2008E	2009E
Profit & Loss Account									
Sales	**1 991.8**	**1 859.0**	**1 686.0**	**1 704.0**	**1 765.0**	**1 911.0**	**2 085.4**	**2 241.2**	**2 399.0**
% Change	*-5.1%*	*-6.7%*	*-9.3%*	*1.1%*	*3.6%*	*8.3%*	*9.1%*	*7.5%*	*7.0%*
Staff costs	(243.1)	(212.2)	(212.0)	(213.0)	(220.0)	(234.0)	(242.1)	(250.6)	(258.9)
Other costs	(1 373.0)	(1 310.8)	(1 157.0)	(1 167.0)	(1 255.0)	(1 413.0)	(1 523.2)	(1 613.1)	(1 714.7)
EBITDA	**375.7**	**336.0**	**317.0**	**324.0**	**290.0**	**264.0**	**320.1**	**377.6**	**425.3**
% Change	*-10.2%*	*-10.6%*	*-5.7%*		*-10.5%*	*-9.0%*	*21.2%*	*18.0%*	*12.7%*
Depreciation	(132.9)	(104.0)	(99.0)	(99.0)	(85.0)	(84.0)	(90.0)	(109.0)	(118.0)
EBITA	**242.8**	**232.0**	**217.0**	**225.0**	**205.0**	**180.0**	**230.1**	**268.6**	**307.3**
% Change	*-15.0%*	*-4.4%*	*-6.5%*		*-8.9%*	*-12.2%*	*27.8%*	*16.7%*	*14.4%*
Goodwill amortisation before OP	0.0	0.0	(1.0)	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill amortisation [impairment test]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non recurring operational items	0.0	0.0	0.0	(67.0)	(48.0)	0.0	0.0	0.0	0.0
EBIT	**242.8**	**232.0**	**217.0**	**158.0**	**157.0**	**180.0**	**230.1**	**268.6**	**307.3**
Net financial items	(31.8)	(22.0)	(26.0)	(22.0)	(23.0)	(21.0)	(37.0)	(32.0)	(34.0)
Non recurring financial items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other exceptional items	(161.8)	(45.0)	(26.0)	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(57.2)	(56.0)	(42.0)	(28.0)	(20.0)	(31.0)	(46.3)	(58.0)	(68.3)
Associates [contribution]	0.0	0.0	(1.0)	0.0	0.0	0.0	0.0	0.0	0.0
Discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill amortisation	0.0	0.0	(1.0)	0.0	0.0	0.0	0.0	0.0	0.0
Net profit [loss] before minorities	**(8.0)**	**109.0**	**123.0**	**108.0**	**114.0**	**128.0**	**146.7**	**178.6**	**205.0**
Dividend to preferred shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	(1.6)	(1.0)	0.0	0.0	(2.0)	(3.0)	(3.0)	(3.5)	(4.0)
Net attributable profit [loss]	**(9.6)**	**108.0**	**123.0**	**108.0**	**112.0**	**125.0**	**143.7**	**175.1**	**201.0**
Restatement [impairment test]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adj. for exceptional items	136.6	31.0	16.4	42.2	30.2	0.0	0.0	0.0	0.0
Net attrib. profit [loss], restated	**127.0**	**139.0**	**141.4**	**150.2**	**142.2**	**125.0**	**143.7**	**175.1**	**201.0**
% Change	*-18.8%*	*9.4%*	*1.7%*		*-5.3%*	*-12.1%*	*15.0%*	*21.8%*	*14.8%*
Cash Flow Statement									
Cash flow	**236.6**	**255.6**	**179.9**	**254.0**	**262.0**	**173.0**	**252.1**	**299.2**	**333.4**
% Change	*-17.0%*	*8.0%*	*-29.6%*		*3.1%*	*-34.0%*	*45.7%*	*18.7%*	*11.4%*
Change in WCR	8.5	(3.8)	89.1	15.0	23.0	65.0	13.1	(10.6)	(28.7)
Capex	(168.5)	(150.5)	(69.0)	(69.0)	(100.0)	(204.0)	(275.0)	(240.0)	(220.0)
o/w Growth capex	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash flow	**76.6**	**101.3**	**200.0**	**200.0**	**185.0**	**34.0**	**(9.8)**	**48.7**	**84.7**
Financial investments	(4.2)	(42.0)	(23.0)	(23.0)	(18.0)	0.0	0.0	0.0	0.0
Net buyback of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	12.5	143.9	50.0	50.0	0.0	0.0	0.0	0.0	0.0
Dividend paid	(74.9)	(64.3)	(69.0)	(69.0)	(61.7)	(64.0)	(67.4)	(77.5)	(94.4)
Capital increase	0.6	0.0	0.0	0.0	2.0	12.0	0.0	0.0	0.0
Other cash flow	17.0	6.0	(121.0)	(121.0)	(28.0)	0.0	0.0	0.0	0.0
Dec. [inc.] in net debt	27.6	144.9	37.0	37.0	79.3	(18.0)	(77.2)	(28.8)	(9.7)
Balance Sheet									
Shareholders' equity [group share]	1 140.6	1 173.9	1 230.0	1 206.0	1 261.9	1 318.8	1 395.1	1 492.8	1 599.4
Minority interests	14.8	12.8	7.0	7.0	13.0	22.2	22.7	23.2	23.7
Pension provisions	53.4	49.8	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	56.9	42.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt [cash]	613.0	467.5	431.0	441.0	351.3	369.3	446.5	475.3	484.9
Gearing [%]	53.1	39.4	34.8	36.4	27.6	27.5	31.5	31.4	29.9
Capital invested	**1 878.7**	**1 746.4**	**1 669.0**	**1 654.0**	**1 626.2**	**1 710.3**	**1 864.3**	**1 991.3**	**2 108.1**
Goodwill	0.0	0.0	(1.0)	0.0	0.0	0.0	0.0	0.0	0.0
Intangible assets	255.0	231.0	0.0	136.3	151.7	222.6	227.6	232.6	237.6
Tangible assets	706.0	713.8	951.0	772.7	743.5	804.5	1 024.4	1 135.7	1 218.9
Financial assets	140.6	75.6	30.0	33.0	43.0	2.5	2.5	2.5	2.5
Associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Working capital requirement	777.1	726.0	688.0	711.0	688.0	623.0	609.9	620.4	649.1
WCR as a % of sales	39.0	39.1	40.8	41.7	39.0	32.6	29.2	27.7	27.1
Capital employed	**1 878.7**	**1 746.4**	**1 668.0**	**1 653.0**	**1 626.2**	**1 652.6**	**1 864.3**	**1 991.3**	**2 108.1**

Benetton

FY to 31/12 (Euro)	2002	2003	2004	2004	2005	2006	2007E	2008E	2009E
Per Share Data (at 15/11/2007)									
EPS before goodwill	0.70	0.77	0.78	0.83	0.78	0.69	0.79	0.96	1.10
% Change	*-18.9%*	*9.6%*	*1.7%*		*-5.3%*	*-12.3%*	*14.6%*	*21.9%*	*14.8%*
EPS, reported	(0.05)	0.60	0.68	0.60	0.62	0.69	0.79	0.96	1.10
% Change	*NS*	*NS*	*13.8%*		*3.7%*	*11.3%*	*14.6%*	*21.9%*	*14.8%*
Goodwill per share	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Dividend per share	0.35	0.33	0.34	0.34	0.34	0.37	0.42	0.52	0.59
Cash flow per share	1.30	1.41	0.99	1.40	1.44	0.95	1.38	1.64	1.83
% Change	*-17.0%*	*8.1%*	*-29.6%*		*3.1%*	*-34.2%*	*45.3%*	*18.8%*	*11.4%*
Book value per share	5.9	6.1	6.4	6.3	6.6	6.9	7.2	7.7	8.2
No. of shares, adjusted	181.559	181.559	181.559	181.559	181.559	182.600	182.600	182.600	182.600
Av. number of shares, adjusted	181.559	181.559	181.559	181.559	181.559	182.079	182.600	182.600	182.600
Treasury stock, adjusted	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Share Price [Adjusted]									
Latest price	8.50	9.11	9.74	9.74	9.62	14.47	12.48	12.48	12.48
High	16.24	11.50	10.53	10.53	10.34	15.75	14.85	-	-
Low	8.21	5.78	8.26	8.26	6.82	9.51	10.61	-	-
Average price	12.18	8.65	9.20	9.20	8.40	12.10	12.44	-	-
Market capitalisation	1 543.1	1 654.0	1 768.0	1 768.0	1 746.6	2 626.4	2 279.2	2 279.2	2 279.2
Enterprise value	2 229.5	2 189.4	2 210.1	2 219.3	2 115.9	3 039.9	2 762.8	2 789.9	2 797.9
Valuation									
P/E	12.2	11.9	12.7	11.8	12.3	21.1	15.9	13.0	11.3
P/E before goodwill	12.2	11.9	12.5	11.8	12.3	21.1	15.9	13.0	11.3
P/CF	6.5	6.5	9.8	7.0	6.7	15.2	9.0	7.6	6.8
Attrib. FCF yield [%]	4.9	6.1	11.2	11.2	10.5	1.3	NS	2.1	3.7
P/BV	1.4	1.5	1.5	1.5	1.5	2.1	1.7	1.6	1.5
Enterprise value / Op CE	1.3	1.3	1.3	1.4	1.3	1.8	1.5	1.4	1.3
Yield [%]	4.1	3.6	3.5	3.5	3.5	2.6	3.4	4.2	4.7
EV/EBITDA, restated	5.9	6.5	7.0	6.9	7.3	11.5	8.6	7.4	6.6
EV/EBITA, restated	9.2	9.4	10.2	9.9	10.3	16.9	12.0	10.4	9.1
EV/Sales	1.12	1.18	1.31	1.30	1.20	1.6	1.3	1.2	1.2
EV/Debt-adjusted cash flow	9.5	8.0	11.0	8.1	7.5	15.8	9.7	8.5	7.7
Financial Ratios									
Interest cover	11.8	15.3	12.2	14.7	12.6	12.6	8.7	11.8	12.5
Net debt/Cash flow	2.6	1.8	2.4	1.7	1.3	2.1	1.8	1.6	1.5
EBITDA margin [%]	18.9	18.1	18.7	19.0	16.4	13.8	15.3	16.8	17.7
EBITA margin [%]	12.2	12.5	12.9	13.2	11.6	9.4	11.0	12.0	12.8
Net margin [%]	NS	5.9	7.3	6.3	6.5	6.7	7.0	8.0	8.5
Capital turn [Sales/ Op. CE]	1.1	1.1	1.0	1.1	1.1	1.2	1.1	1.1	1.1
Gearing [%]	53.1	39.4	34.8	36.4	27.6	27.5	31.5	31.4	29.9
Payout ratio [%]	(661.9)	55.5	50.2	57.2	55.1	53.9	53.4	54.2	53.6
Return [%]									
Pre-tax RoCE	14.0	13.9	13.2	13.9	12.9	10.9	12.4	13.5	14.6
RoCE after tax	NS	9.2	9.9	11.0	11.0	8.8	9.4	10.2	10.9
ROE [%]	NS	9.6	10.5	9.4	9.3	10.0	10.9	12.5	13.4
Return on equity, restated	11.8	12.6	12.0	13.3	11.9	10.0	10.9	12.5	13.4

Important Disclosures

APPLICABLE DISCLOSURE CLAUSES

Company	Closing Price	Rating	Disclosures
Benetton	EUR12.482	2/Outperform	E

A - One or more companies in the Crédit Agricole S.A. group owned more than 1% of the total issued share capital of the Company as of the end of the second most recent month preceding the publication date of this report.

B - One or more companies in the Crédit Agricole S.A. group owned more than 5% of the total issued share capital of the Company as of the end of the second most recent month preceding the publication date of this report.

C - The Company owned more than 5% of the total issued share capital of Crédit Agricole SA as of the end of the second most recent month preceding the publication date of this report.

D - One or more companies in the Crédit Agricole S.A. group held, as of the end of the second most recent trading day, a net sales position higher than 1% of the total issued share capital of the Company.

E - The trading portfolio of one or more companies in the Crédit Agricole S.A. group contained shares of the Company as of the end of the second most recent trading day.

F - Crédit Agricole Cheuvreux and/or a company in the Crédit Agricole S.A. group is a market maker or a liquidity provider for the financial instruments of the Company.

G - Calyon and/or a company in the Crédit Agricole S.A. group has been involved within the last three years in a publicly disclosed offer of or on financial instruments of the Company.

H - Calyon and/or a company in the Crédit Agricole S.A. group has concluded or is party to a non confidential agreement relating to the provision of investment banking services (except publicly disclosed offers mentioned under G) to the Company during the past 12 months or that has given rise during the same period to the payment of compensation or to the promise to get a compensation paid.

I - This research has been communicated to the Company and following this communication, its conclusions have been amended before its dissemination.

J - A director or a board member of the Crédit Agricole S.A. group is an officer, director, or board member of the Company.

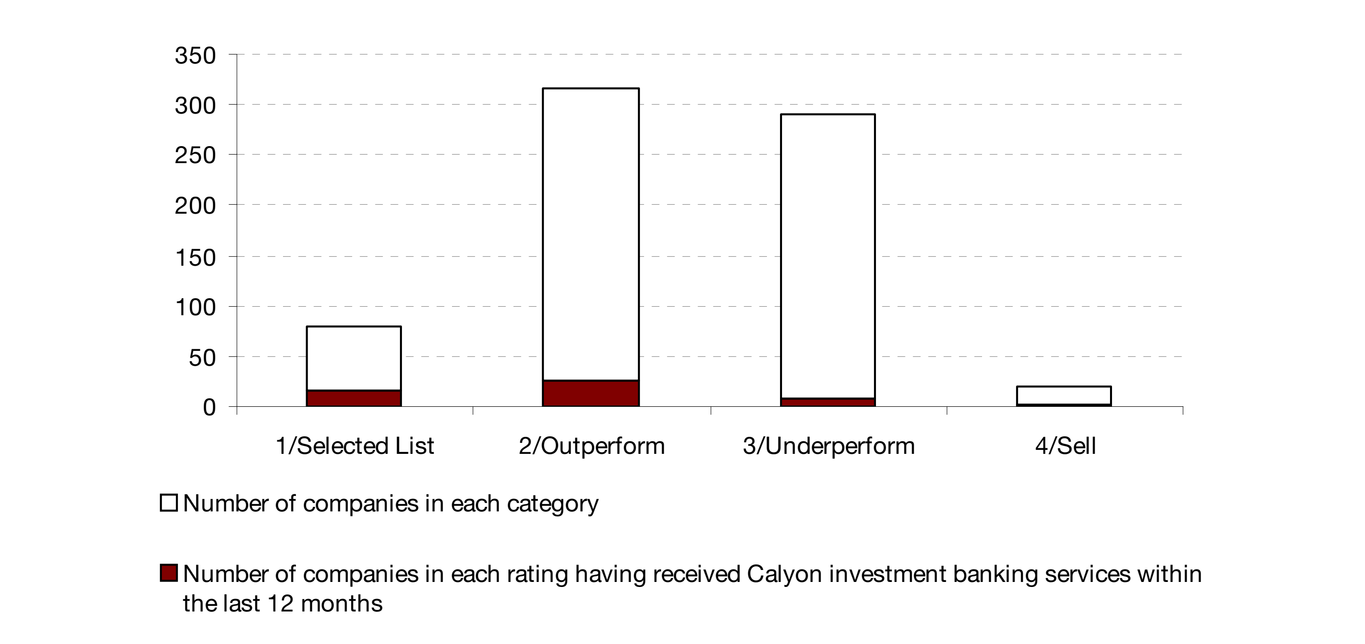
SPECIFIC DISCLOSURE CLAUSES

None

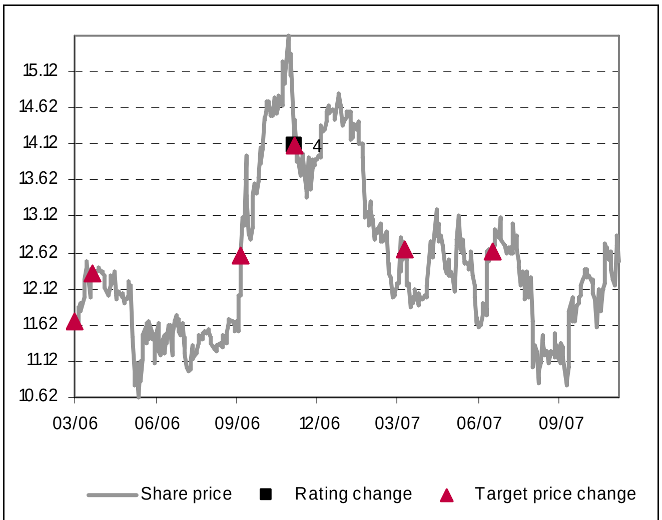
CHEUVREUX'S RATING AND TARGET PRICE SYSTEM

Ratings are built for a 6 to 12 month time horizon.	
1/Selected List	Expected to outperform the market and is in our country selected list
2/Outperform	Expected to outperform the market
3/Underperform	Expected to perform at best in line with the market
4/Sell	Expected to underperform the market substantially
No Rating or Suspended	The investment rating and target price have been suspended. Such suspension is pursuant to Cheuvreux's policy in circumstances when Cheuvreux's parent company, Calyon, is acting in an advisory capacity in a merger or strategic transaction involving this company or when Calyon or Crédit Agricole has a beneficial interest in this company and in certain other circumstances.
Target price methodology	Cheuvreux's target prices are derived from one or more of the following methodologies: DCF, SOP, peer comparison and EVA.
Quote definitions	Unless specified, all quotes that appear on Institutional research reports are closing prices the last business day.

BREAKDOWN BY RATING CATEGORY (AS AT 31/12/2006)



SHARE PRICE TREND AND DATES OF CHANGES IN RATING AND/OR TARGET PRICE



DATES OF CHANGES IN TARGET PRICE AND/OR RATING

	Date	Rating	Target price
1	10/03/2006		EUR12.50
2	31/03/2006		EUR13.60
3	14/09/2006		EUR14.20
4	13/11/2006	3/Underperform	EUR14.20
5	19/03/2007		EUR13.00
6	25/06/2007	2/Outperform	EUR14.40
7	19/11/2007	1/Selected List	EUR15.00

LOCAL REGULATORY AUTHORITIES

Country	Cheuvreux legal entity	Regulatory authority
France	Crédit Agricole Cheuvreux SA	Autorité des Marchés Financiers (AMF)
Germany	Crédit Agricole Cheuvreux Niederlassung - Frankfurter Branch	Bundesanstalt für Finanzdienstleistungsaufsicht (Bafin)
Italy	Crédit Agricole Cheuvreux Italia SIM SpA	Commissione Nazionale per le Societa e la Borsa (Consob)
Netherlands	Crédit Agricole Cheuvreux - Amsterdam Branch	Autoriteit Financiële Markten (AFM)
Spain	Crédit Agricole Cheuvreux Espana SV SA	Comisión Nacional del Mercado de Valores (CNMV)
Sweden	Crédit Agricole Cheuvreux Nordic AB	Finansinspektionen
Switzerland	Crédit Agricole Cheuvreux - Zurich Branch	Swiss Federal Banking Commission (SFBC)
UK	Crédit Agricole Cheuvreux International Ltd	Financial Services Authority (FSA)

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