

## Comments on the principal asset items

### Non-current assets

#### (17) Property, plant and equipment

The following table shows the main changes which affected property, plant and equipment in 2005, which are presented net of depreciation, and total 743,003 thousand euro:

(thousands of euro)	Land and buildings	Plant, machinery and equipment	Furniture, fittings and electronic devices	Vehicles and aircraft	Assets under construction and advances for property, plant and equipment	Leased assets	Leasehold improvements	Total
Net opening balance	579,986	79,658	38,913	10,583	3,724	11,743	48,158	772,765
Additions	9,427	12,456	27,029	1,324	9,848	-	12,233	72,317
Disposals	(1,980)	(1,792)	(1,069)	(289)	(144)	-	(1,000)	(6,274)
Depreciation	(12,611)	(21,007)	(17,746)	(1,586)	-	(898)	(8,394)	(62,242)
Impairment	(8,782)	(2,010)	(6,901)	-	-	-	(11,705)	(29,398)
Reclassification of assets held for sale	(2,802)	(103)	(1,813)	(20)	-	(3,064)	(5)	(7,807)
Translation differences and other changes	1,967	1,333	3,860	458	(2,471)	(53)	(1,452)	3,642
<b>Net closing balance</b>	<b>565,205</b>	<b>68,535</b>	<b>42,273</b>	<b>10,470</b>	<b>10,957</b>	<b>7,728</b>	<b>37,835</b>	<b>743,003</b>

Additions for the year regarded primarily:

- the acquisition of real estate for commercial use and the related modernization and upgrading of stores for development of the sales network;
- plant, machinery and equipment purchased to boost production efficiency, particularly at the Italian manufacturing companies;
- the purchase of store furniture and furnishings;
- the acquisition of assets under construction refers mainly to investments aimed at developing the Group's production facilities and sales network.

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

Other changes comprise the reclassification of the Cassano Magnago and Pedimonte plants in assets held for sale, for a total of 7,807 thousand euro.

The impairment during the financial year as a result of the impairment test are described in the "Supplementary information" section pertaining to impairment testing.

(thousands of euro)	12.31.2005			12.31.2004		
	Gross	Accumulated depreciation and impairment	Net	Gross	Accumulated depreciation and impairment	Net
Land and buildings	686,096	120,891	565,205	676,971	96,985	579,986
Plant, machinery and equipment	290,442	221,907	68,535	305,450	225,792	79,658
Furniture, fittings and electronic devices	136,901	94,628	42,273	112,638	73,725	38,913
Vehicles and aircraft	22,823	12,353	10,470	22,359	11,776	10,583
Assets under construction and advances for property, plant and equipment	10,957	-	10,957	3,724	-	3,724
Leased assets	9,678	1,950	7,728	13,259	1,516	11,743
Leasehold improvements	123,857	86,022	37,835	113,188	65,030	48,158
<b>Total</b>	<b>1,280,754</b>	<b>537,751</b>	<b>743,003</b>	<b>1,247,589</b>	<b>474,824</b>	<b>772,765</b>

Leased assets include the following:

(thousands of euro)	12.31.2005	12.31.2004
Land and buildings	5,959	9,472
Plant, machinery and equipment	3,719	3,787
Accumulated depreciation	(1,950)	(1,516)
<b>Net book amount</b>	<b>7,728</b>	<b>11,743</b>

The long-term portion of the outstanding principle balances of lease repayments as of December 31, 2005, is recognized as "Lease financing" among non-current liabilities, while the short-term portion is recorded among current liabilities.

A portion of property, plant and equipment has been mortgaged with banking institutions as collateral security for loans whose residual repayments total 744 thousand euro as of December 31, 2005.

As of December 31, 2005, a temporarily disused building is recorded with a total value of 10,061 thousand euro. This building used to be the Headquarters for sports equipment and apparel business. It is of considerable historical and artistic importance and has been renovated in order to house corporate offices. Having ascertained in 2005 that there is no viable market for this asset, a valuation based on potential rental income has been made, resulting in the estimate of an expected yield and of a related value for the building of approximately 10 million euro, for a impairment of 7,119 thousand euro.

(18) Intangible assets

(thousands of euro)	Goodwill and other intangible assets of		Concessions, licenses, trademarks, and similar rights		Deferred charges	Other	Total
	indefinite useful life	Patent rights					
Net opening balance	5,346	1,099		23,934	90,161	16,079	136,619
Additions	-	35		1,783	35,798	13,841	51,457
Acquisition of subsidiary	5,472	-		-	2,356	-	7,828
Disposals	-	-		(7)	(742)	(14)	(763)
Amortization	-	(249)		(3,891)	(12,298)	(6,687)	(23,125)
Impairment	(2,551)	-		(4,863)	(11,840)	(1,688)	(20,942)
Translation differences and other changes	243	142		1	(976)	1,265	675
<b>Net closing balance</b>	<b>8,510</b>	<b>1,027</b>		<b>16,957</b>	<b>102,459</b>	<b>22,796</b>	<b>151,749</b>

The 5,472 thousand euro change in the "Goodwill and other intangible assets of indefinite useful life" balance is due to the purchase in 2005 of 50% of a Turkish company called Benetton Giyim Sanayi A.S. As far as the write-down of these assets is concerned, see the "Impairment testing" section in "Supplementary information".

"Intangible assets of finite useful life" include:

(thousands of euro)	12.31.2005			12.31.2004		
	Gross	Accumulated amortization and impairment	Net	Gross	Accumulated amortization and impairment	Net
Industrial patents and intellectual property rights	3,654	2,627	1,027	3,477	2,378	1,099
Concessions, licenses, trademarks & similar rights	67,660	50,703	16,957	65,890	41,956	23,934
Deferred commercial expenses	159,386	56,927	102,459	136,133	45,972	90,161
Other charges	58,131	35,335	22,796	53,206	37,127	16,079
<b>Total</b>	<b>288,831</b>	<b>145,592</b>	<b>143,239</b>	<b>258,706</b>	<b>127,433</b>	<b>131,273</b>

"Concessions, licenses, trademarks and similar rights" include the net book amount of the following brands:

(thousands of euro)	12.31.2005	12.31.2004
United Colors of Benetton	3,141	3,046
Sisley	470	444
Killer Loop	8,295	14,273
Other	1,015	1,112
<b>Total</b>	<b>12,921</b>	<b>18,875</b>

At the end of the financial year, the residual useful life of the Killer Loop brand was equal to 13 years. In 2005, this brand was impaired as a result of the impairment test carried out by the Group, as described in the “Supplementary information” section of the explanatory notes.

“Deferred commercial expenses” consists mainly of the charges linked to lease surrender payments for obtaining the lease of buildings for use as stores (“key money”), which are amortized over the term of the associated lease contracts (with the exception of French and Belgian “fonds de commerce” which are amortized over 20 years). The increase includes the partial allocation of Benetton Giyim Sanay A.S.’s acquisition cost, for a total of 2,356 thousand euro.

“Other” includes costs relating to the purchasing and development of software in the amount of 12,262 thousand euro (of which 1,873 thousand euro are in-house) and costs pertaining to assets under development and advances in the amount of 8,076 thousand euro (of which 1,293 thousand euro for software developed in-house).

#### Other non-current assets

##### (19) Investments

Investments, valued at cost, total 5,130 thousand euro and relate mainly to subsidiaries not included in the consolidation because they were not yet operational or were in liquidation as of the balance sheet date. The detail is as follows:

(thousands of euro)	12.31.2005	12.31.2004
Benetton Slovakia s.r.o.	3,254	3,195
Chesa Paravicini S.A.	1,479	1,491
Korea Fashion Physical Distribution	169	-
Beijing Sunshine Knitwear Co. Ltd.	-	252
Other investments	228	179
<b>Total</b>	<b>5,130</b>	<b>5,117</b>

##### (20) Guarantee deposits

The increase in guarantee deposits and the closing balance as of December 31 relate primarily to lease contracts entered into by the Japanese subsidiary.

##### (21) Medium/long-term financial receivables

The balance, totaling 7,459 thousand euro, includes loans issued primarily by Group subsidiaries to third parties. During the financial year, 23,062 thousand euro were collected early, of which 14,350 thousand euro relating to the sale of the Nordica business, 4,746 thousand euro relating to a loan from the Japanese subsidiary to support commercial activities in the territory, and 3,672 thousand euro for a loan granted by the Parent Company.

During the financial year, new loans for a further 3,027 thousand euro were granted. The residual amount refers to financial receivables earning interest at market rates.

(thousands of euro)	12.31.2005	12.31.2004
From 1 to 5 years	5,845	22,458
Beyond 5 years	1,614	5,816
<b>Total</b>	<b>7,459</b>	<b>28,274</b>

*(22) Other medium/long-term receivables*

This balance, totaling 46,120 thousand euro (of which 904 thousand euro due beyond 5 years), includes 24,026 thousand euro in receivables from Edizione Holding S.p.A. for current taxes calculated on taxable losses, as allowed in the Italian rules governing relations between companies participating in consolidated taxation; these receivables will be due in 2007. This balance also includes 9,089 thousand euro in long-term trade receivables and 6.952 thousand euro in receipts from asset sales, mainly resulting from the sale of an industrial property, and, for the residual amount, other receivables from third parties.

*(23) Deferred tax assets*

The following table shows a breakdown of net deferred tax assets:

(thousands of euro)	12.31.2004	Increases	Decreases	Exch. diff. and other changes	12.31.2005
Tax effect of eliminating intercompany profits	5,495	4,733	(5,495)	-	4,733
Tax effect of provisions, costs and revenues related to future periods for fiscal purposes	91,976	24,377	(44,625)	1,909	73,637
Deferred taxes on reversal of excess depreciation and application of finance lease accounting	(15,924)	(2,054)	4,545	290	(13,143)
Deferred taxes on gains taxable over a number of accounting periods	(2,927)	(1,169)	1,106	-	(2,990)
Different basis for amortization/depreciation	115,650	7,000	-	-	122,650
Total benefit on losses carried forward	14,360	5,191	(2,012)	200	17,739
Deferred taxes on profits/reserves distributable by subsidiaries	(7,957)	(751)	3,080	-	(5,628)
Other	595	-	(582)	(13)	-
<b>Total</b>	<b>201,268</b>	<b>37,327</b>	<b>(43,983)</b>	<b>2,386</b>	<b>196,998</b>

The Group offset deferred tax assets and liabilities for Italian companies as they participate in the national consolidated taxation, and for foreign subsidiaries as allowed by the right to offset as recognized in their respective countries.

Potential tax benefits deriving from tax losses which may be carried forward by Group companies (approx. 137 million euro as of December 31, 2005) have been written down by 119 million euro because their recoverability is not reasonably certain. Deferred taxes on a different amortization basis relate to the valuation carried out, based on expected future taxable income, on the tax benefits deriving from the company's restructuring in 2003.

## Current assets

### (24) Inventories

Inventories, totaling 287,246 thousand euro (255,436 thousand euro as of December 31, 2004), consist of the following:

(thousands of euro)	12.31.2005	12.31.2004
Raw materials, other materials and consumables	85,247	101,559
Work in progress and semi-manufactured products	54,413	57,558
Finished goods and goods for sale	146,679	96,099
Advances from customers	907	220
<b>Total</b>	<b>287,246</b>	<b>255,436</b>

Inventories are stated net of the write-down provision. The movement in write-down provisions is as follows:

(thousands of euro)	12.31.2004	Additions	Uses	Exchange difference	12.31.2005
Raw materials, other materials and consumables	2,334	2,442	(2,361)	102	2,517
Work in progress	750	750	(750)	-	750
Finished goods	14,727	9,284	(8,104)	337	16,244
<b>Total</b>	<b>17,811</b>	<b>12,476</b>	<b>(11,215)</b>	<b>439</b>	<b>19,511</b>

### (25) Trade receivables

As of December 31, 2005, trade receivables, net of the provision for doubtful accounts, were as follows:

(thousands of euro)	12.31.2005	12.31.2004
Trade receivables	738,214	755,226
(Provision for doubtful accounts)	(82,828)	(97,642)
<b>Total</b>	<b>655,386</b>	<b>657,584</b>

The provision for doubtful accounts at the end of the year brought the total percentage of receivables covered by provisions to 11.2%. The movements during the financial year were as follows:

(thousands of euro)	12.31.2004	Increases	Uses	Releases to income statement	Exch. diff. and other changes	12.31.2005
Provision for doubtful accounts	97,642	17,387	(32,391)	(722)	912	82,828

Trade receivables include receivables from associated companies of 218 thousand euro and from the parent company Edizione Holding S.p.A. in the amount of 266 thousand euro.

In 2005, trade receivables were discounted without recourse through a factoring contract for a total of 57,367 thousand euro; of which approximately 25,852 had not yet matured at year-end.

(26) Tax receivables. This balance includes:

- VAT recoverable in the amount of 14,203 thousand euro (26,184 thousand euro as of December 31, 2004);
- tax credits of 9,432 thousand euro (9,075 thousand euro as of December 31, 2004);
- other taxes receivables of 1,538 thousand euro (4,192 thousand euro as of December 31, 2004).

(27) Other receivables, prepaid expenses and accrued income

This balance includes:

<b>(thousands of euro)</b>	<b>12.31.2005</b>	<b>12.31.2004</b>
Other receivables	23,926	27,112
Receivables from parent company	15,541	-
<b>Total other receivables</b>	<b>39,467</b>	<b>27,112</b>
Accrued income:		
- other income	1,369	52
- rental income and operating leases	622	104
<b>Total accrued income</b>	<b>1,991</b>	<b>156</b>
Deferred charges:		
- rental costs and operating leases	5,037	4,690
- other operating charges	190	1,362
- taxes	1,421	1,551
- insurance policies	636	656
- advertising and sponsorships	988	113
<b>Total deferred charges</b>	<b>8,272</b>	<b>8,372</b>
<b>Total</b>	<b>49,730</b>	<b>35,640</b>

The receivables from Edizione Holding S.p.A. relate to the participation in the consolidated taxation in 2004.

(28) Financial receivables

<b>(thousands of euro)</b>	<b>12.31.2005</b>	<b>12.31.2004</b>
Short-term financial receivables from third parties	3,997	8,958
Differentials on forward exchange contracts	4,267	7,523
Other short-term financial receivables and assets	4,706	5,047
<b>Total</b>	<b>12,970</b>	<b>21,528</b>

The amount of financial receivables relates mainly to the current portion of medium and long-term receivables. Differentials on forward exchange contracts include the intrinsic value component of derivative instruments as of December 31, 2005, of which: 1,692 thousand euro for economic risk hedging transactions, 2,170 thousand euro for transaction exchange risk hedging transactions, 405 thousand euro for translation exchange risk hedging transactions. Other financial receivables include the time value component of derivative instruments as of December 31, 2005, of which: 762 thousand euro for economic risk hedging transactions, 1,079 thousand euro for transaction exchange risk hedging transactions, 29 thousand euro for translation exchange risk hedging transactions, and 423 thousand euro for interest rate risk hedging transactions.

(29) Available for sale financial assets

(thousands of euro)	12.31.2004	Increases	Decreases	12.31.2005
Government Bonds (BTP) matured in 2005 at interest rates from 2.75% to 4%	32,525	14,200	(46,725)	-
Treasury Certificates (CCT) maturing between 2008 and 2011 at interest rates from 2.3% to 2.4%	20,590	5,838	(26,428)	-
Ordinary Government Bonds (BOT) matured in 2005 at interest rates from 2.063% to 2.098%	29,665	19,863	(49,528)	-
Zero Coupon Treasury Certificates (CTZ) matured in July 2005 at interest rates from 2.064% to 2.068%	29,803	9,975	(39,778)	-
Amex European Short Term Euro	841	630	(1,471)	-
Sinopia Alternactiv Eur	619	-	(619)	-
Generali Am-Eu Sty-cd cap	562	-	(562)	-
Vontobel Euro Bond A2	576	-	(576)	-
Morgan Fund-Short Maturity Euro	1,410	-	(1,410)	-
SCH Euro Short Term A Euro	1,581	-	(1,581)	-
<b>Total</b>	<b>118,172</b>	<b>50,506</b>	<b>(168,678)</b>	<b>-</b>

Financial assets were sold in full in July 2005.

(30) Cash and cash equivalents

(thousands of euro)	12.31.2005	12.31.2004
Current account deposits (euro)	25,789	31,726
Current account deposits (foreign currency)	31,334	26,773
Time deposits (euro)	78,887	141,522
Time deposits (foreign currency)	160	154
Checks	59,601	59,594
Cash in hand	556	427
<b>Total</b>	<b>196,327</b>	<b>260,196</b>

Time deposits in euro are highly liquid funds held by banks. Average interest rates reflect market returns for the various currencies concerned. Checks reflect receipts from customers at year end.

(31) Assets held for sale

This balance, at the lowest of the net carrying value and the fair value net of selling costs, includes the production sites of Cassano Magnago and Pedimonte, which are no longer in operation and are part of a sale plan which will be implemented in 2006. The value of assets held for sale as of December 31, 2004, related to the disposal of the "Manifattura Goriziana" business, which took place in the first half of 2005.

## Comments on the principal items in shareholders' equity and liabilities

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### Shareholders' equity

#### Shareholders' equity attributable to the Parent Company

The Shareholders' Meeting of Benetton Group S.p.A. voted on May 16, 2005 to pay a dividend of 0.34 euro per share, totaling 62 million euro and paid on May 26, 2005. Changes in shareholders' equity during the period are detailed in the statements of changes contained in the "Consolidated financial statements" section.

#### (32) *Share capital*

The share capital of Benetton Group S.p.A. as of December 31, 2005 amounts to 236,026,454.30 euro and consists of 181,558,811 shares with a par value of 1.30 euro each.

#### (33) *Additional paid-in capital*

This item is unchanged from December 31, 2004.

#### (34) *Fair value and hedging reserve*

This item includes the changes in fair value of available for sale financial assets and the variation of the effective hedging component of financial instruments measured at fair value.

#### (35) *Other reserves and retained earnings:*

*Other reserves.* This item, which as of December 31, 2005, amounts to 857,314 thousand euro (803,500 thousand euro as of December 31, 2004), includes:

- 47,210 thousand euro relating to the statutory reserve of the Parent Company;
- 21,452 thousand euro relating to monetary revaluation reserves in compliance with Italian Law no. 72 of March 19, 1983, and Law no. 413 of December 30, 1991, and, with respect to a Spanish subsidiary, with Italian Royal Decree no. 2607/96;
- 528,424 thousand euro relating to other reserves of the Parent Company (551,000 thousand euro as of December 31, 2004);
- 250,042 thousand euro representing the shareholders' equity of consolidated companies in excess of their carrying value, together with other consolidation adjustments;
- 2,924 thousand euro of the portion of remuneration based on shares valued at fair value on the grant date, recognized on a line-by-line basis on the income statement as a contra-entry to this reserve;
- 7,262 thousand euro relating to the translation foreign-currency reserve.

The first of the schedules below is a reconciliation of the shareholders' equity and net income of the separate financial statements of Benetton Group S.p.A. with the consolidated shareholders' equity; the second lists the shareholders' equity percentage of consolidated subsidiaries attributable to minority shareholders.

**Reconciliation of the shareholders' equity and net income of Benetton Group S.p.A. with the corresponding consolidated amounts**

(thousands of euro)	12.31.2005	
	Shareholders' equity	Net income/ (loss)
As shown on Benetton Group S.p.A. separate financial statements prepared in accordance to Italian accounting principles	944,667	58,267
Net income and shareholders' equity of consolidated subsidiaries attributable to the Group, net of their carrying value of the related investments	838,218	129,528
Elimination of intragroup gains on transfer of assets, net of deferred tax assets	(544,988)	7,000
Reversal of investments in the Parent Company	13,951	15,153
Reversal of dividends received from consolidated subsidiaries	-	(99,999)
Deferred taxes on profits/reserves distributable by subsidiaries	(5,629)	2,328
Purchase price allocation to assets	22,351	(2,043)
Effect of the elimination of intercompany profits/losses on the transfer of property, plant and equipment, net of the related tax effect	(185)	3,577
Effect of applying finance lease accounting to lease financing transactions, net of the related tax effect	9,725	1,611
Elimination of intercompany profits included in the inventories of consolidated companies, net of the related tax effect	(15,566)	(2,946)
Adjustment to reflect the equity value of associated companies	(61)	(67)
Net effect of other consolidation entries	(573)	(536)
<b>Consolidated financial statements</b>	<b>1,261,910</b>	<b>111,873</b>

**(36) Minority interests**

As of December 31, 2005 and 2004, the following consolidated companies had proportions of shareholders' equity attributable to minority shareholders:

(in %)	12.31.2005	12.31.2004
Foreign consolidated companies:		
- New Ben GmbH (Germany)	49	49
- Benetton Korea Inc. (Korea)	50	50
- Benetton Giyim Sanayi A.S. (Turkey)	50	-

## Liabilities

### Non-current liabilities

#### (37) Medium/long-term loans

Medium and long-term loans from banks and other lending institutions outstanding as of December 31, 2005, were as follows (net of deferred financial charges related to the loans):

(thousands of euro)	12.31.2005	12.31.2004
Syndicated loan of 500 million euro at variable rate, maturing in 2007, granted by a pool of banks and consisting of a revolving credit line for the first two years and a loan for the subsequent five years repayable on maturity; the interest rate at the balance sheet date was 2.434% <sup>(1)</sup>	499,775	499,632
Loan granted by Medio Credito del Friuli repayable in half-yearly installments, up to January 1, 2007, at an annual interest rate of 2.5%, secured by mortgages on real estate	239	708
Loan from Ministry of Industry, Italian Law no. 46/1982	356	419
Medium/long-term financial payables to non-consolidated companies at the interest rate of 2.114%	2,742	2,684
Other loans	51	51
<b>Total</b>	<b>503,163</b>	<b>503,494</b>

- (1) This loan is subject to compliance with two financial covenants, calculated every six months and based on the consolidated financial statements:
- ratio of EBITDA (earnings before interest, taxes, depreciation and amortization) to net finance costs of at least 2.5 times;
  - ratio of net financial position to shareholders' equity of at least 1.
- There are also limits on large disposals of assets and on the granting of collateral for new loans.

Part of medium/long-term loans, in the amount of 744 thousand euro, is secured by mortgages on property, plant and equipment.

The maturity of non-current loans is as follows:

Year	12.31.2005
2007	502,873
2008	68
2009	71
2010	74
2011 and beyond	77
<b>Total</b>	<b>503,163</b>

(38) Other medium/long-term liabilities

(thousands of euro)	12.31.2005	12.31.2004
Non-current liabilities for the purchase of assets	1,085	19,191
Other liabilities due to parent company	20,772	18,664
Other liabilities due to third parties	2,295	804
<b>Total</b>	<b>24,152</b>	<b>38,659</b>

The item "Other liabilities due to parent company" includes liabilities due to Edizione Holding S.p.A. related to current taxes calculated on the positive taxable results, as provided by the rules for companies participating in consolidated taxation. These liabilities will be due in 2007.

"Other liabilities due to third parties" consists mainly of long-term guarantee deposits pertaining to lease contracts entered into by the Japanese subsidiary.

(39) Lease financing

This balance shows outstanding lease financing as of December 31, 2005. The short-term portion of lease financing is posted to the current liabilities section of the balance sheet.

Year	Minimum lease payments		Principal portion	
	12.31.2005	12.31.2004	12.31.2005	12.31.2004
Within 1 year	5,968	6,940	5,390	6,007
From 1 to 5 years	10,589	18,627	9,984	17,522
Beyond 5 years	114	455	112	226
<b>Total</b>	<b>16,671</b>	<b>26,022</b>	<b>15,486</b>	<b>23,755</b>

The reconciliation between the minimum lease payments due to the leasing company and their present value (principal) is as follows:

(thousands of euro)	12.31.2005	12.31.2004
Minimum lease payments	16,671	26,022
(Outstanding financial expenses)	(1,185)	(2,267)
<b>Present value of lease financing</b>	<b>15,486</b>	<b>23,755</b>

The Group has purchased property and machinery using lease financing. The average length of lease contracts is of approximately eight years. The interest rates defined at the date of signing of the contract are indexed to the 3-month Euribor rate. All leasing contracts are repayable through a regular installment plan, and at the time being, no restructuring of the original plan is anticipated.

All contracts are denominated in the reporting currency (euro). The fair value of financial leases the Group has entered into approximates the carrying amount. Finance lease is guaranteed to the lessor by virtue of rights on the leased assets.

#### (40) Retirements benefit obligations

This item includes provisions for defined benefits for the Group's employees, including termination indemnities for Italian companies ("TFR") of 47,466 thousand euro. The movement in the liability recognized in the balance sheet is as follows:

<b>(thousands of euro)</b>	
<b>Balance at 01.01.2005</b>	<b>47,307</b>
Expense charges in the income statement	9,460
Indemnities paid during the financial year	(7,119)
Exchange differences and other changes	119
<b>Balance at 12.31.2005</b>	<b>49,767</b>

The assumptions regarding their valuation method are described in the "Supplementary information" section.

#### (41) Other provisions and medium/long-term liabilities

<b>(thousands of euro)</b>	<b>Provision for legal and fiscal risks</b>	<b>Sales agents indemnities</b>	<b>Other provisions</b>	<b>Total</b>
<b>Balance at 01.01.2005</b>	<b>9,160</b>	<b>14,298</b>	<b>27,532</b>	<b>50,990</b>
Provisions	2,970	3,543	4,702	11,215
Releases	(1,069)	(67)	(12,816)	(13,952)
Utilizations and other changes	(1,463)	(465)	(4,722)	(6,650)
<b>Balance at 12.31.2005</b>	<b>9,598</b>	<b>17,309</b>	<b>14,696</b>	<b>41,603</b>

This item relates to the liabilities and probable risks for which the Group does not envisage a resolution by the end of 2006.

Since it operates in a number of sectors on a global scale, the Benetton Group is inherently exposed to legal risks. Currently, the areas where exposure is greater relate to claims filed by former commercial partners, former employees, subcontractors, and third parties with industrial property rights in potential conflict with the products distributed by the Benetton Group or with similar rights to those of the Group. There are also certain outstanding tax claims in Italy and France.

At the end of 2005, the Group found it prudent to allocate funds to the legal and tax risks provision. In 2005, 1,267 thousand euro of the provision was utilized, and 2,970 thousand euro was added following claims filed during the year. In addition, 1,069 thousand euro set aside in previous years for disputes which had a positive outcome for the Group was released during the year.

The provision for sales agents indemnities, which reflects the risk linked to the possible termination of an agency agreement as established by law, was utilized in the amount of 465 thousand euro and increased in the amount of 3,543 thousand euro during the period.

The reserve for other provisions relates to charges that the Group will likely have to incur into in order to close a number of directly operated stores. In 2005, the provision increased by 4,702 thousand euro, with utilizations of 2,333 thousand euro. As already discussed in the "Other operating income and revenues" note to the income statement,

during the financial year, 12,816 thousand euro was released, which related to provisions made in previous years for the closure of stores which were still operational in 2005, thus making the relevant provision unnecessary.

#### Current liabilities

##### (42) Trade payables

This item represents the Group's liabilities for the purchase of goods and services as of December 31, 2005.

##### (43) Other payables, accrued expenses and deferred income

(thousands of euro)	12.31.2005	12.31.2004
Other payables:		
- other payables to employees	17,830	18,065
- other payables to third parties	12,016	15,610
- other payables for the purchase of assets	41,329	14,795
- VAT	5,455	11,361
- other payables to the parent company	16,694	-
- payables due to social security	7,626	9,210
- other payables due to the tax authority	5,697	5,777
<b>Total other payables</b>	<b>106,647</b>	<b>74,818</b>
Accrued liabilities:		
- other liabilities	1,205	1,848
- rental costs	947	4,859
- consultancies and fees	71	147
<b>Total accrued liabilities</b>	<b>2,223</b>	<b>6,854</b>
Deferred income:		
- rental income	2,927	984
- revenue from the concession of rights	737	838
- other revenue	128	620
<b>Total deferred income</b>	<b>3,792</b>	<b>2,442</b>
<b>Total</b>	<b>112,662</b>	<b>84,114</b>

Payables to employees refer to amounts accrued and not settled as of December 31, 2005. The item "Other payables to third parties" refers to non-trade payables. Payables for the purchase of assets include 19,191 thousand euro for the short-term portion of a Spanish subsidiary's liabilities and 11,287 thousand euro for an Italian subsidiary's payables for the purchase of assets.

Other payables due to the parent company Edizione Holding S.p.A. refer to the payables resulting from the inclusion in the consolidated taxation in 2004.

Payables to social security refer to payables matured for social security authorities with respect to Group and employee contributions.

*(44) Current income tax liabilities*

The tax liabilities represent the Group's payables for current taxes and are recorded net of any advances, tax credits, and withholdings.

*(45) Other current provisions and liabilities*

This balance shows the provisions made by the Group for legal and tax claims or contingent liabilities which may be resolved or finalized in the next year.

<b>(thousands of euro)</b>	<b>Provision for legal and tax risks</b>	<b>Other provisions</b>	<b>Total</b>
<b>Balance at 01.01.2005</b>	-	-	-
Additions	1,306	7,259	8,565
Releases	-	-	-
Other changes	836	2,429	3,265
<b>Balance at 12.31.2005</b>	<b>2,142</b>	<b>9,688</b>	<b>11,830</b>

Other changes represent, in their entirety, the reclassification of provisions recorded in previous years. The provision for legal and tax risks refers mainly to provisions for legal disputes relating to contingent liabilities which will be settled within one year. The reserve for other provisions includes the charges that the Group will incur for the closure of a number of stores in 2006 and the restructuring charges that an Italian subsidiary will have to pay following the decision to close the Cassano Magnago factory at the end of 2005.

*(46) Current portion of lease financing*

This item contains the portion of lease financing which is due within the financial year. The reconciliation between the present value of the liability and the minimum lease payments is described in the note related to the non-current portion of the liability.

(47) *Current portion of medium/long-term loans*

(thousands of euro)	12.31.2005	12.31.2004
Loan granted by CARI (Gorizia) on April 20, 2001, repaid in 2005 at an annual rate of 4%	-	202
Loan from Efibanca (Ente Finanziario Interbancario S.p.A.) at an annual rate of 2.8% repaid in half-yearly installments through 2005	-	355
Loan granted by Medio Credito del Friuli repayable in half-yearly installments until January 1, 2007, at an annual rate of 2.5%, secured by mortgages on real estate	470	459
Loan from Ministry of Industry, Italian Law no. 46/1982	63	60
Other foreign-currency loans obtained by consolidated foreign companies, partly secured by mortgages on property	121	26
<b>Total</b>	<b>654</b>	<b>1,102</b>

(48) *Current portion of bonds.* The bond issued by Benetton Group S.p.A. in July 2002 for a total value of 300,000 thousand euro was repaid on July 26, 2005.

(49) *Financial payables*

(thousands of euro)	12.31.2005	12.31.2004
Financial payables due to other lenders	4,570	1,885
Commercial paper	-	1,700
Finance bill	1,161	-
Negative differentials on forward exchange contracts	4,471	2,217
Other short-term financial liabilities	9,385	15,245
<b>Total</b>	<b>19,587</b>	<b>21,047</b>

Short-term financial payables due to other lenders refer to the short-term portion of third-party loans.

Differentials on forward exchange contracts include the intrinsic value component of derivative instruments as of December 31, 2005, of which: 2,301 thousand euro for economic risk hedging transactions, 1,484 thousand euro for transaction exchange risk hedging transactions, 686 thousand euro for translation exchange risk hedging transactions. Other financial receivables include the time value component of derivative instruments as of December 31, 2005 of which: 1,078 thousand euro for economic risk hedging transactions, 1,646 thousand euro for transaction exchange risk hedging transactions, 567 thousand euro for translation exchange risk hedging transactions, and 1,818 thousand euro for interest rate risk hedging transactions.

Other current financial liabilities include interests accrued on loans.

(50) *Bank loans and overdrafts*

(thousands of euro)	12.31.2005	12.31.2004
Current account overdrafts	12,641	8,238
Advances on receivables and other short-term loans	16,263	11,686
<b>Total</b>	<b>28,904</b>	<b>19,924</b>