

**First half '98 results approved by the Board of Directors**  
**BENETTON CONSOLIDATED REVENUES**  
**APPROACH THE 2,000 BILLION LIRE MARK**

UNITED COLORS  
OF BENETTON.

Ponzano, 30 September, 1998. The Benetton Group Board of Directors has today approved the results for the first half of 1998 which closed with consolidated revenues of 1,963 billion lire and with consolidated net income of 120.3 billion, compared with 140.5 billion earned in the first half of the previous year without the inclusion of Benetton Sportssystem (consolidated as from the second half of 1997). The forecast for the whole of 1998, shows results in line with those achieved the previous year. Gross margin of 809 billion lire was maintained at over 41% of sales. Operating income was around 226 billion lire, 11.5% of revenues, influenced by selling and general expenses in the sports division, which, however, show a substantial reduction compared with those incurred in the previous period.

Group self-financing at the end of the '98 first half amounted to 301 billion lire; stockholders' equity at 30 June, 1998 was 2,052 billion, compared with 2,030 billion at end '97, after paying dividends of almost 98 billion lire. Net borrowing was 695 billion, and although affected by the acquisition of Benetton Sportssystem, it was extremely low compared with stockholders' equity.

In the first six months of 1998, Benetton Group sports division results were negatively influenced by the well-known problems in the markets, in particular in the Far East, and by the cost of the radical reorganisation programme, based on the integration of the principal sports brands. The first positive signs have emerged from this demanding program, in particular a marked reduction in costs, with a resultant improvement in operating results, although still negative. Amongst other things, distribution logistics have been rationalised, centralising distribution management in Italy. This has allowed a significant reduction in inventories and will enable service to be improved, management to be optimised and costs to be contained. Investment is complete on the new Villa Loredan offices of the Benetton sports division, which were inaugurated at the beginning of summer.

In parallel, evolution of the Playlife product range has continued, with particular attention to research both in materials and on the design side, with the objective of increasing the proportion of sports clothing compared with equipment. By the end of the year, more than 40 new Playlife shops will be open in Europe.

At Group level, the first six months of 1998 saw the continuation of the investment program on plant and machinery as well as strong emphasis on the evolution of the world-wide sales network in terms of size and quality. In spring 1998 in particular, three new Benetton megastores were opened in Rome, Jeddah and Leipzig and, at the end of September, the largest Benetton store in the world was opened in Milan, in Corso Vittorio Emanuele (around 3,000 square meters in total). The next stages in this growing international network projecting Benetton image and quality will be the Berlin megastore (more than 2,000 square meters

surface area) and the flagship store in Tokyo, which will be in a prestigious building in the Japanese capital.

## Consolidated Statement of Income

in billions of lire	1st Half		1st Half		Change	
	1998	%	(a)1997	%		%
Total sales	1,962.9	100.0	1,538.8	100.0	424.1	27.6
Cost of sales	1,153.6	58.8	899.4	58.5	254.2	28.3
Gross margin	809.3	41.2	639.4	41.5	169.9	26.6
Selling and general expenses	583.5	29.7	409.5	26.6	174.0	42.5
Income from operations	225.8	11.5	229.9	14.9	(4.1)	(1.8)
Net income (expense) from currency hedging and exchange differences	(5.3)	(0.3)	39.7	2.6	(45.0)	n.s.
Net income Interest (expense), net	(20.6)	(1.0)	11.2	0.7	(31.8)	n.s.
Other expense, net	3.6	0.2	4.4	0.3	(0.8)	(18.2)
Income taxes	75.3	3.8	129.9	8.4	(54.6)	(42.0)
Minority interests	0.7	0.1	6.0	0.4	(5.3)	(88.3)
Net income	120.3	6.1	140.5	9.1	(20.2)	(14.4)

## Financial position

in billions of lire	06.30.1998	Change	12.31.1997
Operating capital	1,525.9	(122.1)	1,648.0
Total capital invested	2,781.0	39.5	2,741.5
Net borrowing/ (liquidity)	694.7	185.9	508.8
Stockholders' equity	2,052.1	21.6	2,030.5
Minority interest	34.2	(168.0)	202.2

## Consolidated Cash flows

in billions of lire	1st Half	1st Half
	1998	1997
Self-financing	301.3	393.0
Increase (Decrease) in operating capital	107.4	(218.9)
Investments in operating and financial activities, net	(353.2)	(32.7)
Dividends paid	(97.7)	(88.4)
Income taxes paid	(144.3)	(81.5)
Net cash provided	(186.5)	(28.5)

(a) The results of the first half of 1997 do not include Benetton Sportssystem, whose results were consolidated from the second half of 1997