

**Results for the 1998 financial year approved by the Benetton Board of Directors, featuring integration of the sports division, the success of Playlife and the agreement with Sears in USA.  
CONSOLIDATED REVENUES EXCEED 3,800 BILLION LIRE  
DIVIDEND OF 55 LIRE PER SHARE PROPOSED**

UNITED COLORS  
OF BENETTON.

Ponzano, 29 March, 1999. Consolidated revenues of 3,834 billion lire (+5%), consolidated net income of 293 billion, in line with that of the previous year, and investments totalling around 200 billion; these are the key numbers for 1998 of the new Benetton Group which, having substantially completed the integration of the sports division, is today more global and, at the same time, more flexible and competitive, able to respond to the trends and changing needs of international markets with ever greater speed and lower risk. The results achieved in 1998 have been approved today by the Benetton Group Board of Directors, which will propose to the Ordinary Stockholders' Meeting (called for next 6th May) to declare a dividend of 55 lire per share, payable from May 31st 1999.

1998 closed with debt of 378 billion lire after the distribution of dividends of more than 100 billion, compared with 509 billion in 1997. Cash flow climbed to 466 billion, compared with 437 billion in the previous year. Operating capital reduced by around 283 billion, due to reduction of receivables and inventories. Stockholders' equity rose to 2,219 billion from 2,030, with a growth of more than 9 per cent. Gross manufacturing margin was 41 per cent, with operating income close to 12 per cent.

During 1998, the process of integrating the sports brands, Nordica, Rollerblade, Killer Loop and Prince, into the Group's planning, production and commercial structures has resulted, in particular, in the concentration in Italy, in the new offices in Villa Loredan (a restored eighteenth century complex near Treviso), of research and development activities which, also through collaboration with the Formula One research division, has resulted in the definition of more than 20 exclusive patents, relating to sports equipment and clothing.

The sports division's production organisation, directed along the Group's industrial culture guide-lines, has involved the unification of the hi-tech core of the production of boots, skates, skis, accessories and other equipment, within the Trevignano (Treviso) complex. The new distribution system for sports products is also at an advanced stage: having almost slashed remnants and eliminated fragmentation of warehouses across the world, storage and distribution of finished products has been concentrated in three centres, two of which are already operative, in Italy (Castrette) and the United States, and one in course of completion in the Far East.

The success of Playlife, the brand-slogan which acts as umbrella for the whole sports division, represents one of the two main factors which, in 1998, have contributed to make Benetton even more global. The other, relating to the casual clothing division, concerns the strategic agreement with Sears, one of the major players in the United States retail sector, which provides for the opening of more than 1,000 points of sale in their

stores. By this agreement, Sears becomes the exclusive distributor of the new brand, Benetton USA, which combines the Benetton image with the quality-price relationship required by the American consumer, very considerably strengthening Group's presence in the United States market.

Among the casual clothing brands, United Colors of Benetton, which also includes three children's product ranges (baby, pre-school and school), has accentuated flexibility and capacity to react to the market: the organisation of the collections now makes it possible to guarantee shipments, even on a weekly basis. Sisley has confirmed its positive growth trend, with particular reference to men's collections, the success of which has given a special impetus to the opening of stores for men only.

On the distribution front, evolution of the network of stores has continued, following the general criteria of improved quality and increased display areas, which are able to accommodate complete ranges of products and to offer useful complementary services. In parallel, development has continued on the Playlife network, which offers collections of sportswear and streetwear to the international public, leaving the specialised distribution of equipment to the traditional sports outlets. By the end of 1998, Playlife stores had been opened in Italy, Germany, Austria, Russia, the Netherlands, Scandinavia and Hungary.

## Consolidated Statement of Income

in billions of lire	1998	%	1997	%
Total sales	3,834	100	3,637	100
Cost of sales	(2,261)	(59.0)	(2,106)	(57.9)
Gross margin	1,573	41.0	1,531	42.1
Selling and general expenses	(1,122)	(29.2)	(1,032)	(28.4)
Income from operations	451	11.8	499	13.7
Net income from currency hedging and exchange differences	16	0.4	87	2.4
Net income expense, net	(35)	(0.9)	(8)	(0.2)
Other expense, net	(9)	(0.2)	(42)	(1.1)
Income taxes	(131)	(3.4)	(236)	(6.5)
Minority interests	1	-	(10)	(0.3)
Net income	293	7.7	290	8.0

## Financial position

in billions of lire	12,31,1998	12,31,1997	Change
Operating capital	1,365	1,648	(283)
Total capital invested	2,628	2,741	(113)
Net borrowing	378	509	(131)
Stockholders' equity	2,219	2,030	189
Minority interest	31	202	(171)

## Consolidated Cash flows

in billions of lire	1998	1997
Self-financing	642	804
Decrease (Increase) in operating capital	250	(124)
Investments in operating and financial activities. net	(445)	(419)
Dividends paid	(101)	(91)
Income taxes paid	(225)	(213)
Net financing (requirement) surplus	121	(43)