Benetton Stockholders' Meeting approves the 1997 Financial Results with Benetton Sportsystem consolidated for the second half

PLAYLIFE PROJECT LAUNCHED AS A GLOBAL FOCAL POINT FOR SPORTSWEAR AND SPORTING EQUIPMENT

Dividend rises to 0.297 US$ (525 Lire) (+5%), Alessandro Benetton joins the Board.

UNITED COLORS OF BENETTON.

Ponzano, 27th May, 1998. The Ordinary Stockholders' Meeting of Benetton Group S.p.A., chaired by Luciano Benetton, today approved the 1997 financial statements, which closed with consolidated net income of 164 million US$ (290 billion Lire) and consolidated revenues of 2,056 million US$ (3,637 billion Lire), and declared a dividend of 0.297 US$ (525 Lire) per share (+5% compared with the previous year), payable from 22nd June, 1998. With the consolidation of the second half income statement of Benetton Sportsystem and the combination of resources, capacities and markets, the Playlife project has been set in motion: a new multi-aspect reality, which, along-side the traditional clothing, for which a central role is reserved, is concentrating on the significant development potential of the sportswear and sporting equipment sector, and on an ever greater international prominence of the Group.

An Extraordinary Stockholders' Meeting was also held to-day which approved the merger of Benetton Sportsystem S.p.A. and Benetton Fashion S.p.A. into Benetton Group S.p.A. and the reduction of the par value of Benetton Group shares from 500 lire to 50 lire, with the consequent splitting of the same by assignment of 10 company shares for each share owned. The Extraordinary Stockholders' Meeting also approved an increase in the par value from 50 lire to 250 lire per share, by transferring a quota of the share premium reserve to capital stock.

Analysis of the 1997 Benetton Group financial statements (not including Benetton Sportsystem) shows consolidated revenues of 1,752 million US$ (3,100 billion Lire), with an increase of over 7 per cent compared with the previous year. Net income, in turn, has risen to 185 million US$ (327 billion Lire), compared with 139 million US$ (246 billion Lire) in 1996. Gross margin exceeded 757 million US$ (1,340 billion Lire) (+16.2%) and operating income reached 300 million US$ (531 billion Lire) compared with 227 million US$ (402 billion Lire) in the previous financial year (+32%).

Benetton Group debt (excluding Benetton Sportsystem) amounted to only 42 million US$ (74 billion Lire) at the end of 1997, in spite of the investment for the acquisition of 57 per cent of the capital stock of Benetton Sportsystem (180 million US$ (318 billion Lire)) and of the subsequent capital increase (a further 64 million US$ (113 billion Lire)), after distribution of dividends of 51 million US$ (90 billion Lire) and payment of taxes of 117 million US$ (207 billion Lire). Self-financing touched 452 million US$ (800 billion Lire) and operating capital, influenced by the growth in revenues, rose from 643 to 699 million US$ (1,137 to 1,237 billion Lire). Stockholders' equity was 1,169 million US$ (2,068 billion Lire), with an increase of 14 per cent.

During 1997, it was the European markets, with a total increase of 13 per cent, that registered the largest growth in the Benetton Group's activities, followed by the American markets, with an overall increase of 11 per cent. The rest of the world was significantly influenced by the Japanese and Asian crises (-11%). Amongst the brands, best growth performance was achieved by Sisley; Zerododici and Zerotondo, the clothing collections for children and babies, confirmed the steady upward trend in their sales.

Presence in international markets has also been reinforced by the development of the sales network in terms of store size and quality: in several major world cities, new megastores have been opened which are able to offer the complete range of clothing and accessories for the Benetton brands and to strengthen brand awareness and the young, open and international image of the Group.

Benetton Sportsystem's (consolidated) income statement for the second half showed revenues of 312 million US$ (552 billion Lire) and a gross margin of 109 million US$ (192 billion Lire), with a loss of 16 million US$ (28 billion Lire). In general, these results have been influenced by the severe crisis in the sports equipment market, particularly in the Far East, and have been affected by the radical reorganisation process, initiated to integrate the technological and research skills of the sports brands, rationalise production activities, reduce inventories and introduce new and more aggressive commercial policies, also through the opening of a network of Playlife shops which will sell mainly sportswear and accessories. This is an energetic and exacting program, through which the Benetton Group intends to make sport one of the focal points of future development of its activities, the positive effects of which are not expected before 1999.

Finally, the Ordinary Stockholders' Meeting approved the nomination as director of Alessandro Benetton who, as managing director of 21 Investimenti, a company which is active in diversified investments in Europe, has acquired considerable manufacturing and financial experience at an international level.

The Stockholders' Meeting was attended by 12 stockholders, representing, either directly or by proxy, 127,463,195 shares, or 70.20 per cent of capital. Edizione Holding is the largest stockholder, present with a 69.35 per cent interest in the Company.

(Exchange rate US$1 = Lire1,769 as at 31.12.97)