

BENETTON GROUP ACQUIRES BENETTON SPORTSYSTEM **creating one of the world's largest groups in the clothing and sports equipment sector**

Ponzano, 15 July 1997. Benetton Group S.p.A. has acquired control of Benetton Sportssystem from Edizione Holding, the Benetton family's holding company. Benetton Sportssystem is one of the world's leading groups in the sports sector, with major brands such as Nordica, Prince, Rollerblade, Kästle, Killer Loop and Asolo.

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Following approval today by the Board of Directors, Benetton Group S.p.A. will acquire 57 per cent of Benetton Sportssystem from a subsidiary of Edizione Holding, for a price of 318 billion lire, based on the valuation of 100 per cent of Benetton Sportssystem at 560 billion lire. The remaining 43 per cent will be the subject of an irrevocable offer to purchase by Benetton Group S.p.A., valid until 31st March 1998, with payment of 249 billion lire upon this date. Following this operation, the new consolidated group will have a well-balanced debt and stockholders' equity ratio of less than 30 per cent.

The valuation is the result of extensive, in-depth analysis conducted by Benetton Group S.p.A., taking into account the industrial project on which the operation is based. During the acquisition process Benetton Group was advised by Morgan Stanley and IMI SIGECO. Salomon Brothers and SBC Warburg have given a fairness opinion on the operation. Goldman Sachs assisted the vendor.

This operation makes the Benetton Group one of the biggest groups world-wide in the clothing and sports equipment sector, with a turnover of approximately 4,400 billion lire. This significant investment, arising from the increasingly important role of sport as a leisure activity, forecasts major returns in growth and profitability.

In particular, the Benetton Group, by bringing together its stylistic and technological know-how with the strong image and reputation of leading brands such as Nordica, Prince, Rollerblade, Kästle, Killer Loop and Asolo, intends to develop a young, dynamic sportswear range alongside its traditional range of casual clothing, making Benetton a unique global player in the apparel sector. At the same time, the sports equipment and performance-wear of its various brands will be developed, consolidating their leadership with avant-garde, prestigious products. Other items, such as footwear, bags and accessories will provide a third focus of development.

The industrial complex at Castrette (Treviso, Italy), the most advanced of its kind in the world, will also carry out the manufacture and distribution of the sportswear lines, increasing, over a period of time, the use of its annual production and distribution capacity from the current 80 to 120 million garments.

As a result of this operation, it will be possible to strengthen and improve co-operation between the different company functions and skills, in line

with Benetton's philosophy of continuous innovation, while respecting the identity of the individual brands, and, in particular, their technological know-how in the sports equipment sector. In terms of geographical diversification, the acquisition will enable Benetton to achieve an increasingly balanced presence throughout the world. In particular, the competitive North American markets will account for almost 20 per cent of the new consolidated group's overall turnover, due largely to the Rollerblade and Prince brands.

As far as the Group's distribution structure is concerned, the Benetton, Sisley and 012 casual brands will continue to be sold through the network of 7,000 stores in 120 countries. Here the accent is on improved quality and larger outlets, such as the new megastores opening all round the world. Meanwhile, the sportswear and sports equipment collections will be sold through a new international chain of megastores, under the banner Play Life, alongside the traditional distribution channels for sporting goods.