

**Results for the '97 financial year approved by the Benetton Board are characterised by the acquisition of Benetton Sportssystem which is consolidated for the second half**  
**CONSOLIDATED NET INCOME INCREASES TO 164 MILLION US\$ (290 BILLION LIRE)**  
**DIVIDEND OF 0.297 US\$ (525 LIRE) PER SHARE PROPOSED**

Ponzano, 27th April, 1998. Consolidated revenues of 2,056 million US\$ (3,637 billion Lire) and consolidated net income of 164 million US\$ (290 billion Lire), after the acquisition of 57% of Benetton Sportssystem, carried out in July 1997, to establish one of the major international casual clothing and sportswear groups, through a combination of the design, manufacturing and commercial capabilities in fabrics and clothing with the know-how of some of the most famous sports brands in the world: these were the main results achieved by the Benetton Group in 1997, approved today by the Board of Directors, which will propose that the Ordinary Stockholders' Meeting (called for 27th May next) should declare a dividend of 0.297 US\$ (525 Lire) per share, payable from 22nd June 1998.

Concerning the Benetton Group (excluding Benetton Sportssystem), the 1997 financial year has seen consolidated revenues reach about 1,752 million US\$ (3,100 billion Lire), with an increase of more than 7 per cent compared with the previous year. Net income reached 185 million US\$ (327 billion Lire), against 139 million US\$ (246 billion Lire) in 1996. Gross margin exceeded 757 million US\$ (1,340 billion Lire) (+16.2%) and operating income rose to 300 million US\$ (531 billion Lire) compared with 227 million US\$ (402 billion Lire) in the previous financial year (+32%).

In addition, for the Benetton Group (excluding Benetton Sportssystem), 1997 closed with debt of only 42 million US\$ (74 billion Lire), in spite of the investment for the acquisition of 57 per cent of the capital stock of Benetton Sportssystem (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 totalling 117 million US\$ (207 billion Lire). Self-financing reached about 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, in turn, rose to 1,169 million US\$ (2,068 billion Lire), with an increase of approximately 14 per cent.

Concerning market trends during 1997, the most important developments in Benetton Group activities occurred in Europe, with a total growth of 13 per cent. American markets increased overall by 11 per cent, while the rest of the world was significantly influenced by the crises in Japan and Asia (-11%). Amongst the brands, best growth performance was achieved by Sisley, while Zerododici and Zerotondo, the clothing collections for children and babies, have confirmed the steady upward trend in their sales.

During the year, the development process, in terms of store size and quality of the world-wide sales network, continued, with the opening of

new megastores in several major world cities, which are able to offer complete collections of clothing and accessories for the Benetton brands and to strengthen brand awareness and the young, open and international image of the Group.

Benetton Sportssystem'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 also 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 its activities, the positive effects of which are not expected before 1999.

As a result of the unforeseeable repercussions on Benetton Sportssystem's activities due to the economic/financial crisis which affected the Far East, it was necessary to re-negotiate with Edizione Holding the price of the remaining 43% of Benetton Sportssystem (acquired in March 1998), from 140 million US\$ (248 billion Lire) to 112 million US\$ (198 billion Lire).

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

### **Total sales, net income and principal financial ratios**

On 22nd July 1997, Benetton Group S.p.A. acquired 56.767% of the capital stock of Benetton Sportssystem S.p.A., the parent company of some of the most important companies in the world of sport. The following charts highlight the data of the Benetton Group (B), homogenous and comparable with 1996 (C), and the data inclusive of the Benetton Sportssystem Group's data relating to the second half 1997 (A).

	1997(A)	%	1997(B)	%	1996(C)	%	Change	%
Total sales	3,636.8	100.0	3,089.5	100.0	2,871.1	100.0	218.4	7.6
Cost of sales	2,105.5	57.9	1,748.3	56.6	1,716.6	59.8	31.7	1.8
Gross margin	1,531.3	42.1	1,341.2	43.4	1,154.5	40.2	186.7	16.2
Selling and general expenses	1,031.7	28.4	810.5	26.2	752.8	26.2	57.7	7.7
Income from operations	499.6	13.7	530.7	17.2	401.7	14.0	129.0	32.1
Net income from currency hedging and exchange differences	86.5	2.4	72.5	2.3	117.2	4.1	(44.7)	(38.1)
Interest income (expense), net	(7.8)	(0.2)	7.7	0.3	(12.6)	(0.4)	20.3	n.s.
Other expense, net	41.6	1.1	28.1	0.9	49.1	1.7	(21.0)	(42.6)
Income taxes	236.4	6.5	246.5	8.0	206.6	7.2	39.9	19.3

Minority interests	10.2	0.3	9.5	0.3	4.9	0.2	4.6	93.9
Net income	290.1	8.0	326.8	10.6	245.7	8.6	81.1	33.0

## Ratios

	1997(B)	1996(C)
Income from operations/Total sales	17.2	14.0
Income from operations/Total Capital Invested	24.4	23.5
Net income/Total sales	10.6	8.6
Net income/Stockholders' equity	15.8	13.5

## Financial position

(in billions of lire)

	12-31-1997(A)	12-31-1997(B)	12-31-1996(C)	Change
Operating capital	1,648.0	1,236.7	1,136.7	100.0
Total capital invested	2,741.5	2,179.0	1,712.4	466.6
Net borrowing/(liquidity)	508.8	74.2	(133.0)	207.2
Stockholders' equity	2,030.5	2,068.3	1,820.8	247.5
Minority interest	202.2	36.5	24.6	11.9

## Consolidated Cash flows

(in billions of lire)

	1997 (A)	1997(B)	1996(C)
Self-financing	804.1	789.5	667.8
Increase in operating capital	(124.1)	(164.3)	(32.9)
Investments in operating activities. net	(91.9)	(84.7)	(91.2)
Other investing activities	(327.3)	(440.4)	1.4
Dividends paid	(90.5)	(90.5)	(79.0)
Income taxes paid	(213.6)	(207.3)	(175.8)
Net cash provided	(43.3)	(197.7)	290.3