Shareholders' Meeting approves the 1998 financial results
WITH THE INTEGRATION OF THE SPORTS DIVISION
THE BENETTON GROUP IS MORE GLOBAL AND DIVERSIFIED
The dividend rises to 55 lire. Reginald Bartholomew joins the Board.

UNITED COLORS OF BENETTON.

Ponzano, 6th May, 1999. The Shareholders' Meeting of the Benetton Group, meeting today under the chairmanship of Luciano Benetton, approved the 1998 financial results, which closed with consolidated net income of 293 billion lire (290 billion in '97) and consolidated revenues of 3,834 billion (+5% compared with the previous year), and decided to pay a dividend of 55 lire per share (compared with 52.5 lire in '98, after the splitting of the shares), payable from 31st May, 1999.

Ambassador Reginald Bartholomew, currently Vice Chairman of Merryl Lynch Europe and Chairman of Merryl Lynch Italy. Bartholomew took up his work with Merryl Lynch after a career in the United States government service lasting almost 30 years, which saw him serving the White House and the Secretaries of State for Foreign Affairs and Defence, in many important capacities, amongst which we mention that of Ambassador to Italy during the first mandate of President Clinton.

Analysis of the 1998 financial results confirms the completion of a decisive phase in the project to increase internationalisation and diversification of the Benetton Group, which is today more global and competitive, and therefore able to respond ever more rapidly and with lower risk to trends and the changing needs of international markets.

1998 has also seen the reduction of debt to 378 billion lire, after 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 financial 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 billion at 31st December, 1997, with a growth of more than 9 per cent. Gross margin was 41 per cent, with income from operations near to 12 per cent.

In 1999, Benetton Group total revenues are forecast to exceed 4,000 billion on homogeneous consolidated basis, with net income growth between 10 and 15% compared with the previous financial year.

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 manufacturing culture guide-lines, has involved unification of the hi-tech core of production of boots, skates, skis, accessories and other equipment, within the Trevignano (Treviso) complex. The new distribution system for sports products has virtually zeroed inventories and has 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 in the United States, and one in course of completion in the Far East.

As well as reinforcing the success of Playlife, the brand-slogan which acts as umbrella for the whole sports division, the globalisation project for the Benetton Group was further boosted by the strategic agreement signed with Sears, one of the major players in the United States retail sector, which becomes exclusive distributor of the new brand, Benetton USA, combining the Benetton image with the quality-price relationship required by the American consumer. By this agreement, which foresees the opening of more than 1,000 sales outlets in Sears stores, Benetton very considerably strengthens its presence in the United States market.

Among the casual clothing brands, United Colors of Benetton, which also includes the 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, capable of accommodating complete ranges of products and of offering a series of 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, Holland, the Scandinavian countries and Hungary.

The Meeting was attended by 37 shareholders, representing, in person or by proxy, 1,265,401,209 shares, equal to 69.70 per cent of the share capital. The main shareholder entered in the shareholders' register was the company, Edizione Holding, which controls 69.35 per cent of the equity.