

Benetton Group
Half-year report 2000

UNITED COLORS
OF BENETTON.

Fabrica Headquarter
Villa Pastega
31050 Catena di Villorba, Tv
Italia



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Half-year report 2000

UNITED COLORS
OF BENETTON.

Benetton Group S.p.A.

Villa Minelli

Ponzano Veneto [Treviso] - Italy

Capital stock: Lire 453,897,027,500 fully paid-in

Treviso Company Register 4424

Benetton Group S.p.A., Ponzano Veneto

MAIN CONSOLIDATED COMPANIES

100%	100%				
Benetton Sportssystem GmbH [Deutschland], München	Benetton Sportssystem [Schweiz] AG., Stans				
100%					
Benetton Sportssystem N.V. Amsterdam					
100%	100%				
Benetton Sportssystem Austria GmbH, Salzburg	Benetton Holdings U.S.A. Inc. New York				
	99.87%	100%			
	Rollerblade Inc. Bordentown	Benetton Sportssystem USA Group, Bordentown			
100%					
Bencom S.p.A. Ponzano Veneto					
100%	100%	100%	100%		
Benair S.p.A. Ponzano Veneto	Socks & Accessories Benetton [S.A.B.] S.r.l., Sesto Fiorentino	Gescom S.r.l. Ponzano Veneto	Benetton Retail Belgique S.A. Bruxelles		
100%					
Benfin S.p.A. Ponzano Veneto					
85%					
Olimpias S.p.A. Grumolo delle Abbadesse					
100%	50%	100%	100%	100%	50%
Manifattura Goriziana S.p.A. Gorizia	Color Service S.r.l. Dueville	Tessitura Travesio S.p.A. Travesio	Lanificio di Follina S.p.A. Follina	Texcontrol S.p.A. Ponzano Veneto	Filatura di Vittorio Veneto S.p.A. Vittorio Veneto
100%	100%	100%	100%	100%	100%
Benlog S.p.A. Ponzano Veneto	Benetton Gesfin S.p.A. Ponzano Veneto	S.I.G.I. S.r.l. Ponzano Veneto	Fabrica S.p.A. Ponzano Veneto	Benetton Retail Italia S.r.l. Ponzano Veneto	United Web S.p.A. Ponzano Veneto
		100%	100%		
		Buenos Aires 2000 S.r.l. Ponzano Veneto	Colors Magazine S.r.l. Ponzano Veneto		
100%					
Benetton Holdings N.V. Amsterdam					
100%	50%	50%	100%		
Benetton Argentina S.A. Buenos Aires	Egyptian European Clothing Manufacturers S.A.E., Alexandria	DCM Benetton India Ltd. New Delhi	Benetton [Far East] Ltd. Hong Kong		
100%		100%			
Benetton Japan Co. Ltd. Tokyo		United Colors of Benetton do Brasil Ltda., São José dos Pinhais			
100%	50%	100%			
Bene Forte Co. Ltd. Tokyo	Benetton Korea Inc. Seoul	Ben Store Roupas Ltda. São Paulo			
100%					
Benetton U.S.A. Corp. Wilmington					
100%					
Benetton International N.V. Amsterdam					
100%	100%	100%	100%	100%	100%
Benetton Retail Deutschland GmbH, München	Benetton Ungheria Kft. Nagykallo	Benetton Retail [1988] Group, London	Benetton Società di Servizi S.A. Lugano	United Colors Communication S.A., Lugano	Benetton Engineering Ltd. Enstone
100%	100%		100%	100%	100%
Benetton Tunisia S.à r.l. Sahline	Benetton France Trading S.à r.l. Paris		Benetton España S.L. Castellbisbal	Benetton Finance S.A. Luxembourg	Benetton Croatia D.o.o. Osijek
100%	100%	100%	100%	100%	
Benetton Trading S.à r.l. Sahline	Benetton France S.A. Troyes	Benetton Realty France S.A. Paris	Benetton Lda. Maia [Portogallo]	Lairb Property Ltd. Dublin	

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Directors and other officers**Board of Directors**

Luciano Benetton	Chairman
Gilberto Benetton	Deputy Chairman and Joint Managing Director
Carlo Gilardi	Joint Managing Director
Giuliana Benetton Carlo Benetton Alessandro Benetton Gianni Mion Angelo Tantazzi Ulrich Weiss Reginald Bartholomew Luigi Arturo Bianchi	Directors
Pierluigi Bortolussi	Secretary to the Board

Board of Statutory auditors

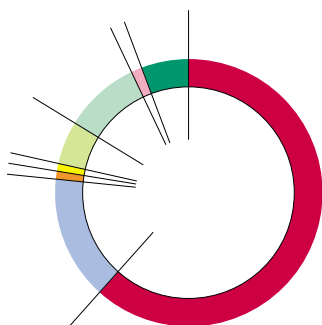
Angelo Casò	Chairman
Dino Sesani Filippo Duodo	Auditors
Antonio Cortellazzo Marco Leotta	Alternate auditors

Independent auditors

Deloitte & Touche S.p.A.

Financial highlights

1st half 2000 net sales by brand [%]



61.6%	United Colors of Benetton
15.0%	Sisley
1.0%	Playlife
0.9%	Nordica
5.2%	Prince
9.2%	Rollerblade
1.4%	Killer Loop
5.7%	Other sales

1st half 2000 revenues by geographic area [%]



74.9%	Europe
12.6%	Americas
12.5%	Rest of the world

Key operating data [billions of Lire]	1st half 2000	%	1st half 1999	%	Change	%	Year 1999	%
Revenues	1,900	100.0	1,915	100.0	[15]	[0.8]	3,838	100.0
Cost of sales	1,042	54.8	1,075	56.1	[33]	[3.0]	2,147	56.0
Gross operating income	858	45.2	840	43.9	18	2.1	1,691	44.0
Income from operations	319	16.8	275	14.4	44	16.0	611	15.9
Net income	334	17.6	135	7.1	199	n.s.	322	8.4

Key financial data [billions of Lire]	06.30.2000	12.31.1999	06.30.1999
Working capital	1,698	1,434	1,597
Net capital employed	3,245	2,757	2,829
Net indebtedness	1,082	576	532
Stockholders' equity	2,141	2,161	2,263
Cash flow [1]	424	501	225
Capital expenditures in tangible and intangible fixed assets	206	347	123
Purchase of equity investments	-	23	9
Sale of equity investments	241	7	6

[1] Income before minority interests + depreciation

Share and market data	06.30.2000	12.31.1999	06.30.1999
Stockholders' equity per share [Lire]	1,179	1,191	1,247
Adjusted Stockholders' equity per share [Lire] [1]	1,077	-	-
Share price: June 30, 2000 [Lire]	4,233	4,409	3,565
Share price: June 30, 2000 [Euro]	2.186	2.277	1.841
Screen-based market: high [Lire]	4,686	4,496	3,640
Screen-based market: low [Lire]	3,623	2,622	2,622
Market capitalization [billions of Lire]	7,685	8,005	6,473
Average No. of shares outstanding [000s] [2]	1,803,597	1,814,736	1,814,139

[1] Net of extraordinary income/expenses

[2] Net of treasury shares held during the period

Exchange rate: 1 Euro = 1,936.27 Lire

Number of employees	06.30.2000	12.31.1999	06.30.1999
Total	6,592	6,585	6,955

2000 interim results

The Benetton Group's revenues for the first half of 2000 totaled Lire 1,900 billion, compared with Lire 1,915 billion in the same period in 1999. These results do not include sales by Benetton Formula Ltd. and Socks & Accessories Benetton [S.A.B.] S.r.l., which have been excluded from the scope of consolidation. These companies' receipts from sponsorship and other sales had contributed a total of more than Lire 80 billion to revenues in the first half of 1999.

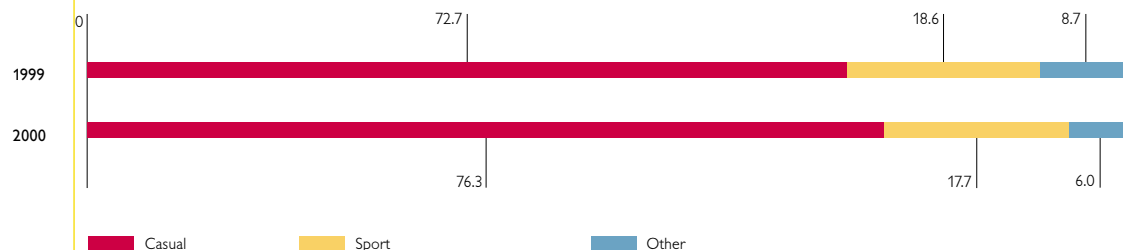
Consolidated net income, which includes Lire 185 billion of extraordinary net revenues mainly from the sale of the Formula One Team, rose to Lire 334 billion, compared with Lire 135 billion in the first half of 1999. Gross margin came to Lire 858 billion, compared with Lire 840 billion at the end of the first half of 1999. Income from operations, amounting to Lire 319 billion, was up approximately Lire 44 billion compared with the same period in the previous year.

The Group generated cash flow of Lire 424 billion compared with Lire 225 billion in the corresponding period in 1999, also due to the positive effect of the extraordinary gains mentioned previously.

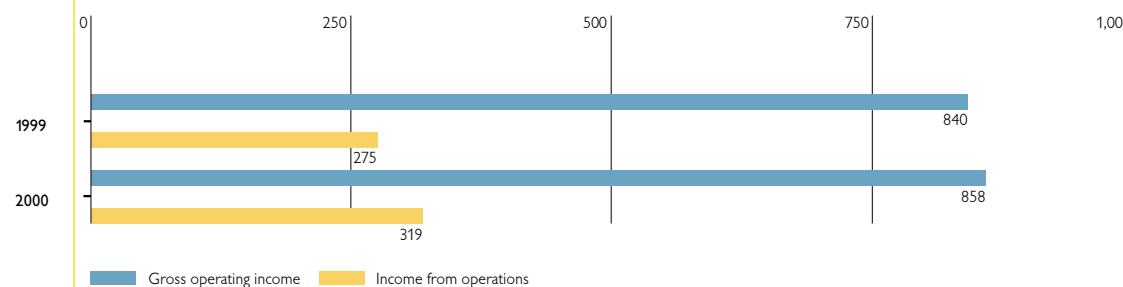
Net Stockholders' equity at June 30, 2000 was Lire 2,141 billion compared with Lire 2,161 billion at the end of 1999.

Net indebtedness rose to Lire 1,082 billion compared with Lire 576 billion at December 31, 1999. This increase was the result of the significant investments made during the period, totaling more than Lire 200 billion, and the extraordinary item represented by the payment of dividends for the sum of Lire 360 billion.

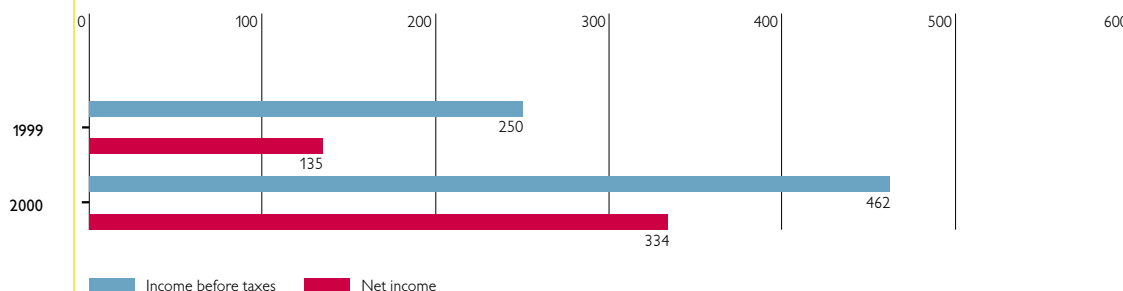
Revenues by activity [%]
1st half 1999
1st half 2000



Gross operating income and income from operations
[billions of lire]
1st half 1999
1st half 2000

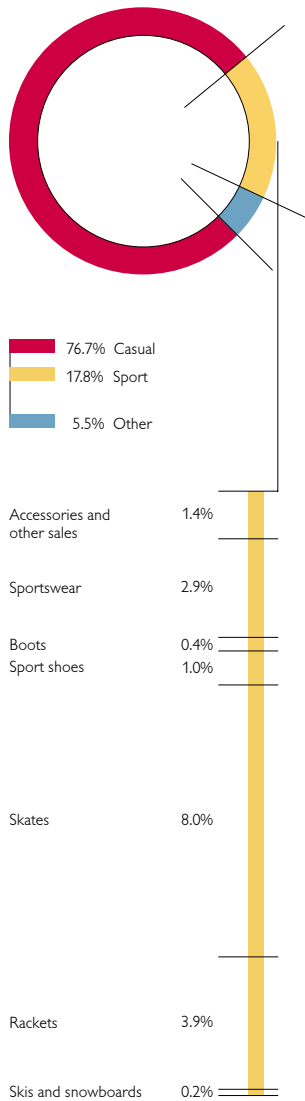


Income before taxes and net income
[billions of Lire]
1st half 1999
1st half 2000



The manufacturing and distribution system

**1st half 2000
net sales by activity [%]**



Casual wear. During the first six months of 2000, sales in the casual wear sector amounted to Lire 1,452 billion, compared with Lire 1,395 billion in the same period in 1999, a 4% increase in value, 8% in volumes. These increases, uniform throughout the main markets, were affected not only by a policy of price containment but also by an increasingly efficient and flexible system for the in-season supply of products that fully meet consumer needs.

On the retail front, the Group continued vigorous implementation of its investment program including the opening of directly-managed megastores in the historic and commercial centers of the world's major cities. These outlets featured the new megastore in Moscow and three new directly-managed sites were inaugurated: in Hamburg, one of the largest Benetton shops in Germany; Milan, specializing in womenswear; and Rome, located in the shopping area of the new Stazione Termini railway station. The number of small outlets fell as larger commercial areas were developed.

At the end of June Benetton's e-commerce project, which also featured the on-line marketing of its clothing collections, went on active trial in Europe. Sales of sportswear are expected to be extended to this media by the end of the year.

In recent years research into textiles and materials has enabled highly innovative products to be made available to the market, particularly in the easy care sector. This led, in the first half of 2000, to the start-up of an experimental project into leather and hide dyeing, taking a fresh look at one of the traditional applications successfully used in Benetton's manufacturing system.

Sports equipment and sportswear. Revenues from the sports sector amounted to Lire 336 billion as against Lire 357 billion in the first half of 1999; this represented a slight reduction that will be recouped during the year, given the seasonal nature of sports equipment sales.

At the end of the six months period there were about 100 sales outlets operating under the Playlife banner, all managed on a franchise basis. Sportswear income increased by more than 40% over the corresponding period in 1999. The management structure was also reinforced at the same time.

As far as individual brandnames are concerned, Playlife, the main label in the Benetton Group's sportswear sector, was chosen by CONI as the official supplier of the uniform for the Italian team selected for the Sydney 2000 Olympics. In the middle of July the uniforms were presented to the athletes and press at the charming Villa Loredan, near Treviso. They were designed on the basis of studies being carried out by the Benetton materials research and development center, in collaboration with the Italian Space Agency, as part of a project for the development of clothing to be used by Space Lab astronauts.

Capital expenditures

The Group's investments in tangible and intangible assets in the first half of 2000 amounted to more than Lire 200 billion. The majority of these investments [about Lire 114 billion on top of the Lire 270 billion for the two previous years] were for acquiring, modernizing and upgrading buildings with the aim of increasing the number of premises available for commercial purposes in the following year.

The main projects currently underway at the balance sheet date are located in Rome, Naples, Catania, Moscow, Barcelona, San Sebastian and Paris.

Investments in the operating and manufacturing areas, totaling Lire 37 billion, were geared to updating and enhancing manufacturing and logistics operations.

Further investments concerned e-commerce projects and a new accounting system.

Communication

The world-wide campaign conducted in the Spring-Summer of 2000 used a series of photographic portraits of inmates on America's Death Row. This painful but necessary reflection on the death penalty gave rise to heated international debate and gave the brand a highly visible profile.

Fabrica, the communication research center rooted in the Group's cultural heritage, has taken a key role in the Benetton communication system. Located in a building complex restored and extended by the Japanese architect Tadao Ando, it is fast becoming one of the leading creative and technological forces in the communication field. The development will be officially inaugurated in its new capacity at the end of September and will cover an area of more than 11,000 square meters, incorporating a cinema, libraries, auditorium, laboratories and photographic studios.

In the 2000 Cannes Film festival, Fabrica Cinema, the film production section, won the special jury prize for the film *Blackboards* directed by the very young Iranian director, Samira Makhmalbaf. This important award was an additional bonus to the other prestigious prizes won in the various film selections competing at the main European film events, from Berlin to Venice.

In May 2000, the Group's program of cultural projects and activities featured the inauguration of the Leleque Museum in the province of Chubut in Argentina. This museum traces the fascinating ethnic, anthropological, cultural and social history of Patagonia, one of the world's most remote regions, where Benetton has been involved in an innovative breeding activity for almost ten years.

Supplementary information

The Euro. The guidelines for the Euro project, in which the Euro is scheduled to be adopted as the unit of account from January 1, 2001, were confirmed.

This process requires major changes to all the information systems, in order to handle decimal fractions, switching the unit of account, restating historical data and dealing with reconciliations and roundings. Closely linked to the above process, work is continuing on the project based on the use of an integrated SAP package to replace and integrate existing financial, accounting, treasury and control procedures.

Financial management. In the cash management area, the Group continued to refine its policy of centralizing cash flows with the Group's captive companies. As always, particular attention was paid to financial risk management with the continual monitoring of exchange and interest rate risk to ensure dynamic management consistent with market trends and financial risk control objectives.

In order to extend the average repayment period for existing indebtedness and provide the Group with sufficient financial resources to support the expansion of the sales network, on July 31, 2000 Benetton Gesfin S.p.A. took out a syndicated loan of Euro 500 million over a seven years period. This operation was undersigned by a pool of banks and is made up of a revolving credit line for the first two years and a loan repayable by instalments for the next five years.

Distribution of dividends. Continuing the dividend distribution policy already pursued during the previous year, the shareholders of Benetton Group S.p.A. voted on April 28, 2000 to distribute a dividend of 200 Lire per share, for the total of Lire 360 billion. Despite the high dividend, the Group's capital base remained virtually unchanged compared to the position at the beginning of the year.

Treasury shares. In the early part of 2000, the Parent Company, in accordance with the resolutions taken by the Ordinary General Meeting, purchased 18,065,000 of its own shares, corresponding to about 1% of the capital stock. These acquisitions were made at an average price of about 2.00 Euro [Lire 3,872] per share, representing a total outlay of Lire 69,945 million.

Subsequently the Company sold 3,544,000 shares at an average price of 2.19 Euro [Lire 4,240] per share, amounting to a total of Lire 15,026 million, realizing gains totaling Lire 1,304 million.

During the period in question, Benetton Group S.p.A. carried out no transactions in shares in parent companies, either directly or through its subsidiaries, via trust companies or any other intermediary.

Relations with the Parent Company and its subsidiaries. The Benetton Group has trading and financial dealings with other subsidiaries of Edizione Holding S.p.A. [the Parent Company] and with other parties directly or indirectly related to it. Trading relations with such parties are conducted on an entirely open, arm's length basis and primarily relate to purchases of services.

The relevant figures appear below:

[millions of Lire]	06.30.2000	06.30.1999
Accounts receivable	5,946	4,717
Accounts payable	4,809	2,878
Purchases of raw materials	1,110	1,843
Other costs and services	11,367	15,196
Sales of products	3,440	3,756
Revenues from services and other income	1,401	1,246

Directors. The Company's directors as of June 30, 2000 are listed below:

Name and Surname	Date of birth	Appointed	Position
Luciano Benetton	05.13.1935	1978	Chairman
Gilberto Benetton	06.19.1941	1978	Deputy Chairman & Joint Managing Director
Carlo Gilardi	11.17.1942	1995	Joint Managing Director
Giuliana Benetton	07.08.1937	1978	Director
Carlo Benetton	12.26.1943	1978	Director
Alessandro Benetton	03.02.1964	1998	Director
Gianni Mion	09.06.1943	1990	Director
Angelo Tantazzi	06.08.1939	1995	Director
Ulrich Weiss	06.03.1936	1997	Director
Reginald Bartholomew	02.17.1936	1999	Director
Luigi Arturo Bianchi	06.03.1958	2000	Director

Luciano Benetton, Gilberto Benetton and Carlo Benetton are brothers and Giuliana Benetton is their sister; Alessandro Benetton is Luciano Benetton's son.

Principal organizational and corporate changes in the Group.

The main events occurring during the first half of the year can be summarized as follows.

Benetton Retail Italia S.r.l. and Benetton Retail Deutschland GmbH were set up to support the direct management of Benetton megastores. The subsidiary Benetton Retail [1988] Ltd. purchased Denware Ltd. from third parties. This company was already managing the Regent Street megastore in London and developing direct sales operations throughout the United Kingdom. In addition, Bencom S.p.A. purchased from third parties Société Nouvelle d'Expansion Redoute Belgique S.A., now known as Benetton Retail Belgique S.A.

United Web S.p.A. was set up to launch and run the e-commerce side of the Group's business. To date, the company has been in a start-up mode, preparing to commence operations.

As part of the ongoing process to optimize procurement and manufacturing operations in the Far East, Benetton [Far East] Ltd. diversified into production outsourcing, alongside its distribution and marketing functions. Benetton [Far East] Ltd. will be responsible for identifying clothing and equipment suppliers and manufacturers, organizing decentralized production to meet Benetton Group S.p.A. specifications, quality control and a variety of logistic services.

The above measures are an integral part of the broad scheme for rationalizing manufacturing operations and concentrating them in a small number of operational poles. This process included completion of the transfer to Italy of the Prince sports equipment research and development function.

Benetton Croatia D.o.o. was set up to provide manufacturing services on behalf of the Benetton Group S.p.A.

Within the extensive program to simplify the Group's organizational structure, which was already underway, the decision was taken to merge the wholly owned subsidiaries, Socks & Accessories Benetton [S.A.B.] S.r.l. and Bencom S.p.A., into Benetton Group S.p.A. The first operation followed the acquisition of the whole capital stock of Socks & Accessories Benetton [S.A.B.] S.r.l. at the same time as Benetton Group S.p.A. took central control of styling, manufacturing and marketing of accessories.

The second operation involved the decision to transfer the commercial side of the business from Bencom S.p.A. to the newly incorporated Gescom S.r.l., and to transfer the interest in Benair S.p.A. from Bencom S.p.A. to Benfin S.p.A.

Under the reorganization of the manufacturing division, Benfin S.p.A. transferred its whole interest in Texcontrol S.p.A. to Olimprias S.p.A. This operation took place prior to Olimprias S.p.A.'s absorption of Texcontrol S.p.A., as already decided, as well as of Manifattura Goriziana S.p.A., Tessitura Travesio S.p.A. and Lanificio di Follina S.p.A.

Finally, Benetton International N.V.'s 100% interest in Benetton [UK] Ltd., the owner of Benetton Formula Ltd., was assigned to Renault Group B.V.

Significant events after June 30, 2000. In July Benetton France Trading S.à r.l. completed its acquisition of Veuve Auguste Dewas et Compagnie S.A. This company owns a commercial operation in Lille, which is earmarked to become a Benetton megastore. A Luxembourg company is in the process of being established under the direct sales operation policy. This company will incorporate all the shareholdings of Group companies operating in Europe in the direct management of Benetton megastores. Also being set up at the moment is the Austrian company, Benetton Retail Austria Handels GmbH, for direct management operations in Austria.

July also saw completion of the process begun in the first half of the year when it was decided to increase the capital of Gescom S.r.l. and Benfin S.p.A. by conferrals of business divisions and the interest in Benair S.p.A. respectively.

Outlook for the full year. On the basis of the Group's results to June 30, 2000, the year-end results should reasonably be in line with expectations and the targets previously set.

Forecast revenues for the Benetton Group should exceed Lire 4,000 billion as against the Lire 3,838 billion in 1999. This reflects, amongst other things, favourable exchange rate movements and the negative effect of excluding Benetton Formula Ltd. and S.A.B. [Benetton accessories] from the consolidation. The improvement in efficiency, with its positive impact on gross margin and income from operations, was already noted in the first half of 2000. It serves to confirm the forecast rate of increase in consolidated earnings, net of the impact of extraordinary items, in line with performance in the first half.

Net indebtedness at June 30 totaled Lire 1,082 billion. This figure will reduce, despite the fact that a significant financial commitment is being earmarked for real estate development.





Group results

Consolidated statement of income. The highlights of the Group's statement of income are presented below, together with those for the same period of last year. The following summary is based on the reclassified statement of income included among the attachments to the financial statements.

[billions of Lire]	1st half 2000	%	1st half 1999	%	Change	%
Revenues	1,900.0	100.0	1,915.2	100.0	[15.2]	[0.8]
Cost of sales	[1,042.0]	[54.8]	[1,074.8]	[56.1]	32.8	[3.0]
Gross operating income	858.0	45.2	840.4	43.9	17.6	2.1
Variable selling costs	[130.3]	[6.9]	[132.3]	[6.9]	2.0	[1.5]
Contribution margin	727.7	38.3	708.1	37.0	19.6	2.8
General and administrative expenses	[409.1]	[21.5]	[433.3]	[22.6]	24.2	[5.6]
Income from operations	318.6	16.8	274.8	14.4	43.8	15.9
Losses on foreign exchange	[22.4]	[1.2]	[1.8]	[0.1]	[20.6]	n.s.
Financial charges, net	[19.2]	[1.0]	[11.6]	[0.6]	[7.6]	65.5
Extraordinary income [expenses]	185.1	9.8	[11.0]	[0.6]	196.1	n.s.
Income before taxes	462.1	24.3	250.4	13.1	211.7	84.5
Income taxes	[125.1]	[6.6]	[112.5]	[5.9]	[12.6]	11.2
Income attributable to minority interests	[2.9]	[0.2]	[2.7]	[0.1]	[0.2]	7.4
Net income	334.1	17.6	135.2	7.1	198.9	n.s.

■ **Performance by activity.** The Group's financial reporting system, arising from the acquisition in March 1998 of the Benetton Sportssystem group, has been adapted to provide the basis for internal reports that effectively support decision-making, and external publication of an accurate and meaningful presentation of the Group's strategic growth areas and its related business and financial performance.

The business sectors used as the basis for the allocation used are:

- the casual wear sector, which also includes complementary products, such as accessories and footwear, representing the Benetton brands [United Colors of Benetton, Undercolors and Sisley];
- the sportswear and equipment sector developed with the Playlife, Nordica, Prince, Rollerblade and Killer Loop labels;
- the complementary business sector, including sales of raw materials, semi-finished products and industrial services.

■ Results by activity - 1st half 2000

[billions of Lire]	Casual wear	%	Sportswear, sports equipment	%	Other sectors	%	Eliminations	Total	%
Revenues	1,452	100.0	336	100.0	340	100.0	228	1,900	100.0
Cost of sales	[764]	[52.6]	[202]	[60.0]	[303]	[89.0]	[227]	[1,042]	[54.8]
Gross operating income	688	47.4	134	40.0	37	11.0	1	858	45.2
Variable selling costs	[94]	[6.5]	[28]	[8.3]	[9]	[2.8]	[1]	[130]	[6.8]
Contribution margin	594	40.9	106	31.6	28	8.2	-	728	38.3

■ Results by activity - 1st half 1999

[billions of Lire]	Casual wear	%	Sportswear, sports equipment	%	Other sectors	%	Eliminations	Total	%
Revenues	1,395	100.0	357	100.0	402	100.0	239	1,915	100.0
Cost of sales	[766]	[54.9]	[226]	[63.3]	[319]	[79.4]	[236]	[1,075]	[56.1]
Gross operating income	629	45.1	131	36.7	83	20.6	3	840	43.9
Variable selling costs	[95]	[6.8]	[29]	[8.1]	[9]	[2.2]	[1]	[132]	[6.9]
Contribution margin	534	38.3	102	28.6	74	18.4	2	708	37.0

Revenues by geographical area are distributed as follows:

[billions of Lire]	Europe	%	The Americas	%	Other geographic areas	%	1st half 2000	1st half 1999	Change %
Casual wear	1,188.2	83.4	79.1	33.1	182.1	76.8	1,449.4	1,393.0	4.1
Sportswear and sport equipment	141.7	10.0	155.2	65.0	39.1	16.5	336.0	356.1	[5.7]
Other sectors	94.1	6.6	4.6	1.9	15.9	6.7	114.6	166.1	[31.0]
Total revenues 1st half 2000	1,424.0	100.0	238.9	100.0	237.1	100.0	1,900.0	1,915.2	[0.8]
Total revenues 1st half 1999	1,396.6	-	283.1	-	235.5	-	-	1,915.2	-

The first half of 2000 was marked by a 4.1% increase in casual wear sales compared with the same period in 1999. This increase offset almost entirely the decline in the sports sector and the exclusion of Benetton Formula Ltd. and Socks & Accessories Benetton [S.A.B.] S.r.l. from the consolidation. The cyclical nature of sportswear sales has also resulted in revenues falling below the level expected for the current year.

The Group's gross margin has improved further to the significant level of 45.2% of revenues compared with 43.9% recorded in the same period in 1999. The reasons behind this improvement also lie in the fact that the gross margin have been brought into line with the strategic objectives pursued by the Benetton Group.

Selling expenses are broadly the same. General and administrative expenses fell by approximately Lire 24 billion compared with the first half of 1999, representing 21.5% of revenues. This change was represented by a Lire 40 billion reduction in personnel costs and general expenses and an increase in sponsorship costs of Lire 16 billion.

The Group's income from operations, totaling Lire 318.6 billion, has increased by about Lire 44

billion and represents 16.8% of revenues as against 14.4% in the same period in 1999.

Foreign currency operations reflect the policies adopted to cover exchange risks and are hence affected by the weakness of the Euro against other currencies.

The increase in net financial charges is related not only to the increase in market rates but also to the increase in the Group's average net indebtedness.

Extraordinary income is generated almost entirely by the net effect of the gain made on the sale of Benetton [UK] Ltd., the owner of Benetton Formula Ltd., and the extraordinary expenses arising from the settlements with Eco Swiss China Time Ltd. and Bulova Corporation.

The Group's net income, minus the above extraordinary items, amounted to Lire 149 billion, an increase of more than 10% compared with the first half of 1999.

Financial situation - highlights. The Group's financial position is summarized below on a comparative basis with the situation at the end of 1999:

[billions of Lire]	06.30.2000	12.31.1999	Change	06.30.1999
Working capital	1,698	1,434	264	1,597
Total capital employed	3,245	2,757	488	2,829
Net indebtedness	1,082	576	506	532
Stockholders' equity	2,141	2,161	[20]	2,263
Minority interests	22	20	2	34

Working capital increased compared to December 31, 1999, mainly as the result of the residual credit arising from the disposal of Benetton Formula Ltd., combined with the rise in trade receivables and inventories, due particularly by the cyclical nature of casual wear sales.

Total capital employed reflected increases in tangible fixed assets to support retail operations and the reduction in reserves for taxation and other liabilities.

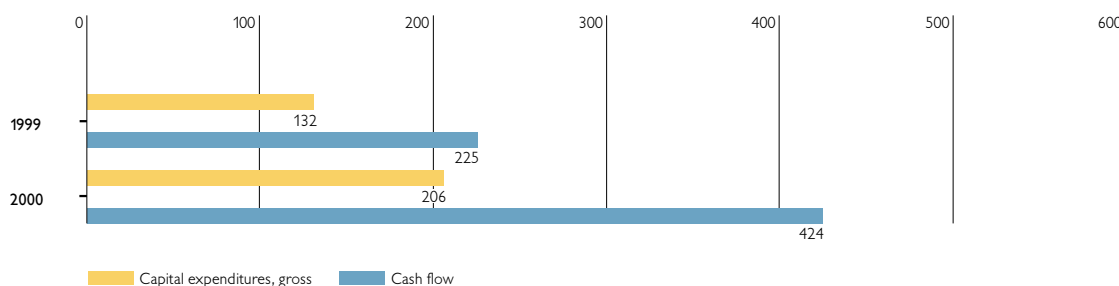
Cash flows during the half-year are summarized below with comparative figures for the same period of last year:

[billions of Lire]	1st half 2000	1st half 1999
Self-financing	272.6	369.3
Change in working capital	[280.6]	[260.7]
Net operating and financial investments	[167.5]	[139.0]
Sale of investments	240.9	5.6
Payment of dividends	[360.8]	[100.7]
Payment of taxes	[205.5]	[24.4]
Net financial requirements	[500.9]	[149.9]

The significant impact of extraordinary transactions, such as the sale of Benetton Formula Ltd. and use of risk provisions relating to the settlement with Eco Swiss China Time Ltd., is reflected in the self-financing figure.

Please refer to the financial statements and explanatory notes for further details on the Group's business and financial results.

Capital expenditures [gross] and cash flow
[billions of Lire]
1st half 1999
1st half 2000







Consolidated balance sheet - Assets [millions of Lire]

	06.30.2000	12.31.1999	06.30.1999
B Fixed assets			
I Intangible fixed assets			
1 start-up expenses	4,261	4,637	5,548
2 research, development and advertising expenses	509	738	874
3 industrial patents and intellectual property rights	6,438	6,876	7,476
4 concessions, licenses, trademarks and similar rights	448,908	463,704	482,790
5 goodwill and consolidation differences	87,685	67,858	62,169
6 assets under construction	37,110	5,818	7,940
7 other intangible fixed assets	73,219	64,454	43,551
Total intangible fixed assets	658,130	614,085	610,348
II Tangible fixed assets			
1 real estate	624,830	618,349	509,651
2 plant and machinery	157,751	169,516	167,816
3 industrial and commercial equipment	22,643	27,355	26,643
4 other assets	97,681	96,045	80,671
5 assets under construction and advances to suppliers	96,741	53,472	50,925
Total tangible fixed assets	999,646	964,737	835,706
III Financial fixed assets			
1 equity investments in:			
a) subsidiary companies	45,984	46,494	44,379
b) associated companies	93	103	39
d) other companies	7,302	7,168	6,985
Total equity investments	53,379	53,765	51,403
2 accounts receivable due from:			
d) third parties:			
· within 12 months	15,107	14,672	5,223
· beyond 12 months	32,143	27,987	47,239
Total accounts receivable due from third parties	47,250	42,659	52,462
3 other securities	270,602	270,555	223,003
Total financial fixed assets	371,231	366,979	326,868
Total fixed assets	2,029,007	1,945,801	1,772,922

[✓]

	06.30.2000	12.31.1999	06.30.1999
C Current assets			
I Inventories			
1 raw materials, other materials and consumables	177,775	162,157	152,835
2 work in progress and semi-manufactured products	170,773	177,839	185,622
4 finished goods and goods for resale	299,834	230,244	271,167
5 advance payments to suppliers	2,746	284	377
Total inventories	651,128	570,524	610,001
II Accounts receivable			
1 trade receivables			
· within 12 months	1,605,946	1,485,338	1,616,004
· beyond 12 months	319	4,310	4,553
Total trade receivables	1,606,265	1,489,648	1,620,557
2 subsidiary companies	4,757	4,417	5,008
3 associated companies	32	32	26
4 Parent Company	11	123	229
5 other receivables			
· within 12 months	221,199	183,590	137,447
· beyond 12 months	71,580	11,882	9,429
Total other receivables	292,779	195,472	146,876
Total accounts receivable	1,903,844	1,689,692	1,772,696
III Financial assets not held as fixed assets			
5 treasury shares	56,223	-	-
6 other securities	195,080	198,085	201,033
7 other financial receivables	799	180,628	18,701
8 differentials on forward transactions			
· within 12 months	3,075	421	8,914
· beyond 12 months	-	-	600
Total differentials on forward transactions	3,075	421	9,514
Total financial assets not held as fixed assets	255,177	379,134	229,248
IV Liquid funds			
1 bank and post office deposits	327,294	343,228	623,164
2 checks	56,750	86,606	36,239
3 cash in hand	1,320	958	1,085
Total liquid funds	385,364	430,792	660,488
Total current assets	3,195,513	3,070,142	3,272,433
D Accrued income and prepaid expenses	74,212	90,636	91,399
TOTAL ASSETS	5,298,732	5,106,579	5,136,754

Consolidated balance sheet - Liabilities and memorandum accounts

[millions of Lire]

	06.30.2000	12.31.1999	06.30.1999
A Stockholders' equity			
I Capital stock	453,897	453,897	453,897
II Additional paid-in capital	109,543	109,543	109,543
III Revaluation reserves	42,711	42,711	42,711
IV Legal reserve	46,692	23,232	23,232
V Reserve for treasury shares	56,223	-	-
VII Other reserves	1,097,663	1,209,735	1,498,728
IX Net income for the period	334,125	322,244	135,208
Group interest in Stockholders' equity	2,140,854	2,161,362	2,263,319
Minority interests	22,451	19,888	33,629
Total Stockholders' equity	2,163,305	2,181,250	2,296,948
B Reserves for risks and charges			
2 taxation	8,420	8,413	8,398
3 other	21,748	95,532	95,860
Total reserves for risks and charges	30,168	103,945	104,258
C Reserves for employee termination indemnities	94,196	91,346	89,048
D Accounts payable			
1 bonds			
· within 12 months	-	-	35,999
· beyond 12 months	500,000	500,000	500,000
Total bonds	500,000	500,000	535,999
3 due to banks			
· within 12 months	884,853	745,549	706,698
· beyond 12 months	446,072	403,454	412,111
Total due to banks	1,330,925	1,149,003	1,118,809
4 due to other finance providers			
· within 12 months	6,243	5,087	4,125
· beyond 12 months	20,543	11,147	12,359
Total due to other finance providers	26,786	16,234	16,484
5 advances from customers	42,979	39,003	29,048
6 trade payables	736,616	703,862	660,750
7 securities issued within 12 months	3,094	2,289	2,230
10 due to Parent Company	150,000	121	-
11 due to tax authorities			
· within 12 months	87,564	163,780	125,564
· beyond 12 months	26,233	35,045	45,287
Total due to tax authorities	113,797	198,825	170,851

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	06.30.2000	12.31.1999	06.30.1999
12 due to social security and welfare institutions	11,087	17,387	11,654
13 other payables			
· within 12 months	70,801	66,022	47,954
· beyond 12 months	463	1,183	3,233
Total other payables	71,264	67,205	51,187
Total accounts payable	2,986,548	2,693,929	2,597,012
E Accrued expenses and deferred income			
1 accrued expenses and deferred income	24,157	35,663	48,941
2 premiums on bond issues	358	446	547
Total accrued expenses and deferred income	24,515	36,109	49,488
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	5,298,732	5,106,579	5,136,754

Memorandum accounts

[millions of Lire]

	06.30.2000	12.31.1999	06.30.1999
Fiduciary guarantees granted			
Guarantees	39	151	-
Other	-	-	2,243
Commitments			
Sale commitments	15,900	10,000	10,000
Purchase commitments	65,178	11,813	35,707
Other commitments	10,992	17,019	-
Fiduciary guarantees received			
Notes lodged by third parties	20	20	20
Other			
Currency to be sold forward	965,703	1,011,305	1,224,764
Currency to be purchased forward	155,140	85,109	176,193
Restricted accounts receivable	27,869	25,843	91,960
Notes presented for discount	1,613	1,639	1,957
TOTAL MEMORANDUM ACCOUNTS	1,242,454	1,162,899	1,542,844

Consolidated statements of income | [millions of Lire]

		1st half 2000	1st half 1999	Year 1999
A	Value of production			
1	Revenues from sales and services	1,900,029	1,915,223	3,837,815
2	Change in work in progress, semi-manufactured products and finished goods	61,531	62,974	14,053
4	Own work capitalized	1,478	228	2,045
5	Other income and revenues	25,789	13,330	32,483
	Total value of production	1,988,827	1,991,755	3,886,396
B	Production costs			
6	Raw materials, other materials, consumables and goods for resale	557,082	543,466	1,050,309
7	External services	747,600	745,143	1,443,883
8	Leases and rentals	29,484	24,596	52,069
9	Payroll and related costs:			
a	wages and salaries	159,439	178,121	340,350
b	social security contributions	47,094	48,000	91,348
c	employee termination indemnities	8,766	8,447	17,408
e	other costs	664	1,516	1,609
	Total payroll and related costs	215,963	236,084	450,715
10	Amortization, depreciation and writedowns:			
a	amortization of intangible fixed assets	37,524	34,825	74,255
b	depreciation of tangible fixed assets	49,088	52,238	98,334
c	other writedowns of fixed assets	75	2,055	2,883
d	writedowns of current receivables and of liquid funds	18,113	16,000	28,989
	Total amortization, depreciation and writedowns	104,800	105,118	204,461
11	Change in stock of raw materials, other materials, consumables and goods for resale	[15,509]	27,371	18,141
12	Provisions to risk reserves	5,378	21,872	19,338
14	Other operating costs	21,315	24,740	36,977
	Total production costs	1,666,113	1,728,390	3,275,893
	Difference between production value and costs	322,714	263,365	610,503
C	Financial income and expenses			
15	Income from equity investments	4,606	3,605	4,858
16	Other financial income:			
a	from receivables held as financial fixed assets · other companies	1,865	304	624
b	from securities held as financial fixed assets not representing equity investments	5,041	1,357	6,277
c	from securities included among current assets not representing equity investments	7,766	8,759	17,062
d	financial income other than the above · subsidiary companies · other companies	120 97,227	157 82,528	216 158,288
	Total financial income other than the above	97,347	82,685	158,504
	Total other financial income	112,019	93,105	182,467

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	1st half 2000	1st half 1999	Year 1999
17			
Interest and other financial expenses			
· subsidiary companies	-	6	6
· Parent Company	567	2,607	2,607
· other companies	156,627	109,744	273,794
Total interest and other financial expenses	157,194	112,357	276,407
Total financial income and expenses	[40,569]	[15,647]	[89,082]
D			
Changes in value of financial assets			
18			
Revaluations:			
c of securities included among current assets not representing equity investments	71	82	226
19			
Writedowns:			
a of equity investments	15	291	219
b of financial fixed assets not representing equity investments	-	-	2,561
c of securities included among current assets not representing equity investments	3,031	407	1,272
Total writedowns	3,046	698	4,052
Total changes in value of financial assets	[2,975]	[616]	[3,826]
E			
Extraordinary income and expenses			
20			
Income:			
· gains on disposals	230,462	5,339	15,517
· other	6,951	7,761	23,096
Total income	237,413	13,100	38,613
21			
Expenses:			
· losses on disposals	3,703	2,983	7,067
· taxes relating to prior years	32	569	587
· other	50,691	6,219	35,731
Total expenses	54,426	9,771	43,385
Total extraordinary income and expenses	182,987	3,329	[4,772]
Results before income taxes	462,157	250,431	512,823
22			
Income taxes	125,086	112,539	184,412
Income before minority interests	337,071	137,892	328,411
[Income]/Loss attributable to minority interests	[2,946]	[2,684]	[6,167]
26			
Net income for the period	334,125	135,208	322,244

**Statement of changes
in minority interests
for 1st half 2000 and for 1st half 1999** | [millions of Lire]

	Capital and reserves	Net income	Total
Balance as of December 31, 1999	13,721	6,167	19,888
Allocation of 1999 net income	6,167	[6,167]	-
Dividends distributed	[750]	-	[750]
Translation differences	367	-	367
Net income for the period	-	2,946	2,946
Balance as of June 30, 2000	19,505	2,946	22,451

	Capital and reserves	Net income	Total
Balance as of December 31, 1998	32,331	[1,443]	30,888
Allocation of 1998 net income	[1,443]	1,443	-
Disposal of equity investments	[1,422]	-	[1,422]
Change in consolidation area	794	-	794
Dividends distributed	[908]	-	[908]
Translation differences	1,593	-	1,593
Net income for the period	-	2,684	2,684
Balance as of June 30, 1999	30,945	2,684	33,629

Statements of cash flow

[millions of Lire]

	1st half 2000	1st half 1999
Cash flow from operating activities		
Income before minority interests	337,071	137,892
Depreciation and amortization	86,612	87,063
Amortization of deferred charges on long-term loans	364	455
Provision for doubtful accounts and other non-monetary charges	31,757	43,752
Provision/[Utilization] of exchange fluctuations reserve, net	[5,804]	856
Provision for income taxes	125,086	112,539
Losses/[Gains] on disposal of assets, investments, net	[223,537]	1,482
Payment of termination indemnities and use of other reserves	[78,923]	[14,752]
Self-financing	272,626	369,287
Payment of taxes	[205,512]	[24,392]
Change in account receivables	[128,408]	[129,674]
Increase in other operating receivables	[115,922]	[9,552]
Decrease in inventories	[79,495]	[35,352]
Decrease in accounts payable	33,137	[86,557]
Increase in other operating payables and accruals	10,089	423
Change in working capital	[280,599]	[260,712]
Net cash flow from operating activities	[213,485]	84,183
Cash flow from investing activities		
Purchase of new subsidiaries	[275]	[8,638]
Purchase of tangible fixed assets	[124,787]	[112,828]
Investment in intangible fixed assets	[80,857]	[9,825]
Sales of tangible fixed assets	30,521	7,878
Disposal of intangible fixed assets	585	633
Net change in investment-related receivables and payables	7,883	[1,107]
Net cash flow from investing activities	[166,930]	[123,887]
Cash flow from other investing activities		
Purchase of equity investments	[1]	[523]
Sale of investments	240,855	5,613
[Increase]/Decrease in guarantee deposits and treasury shares	[597]	[14,617]
Net cash used in other investing activities	240,257	[9,527]
Payment of dividends	[360,781]	[100,665]
Net financing/[requirement] surplus	[500,939]	[149,896]

[/]

	1st half 2000	1st half 1999
Cash flow from financing activities		
Change in short-term borrowing	474,314	[63,990]
Proceeds from issuance of long-term debt	51,280	33,220
Repayment of long-term debt	[9,140]	[16,328]
Change in securities held as fixed assets	-	[220,140]
Increase in other financial assets	[9,177]	[103]
Decrease in other financial assets	4,896	3,380
Decrease in lease financing	11,288	[2,133]
	523,461	[266,094]
Change of liquidity	[15,940]	443,850
Effect of translation adjustments	[6,582]	[27,860]
Net cash provided/[used] by financing activities	500,939	149,896

Consolidated balance sheet in Euro - Assets | [thousands of Euro]*

	06.30.2000	12.31.1999	06.30.1999
B Fixed assets			
I Intangible fixed assets			
1 start-up expenses	2,201	2,395	2,865
2 research, development and advertising expenses	263	381	451
3 industrial patents and intellectual property rights	3,325	3,551	3,861
4 concessions, licenses, trademarks and similar rights	231,842	239,483	249,340
5 goodwill and consolidation differences	45,285	35,046	32,108
6 assets under construction	19,166	3,005	4,101
7 other intangible fixed assets	37,814	33,287	22,492
Total intangible fixed assets	339,896	317,148	315,218
II Tangible fixed assets			
1 real estate	322,698	319,351	263,213
2 plant and machinery	81,472	87,548	86,670
3 industrial and commercial equipment	11,694	14,127	13,760
4 other assets	50,448	49,603	41,663
5 assets under construction and advances to suppliers	49,962	27,616	26,300
Total tangible fixed assets	516,274	498,245	431,606
III Financial fixed assets			
1 equity investments in:			
a) subsidiary companies	23,749	24,012	22,920
b) associated companies	48	53	20
d) other companies	3,771	3,702	3,608
Total equity investments	27,568	27,767	26,548
2 accounts receivable due from:			
d) third parties:			
· within 12 months	7,802	7,578	2,698
· beyond 12 months	16,600	14,454	24,397
Total accounts receivable due from third parties	24,402	22,032	27,095
3 other securities	139,754	139,730	115,171
Total financial fixed assets	191,724	189,529	168,814
Total fixed assets	1,047,894	1,004,922	915,638

[/]

	06.30.2000	12.31.1999	06.30.1999
C Current assets			
I Inventories			
1 raw materials, other materials and consumables	91,813	83,747	78,933
2 work in progress and semi-manufactured products	88,197	91,846	95,866
4 finished goods and goods for resale	154,851	118,911	140,046
5 advance payments to suppliers	1,418	147	194
Total inventories	336,279	294,651	315,039
II Accounts receivable			
1 trade receivables			
· within 12 months	829,402	767,113	834,596
· beyond 12 months	165	2,226	2,352
Total trade receivables	829,567	769,339	836,948
2 subsidiary companies	2,457	2,281	2,586
3 associated companies	17	17	13
4 Parent Company	6	63	118
5 other receivables			
· within 12 months	114,240	94,816	70,985
· beyond 12 months	36,968	6,137	4,870
Total other receivables	151,208	100,953	75,855
Total accounts receivable	983,255	872,653	915,520
III Financial assets not held as fixed assets			
5 treasury shares	29,037	-	-
6 other securities	100,750	102,302	103,825
7 other financial receivables	413	93,287	9,658
8 differentials on forward transactions			
· within 12 months	1,588	217	4,604
· beyond 12 months	-	-	310
Total differentials on forward transactions	1,588	217	4,914
Total financial assets not held as fixed assets	131,788	195,806	118,397
IV Liquid funds			
1 bank and post office deposits	169,033	177,263	321,837
2 checks	29,309	44,728	18,716
3 cash in hand	682	495	561
Total liquid funds	199,024	222,486	341,114
Total current assets	1,650,346	1,585,596	1,690,070
D Accrued income and prepaid expenses	38,327	46,810	47,204
TOTAL ASSETS	2,736,567	2,637,328	2,652,912

[*] Exchange rate: 1 Euro = Lire 1,936.27

Consolidated balance sheet in Euro - Liabilities and memorandum accounts

[thousands of Euro]*

	06.30.2000	12.31.1999	06.30.1999
A Stockholders' equity			
I Capital stock	234,418	234,418	234,418
II Additional paid-in capital	56,574	56,574	56,574
III Revaluation reserves	22,058	22,058	22,058
IV Legal reserve	24,114	11,999	11,999
V Reserve for treasury shares	29,037	-	-
VII Other reserves	566,897	624,776	774,028
IX Net income for the period	172,561	166,425	69,829
Group interest in Stockholders' equity	1,105,659	1,116,250	1,168,906
Minority interests	11,595	10,271	17,368
Total Stockholders' equity	1,117,254	1,126,521	1,186,274
B Reserves for risks and charges			
2 taxation	4,349	4,345	4,337
3 other	11,232	49,338	49,508
Total reserves for risks and charges	15,581	53,683	53,845
C Reserves for employee termination indemnities	48,648	47,176	45,989
D Accounts payable			
1 bonds			
· within 12 months	-	-	18,592
· beyond 12 months	258,228	258,228	258,228
Total bonds	258,228	258,228	276,820
3 due to banks			
· within 12 months	456,988	385,044	364,979
· beyond 12 months	230,377	208,367	212,838
Total due to banks	687,365	593,411	577,817
4 due to other finance providers			
· within 12 months	3,224	2,627	2,130
· beyond 12 months	10,610	5,757	6,383
Total due to other finance providers	13,834	8,384	8,513
5 advances from customers	22,197	20,143	15,002
6 trade payables	380,430	363,514	341,249
7 securities issued within 12 months	1,598	1,182	1,152
10 due to Parent Company	77,469	63	-
11 due to tax authorities			
· within 12 months	45,223	84,586	64,848
· beyond 12 months	13,548	18,099	23,389
Total due to tax authorities	58,771	102,685	88,237

[✓]

	06.30.2000	12.31.1999	06.30.1999
12 due to social security and welfare institutions	5,726	8,980	6,019
13 other payables			
· within 12 months	36,566	34,098	24,766
· beyond 12 months	239	611	1,670
Total other payables	36,805	34,709	26,436
Total accounts payable	1,542,423	1,391,299	1,341,245
E Accrued expenses and deferred income			
1 accrued expenses and deferred income	12,476	18,419	25,276
2 premiums on bond issues	185	230	283
Total accrued expenses and deferred income	12,661	18,649	25,559
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	2,736,567	2,637,328	2,652,912

Memorandum accounts in Euro | [thousands of Euro]*

	06.30.2000	12.31.1999	06.30.1999
Fiduciary guarantees granted			
Guarantees	20	78	-
Other	-	-	1,159
Commitments			
Sale commitments	8,212	5,165	5,165
Purchase commitments	33,662	6,101	18,441
Other commitments	5,677	8,790	-
Fiduciary guarantees received			
Notes lodged by third parties	10	10	10
Other			
Currency to be sold forward	498,744	522,295	632,538
Currency to be purchased forward	80,123	43,955	90,996
Restricted accounts receivable	14,393	13,347	47,493
Notes presented for discount	833	846	1,011
TOTAL MEMORANDUM ACCOUNTS	641,674	600,587	796,813

[*] Exchange rate: 1 Euro = Lire 1,936.27

Consolidated statements of income in Euro | [thousands of Euro]*

		1st half 2000	1st half 1999	Year 1999
A	Value of production			
1	Revenues from sales and services	981,283	989,130	1,982,066
2	Change in work in progress, semi-manufactured products and finished goods	31,778	32,523	7,258
4	Own work capitalized	763	118	1,056
5	Other income and revenues	13,319	6,885	16,776
	Total value of production	1,027,143	1,028,656	2,007,156
B	Production costs			
6	Raw materials, other materials, consumables and goods for resale	287,709	280,677	542,439
7	External services	386,103	384,834	745,703
8	Leases and rentals	15,227	12,703	26,891
9	Payroll and related costs:			
a	wages and salaries	82,343	91,992	175,776
b	social security contributions	24,322	24,790	47,177
c	employee termination indemnities	4,527	4,362	8,991
e	other costs	343	783	831
	Total payroll and related costs	111,535	121,927	232,775
10	Amortization, depreciation and writedowns:			
a	amortization of intangible fixed assets	19,380	17,986	38,350
b	depreciation of tangible fixed assets	25,352	26,978	50,785
c	other writedowns of fixed assets	39	1,062	1,489
d	writedowns of current receivables and of liquid funds	9,355	8,263	14,972
	Total amortization, depreciation and writedowns	54,126	54,289	105,596
11	Change in stock of raw materials, other materials, consumables and goods for resale	[8,010]	14,136	9,369
12	Provisions to risk reserves	2,778	11,296	9,987
14	Other operating costs	11,008	12,777	19,097
	Total production costs	860,476	892,639	1,691,857
	Difference between production value and costs	166,667	136,017	315,299
C	Financial income and expenses			
15	Income from equity investments	2,379	1,862	2,509
16	Other financial income:			
a	from receivables held as financial fixed assets · other companies	963	157	322
b	from securities held as financial fixed assets not representing equity investments	2,603	701	3,242
c	from securities included among current assets not representing equity investments	4,011	4,524	8,812
d	financial income other than the above · subsidiary companies · other companies	62 50,214	81 42,622	112 81,749
	Total financial income other than the above	50,276	42,703	81,861
	Total other financial income	57,853	48,085	94,237

[X]

	1st half 2000	1st half 1999	Year 1999
17	Interest and other financial expenses:		
· subsidiary companies	-	3	3
· Parent Company	293	1,347	1,347
· other companies	80,891	56,678	141,403
Total interest and other financial expenses	81,184	58,028	142,753
Total financial income and expenses	[20,952]	[8,081]	[46,007]
D	Changes in value of financial assets		
18	Revaluations:		
c	of securities included among current assets not representing equity investments		
	37	42	117
19	Writedowns:		
a	of equity investments		
	8	150	113
b	of financial fixed assets not representing equity investments		
	-	-	1,323
c	of securities included among current assets not representing equity investments		
	1,565	210	657
Total writedowns	1,573	360	2,093
Total changes in value of financial assets	[1,536]	[318]	[1,976]
E	Extraordinary income and expenses		
20	Income:		
· gains on disposals	119,024	2,757	8,014
· other	3,590	4,008	11,928
Total income	122,614	6,765	19,942
21	Expenses:		
· losses on disposals	1,912	1,540	3,650
· taxes relating to prior years	16	294	303
· other	26,180	3,212	18,454
Total expenses	28,108	5,046	22,407
Total extraordinary income and expenses	94,506	1,719	[2,465]
Results before income taxes	238,685	129,337	264,851
22	Income taxes		
	64,602	58,122	95,241
Income before minority interests	174,083	71,215	169,610
	[Income]/Loss attributable to minority interests	[1,522]	[1,386]
26	Net income for the period	172,561	69,829
			166,425

[*] Exchange rate: 1 Euro = Lire 1,936.27





Notes to the consolidated financial statements

The consolidated financial statements for the period have been prepared in conformity with chapter III of Legislative Decree 127 of April 9, 1991, which implemented the EC VII Directive in Italy.

The notes to the consolidated financial statements explain, analyze and, in some cases, supplement the data reported on the face of the financial statements and include information required by article 38 and other provisions of Decree 127/1991. Additional information is also provided in order to present a true and fair view of the financial and operating position of the Group, even where this is not required by specific legislation.

Unless otherwise specified, amounts indicated in these notes are expressed in millions of Italian Lire.

Activities of the Group. Benetton Group S.p.A., the Parent Company, and its subsidiary companies [collectively the "Group"] primarily manufacture and market fashion apparel in wool, cotton and woven fabrics, as well as sports equipment, sportswear and casual wear. The manufacture of finished articles from raw materials is primarily undertaken in Italy, partly within the Group and partly using subcontractors, whereas marketing is carried out through an extensive sales network both in Italy and abroad. This network consists of sales representatives and specialty stores that are almost all independently owned.

Form and content of the consolidated financial statements.

The consolidated financial statements of the Group include the financial statements as of June 30, 2000 of Benetton Group S.p.A., the Parent Company, and all the Italian and foreign companies in which the Parent Company holds, directly or indirectly, the majority of the voting rights. They also include the accounts of some 50%-owned companies over which the Group exercises a dominant influence.

The companies included within the scope of consolidation are listed in an appendix.

The financial statements of foreign subsidiaries have been reclassified, where necessary, for consistency with the format adopted by the Parent Company. Such financial statements have been adjusted so that they are consistent with the accounting policies referred to below.

A reconciliation between Stockholders' equity and net income as reported in the statutory financial statements of the Parent Company, Benetton Group S.p.A., and the consolidated Stockholders' equity and net income of the Group is presented in the note on Stockholders' equity.

Principles of consolidation. The most significant consolidation principles adopted for the preparation of the consolidated financial statements are as follows:

a] The assets and liabilities of subsidiary companies are consolidated on a line-by-line basis and the carrying value of investments held by the Parent Company and other consolidated subsidiaries is eliminated against the related Stockholders' equity accounts.

b] When a company is consolidated for the first time, any positive difference emerging from the elimination of its carrying value on the basis indicated in a] above, is allocated, where applicable, to the assets of the subsidiary. Any excess arising upon consolidation is accounted for as a consolidation adjustment and is classified as "Goodwill and consolidation differences".

Negative differences are classified within the "Reserve for risks and charges arising on consolidation" if

they reflect estimated future losses; otherwise, they are classified as part of the "Consolidation reserve" within Stockholders' equity.

Goodwill is amortized over its estimated useful life.

c] Intercompany receivables and payables, costs and revenues, and all significant transactions between consolidated companies, including the intragroup payment of dividends, are eliminated.

Unrealized intercompany profits and gains and losses arising from transactions between Group companies are also eliminated.

d] The minority Stockholders' interest in the net assets and results for the period of consolidated subsidiaries are classified separately as "Minority interests" in the consolidated balance sheet and as "Income attributable to minority interests" in the consolidated statement of income.

e] The financial statements of foreign subsidiaries, including those operating in countries with hyper-inflationary economies, are translated into Italian Lire using period-end exchange rates for balance sheet items and average exchange rates for the period for statement of income items.

Differences arising from the translation into Lire of foreign currency financial statements are reflected directly in consolidated Stockholders' equity.

The value of Stockholders' equity of some foreign subsidiaries is hedged against exchange risks, mainly through the forward sale of currency. Any exchange differences arising from such capital hedging operations are classified as "Translation differences" and therefore adjust consolidated equity.

The difference between the spot and forward exchange rates relating to these capital hedges is recorded as part of "Other financial income" within the statement of income.

Accounting policies. These have been adopted in observance of article 2426 of the Italian Civil Code, also taking account of accounting principles prepared by the Italian Accounting Profession and, in the absence thereof, those issued by the International Accounting Standards Committee [I.A.S.C.].

A forthcoming decree by the Italian Ministry of Justice should, based on article 117/2 of the recent Finance Bill, indicate the internationally accepted accounting principles to be used for consolidated annual accounts. Pending the issue of this decree, it has been decided to use the accounting policies already adopted in prior years for the sake of continuity.

■ **Intangible fixed assets.** These are recorded at purchase or production cost, including related charges. The value of these assets may be subject to revaluation in accordance with statutory regulations.

One method for determining the value of intangible fixed assets is to allocate the excess price deriving from investments acquired or other company transactions. This type of allocation is used for excess prices paid for trademarks acquired under these types of operation, on the basis of an independent appraisal.

Intangible fixed assets are written down in cases where, regardless of the amortization accumulated, there is a permanent loss in value; the value of such assets is reinstated in future accounting periods should the reasons for such writedowns no longer apply.

Book value is systematically amortized on a straight-line basis in relation to the residual economic

useful lives of such assets. The duration of amortization plans is based on the estimated economic use of these assets.

Normally amortization periods for trademarks fluctuate between ten and fifteen years, while patents are amortized over three years. Goodwill and consolidation differences are amortized over ten years. Start-up and expansion expenses and other deferred charges are mostly amortized over five years.

■ **Tangible fixed assets.** These are recorded at purchase or construction cost, revalued where required or permitted by statutory regulations. Cost includes related charges and direct or indirect expenses reasonably attributable to the individual assets. Tangible fixed assets are written down in cases where, regardless of the depreciation accumulated, there is a permanent loss in value; the value of such assets is reinstated in future accounting periods should the reasons for such writedowns no longer apply. Ordinary maintenance costs are fully expensed as incurred. Improvement expenditure is allocated to the related assets and depreciated over their residual useful lives.

Depreciation is calculated systematically on a straight-line basis using rates considered to reflect the estimated useful lives of the assets. In the first year such assets enter into service these rates are halved in consideration of their shorter period of use.

The depreciation rates applied by consolidated companies are as follows:

Real estate	3%
Plant and machinery	8% - 17.5%
Industrial and commercial equipment	20% - 25%
Molds and dies	25%
Other tangible fixed assets:	
· furniture, furnishings and electronic machines	12% - 20%
· vehicles	20% - 25%
· aircraft	7%

Accelerated depreciation calculated in the financial statements of Group companies is reversed and the related accumulated depreciation is adjusted as a result.

Assets acquired under finance leases are stated at their fair value at the start of the lease and the capital portion of the lease instalments is recorded as a liability.

Such assets are depreciated over their economic useful lives on the same basis as other tangible fixed assets.

■ **Financial fixed assets.** Investments in subsidiaries not consolidated on a line-by-line basis, together with those in associated companies, are accounted for on an equity basis, eliminating the Group's share of any unrealized intercompany profits, where significant. The difference between the cost and the net equity of investments at the time they were acquired is allocated on the basis described in paragraph b] of the consolidation principles. Equity investments of less than 20% in other companies are stated at cost, as written down where there is a permanent loss in value. The original value of these investments is reinstated in future accounting periods should the reasons for such writedowns no longer apply.

Receivables included among financial fixed assets are stated at their estimated realizable value. Other securities held as financial fixed assets are stated at cost, as written down where there is permanent loss in value, taking into account any accrued issue premiums and discounts.

■ **Inventories.** Inventories are stated at the lower of purchase or manufacturing cost, generally determined on a weighted average cost basis, and their market or net realizable value.

Manufacturing cost includes raw materials and all direct or indirect production-related expenses. The calculation of estimated realizable value includes any manufacturing costs to be incurred and direct selling expenses. Obsolete and slow-moving inventories are written down to their useful or net realizable value.

■ **Accounts receivable.** These are recorded at their estimated realizable value, net of appropriate allowances for doubtful accounts determined on a prudent basis. Any long-term receivables that include an implicit interest component are updated using a suitable market rate.

■ **Other securities not held as fixed assets.** Such securities are stated at the lower of purchase cost and market value. The original value of these investments is reinstated in future accounting periods should the reasons for such writedowns no longer apply. Securities acquired subject to resale commitments are recorded at cost and classified among other securities not held as fixed assets. The difference between the spot and forward prices of such securities is recognized on an accruals basis over the duration of the contract.

■ **Accruals and deferrals.** These are recorded to match costs and revenues in the accounting periods to which they relate.

■ **Reserves for risks and charges.** These reserves cover known or likely losses, the timing and amount of which cannot be determined at period-end. Provisions reflect the best estimate of losses to be incurred based on the information available.

■ **Reserve for employee termination indemnities.** This reserve represents the liability of Italian companies within the Group for indemnities payable upon termination of employment, accrued in accordance with labor laws and labor agreements in force. This liability is subject to annual revaluation using the officially-established indices.

■ **Accounts payable.** These are stated at face value. The implicit interest component which is included in long-term debt is recorded separately using a suitable market rate.

■ **Transactions in foreign currencies.** Transactions in foreign currencies are recorded using the exchange rates in effect at the transaction dates. Exchange gains or losses realized during the period are included in the consolidated statement of income.

At the date of the financial statements the Italian Group companies adjusted their receivables and payables to the exchange rates ruling at the period-end, booking all resulting gains and losses to the statement of income. The exchange gains or losses on forward contracts opened hedge receivables or payables are booked to the statement of income; discount or premium on these contracts is recorded on an accrual basis.

The value of forward contracts, other than those hedging specific foreign currency assets and liabilities, is restated at period-end with reference to the differential between the forward exchange rates applicable to the various types of contract at the balance-sheet date and the contracted forward exchange rates. Any net losses emerging are charged to the statement of income.

■ **Revenue recognition.** Revenues from product sales are recognized at the time of shipment to the customer, which also represents the moment when ownership passes.

■ **Expense recognition.** Expenses are recorded in accordance with the matching principle.

■ **Income taxes.** Current income taxes are provided on the basis of a reasonable estimate of the tax liability for the period, in accordance with applicable local regulations. The net balance between deferred tax assets and liabilities is also recorded.

Deferred tax assets refer to costs and expenses not yet deductible at period-end, to consolidation adjustments and to the benefit of accumulated tax losses. Deferred tax assets are provided when it was almost certain that they can be recovered in the future.

Deferred tax liabilities refer to transactions where taxation is deferred to future years, such as gains on the disposal of tangible and intangible fixed assets or consolidation adjustments arising from the reversal of accelerated depreciation or lease transactions recorded as finance leases.

■ **Article 2423, paragraph 4, of the Italian Civil Code.** Departures from statutory accounting criteria and policies according to the fourth paragraph of article 2423 of the Italian Civil Code have not occurred.

■ **Cash flows.** The statement of consolidated cash flows provides information by type of flow and activity. Cash caption and readily marketable securities are treated as cash equivalents.





Comments on the principal asset items**Fixed assets****■ Intangible fixed assets**

[millions of Lire]	06.30.2000		12.31.1999	
	Gross	Net	Gross	Net
Start-up and expansion expenses	9,913	4,261	9,422	4,637
Research and development expenses	1,868	509	1,810	738
Industrial patents and intellectual property rights	24,493	6,438	23,426	6,876
Licenses, trademarks and similar rights	702,629	448,908	694,601	463,704
Goodwill	32,232	30,061	13,943	12,504
Consolidation differences	86,947	57,624	80,515	55,354
Total goodwill and consolidation differences	119,179	87,685	94,458	67,858
Assets under construction and advance payments	37,110	37,110	5,818	5,818
Expenses related to bond issues and loans	3,659	1,305	3,666	1,669
Costs for the purchase and development of software	27,437	9,041	29,831	11,472
Leasehold improvements	59,496	41,253	50,164	34,682
Other	29,271	21,620	24,332	16,631
Total other intangible fixed assets	119,863	73,219	107,993	64,454
Total	1,015,055	658,130	937,528	614,085

Start-up and expansion expenses include capital stock increase costs of Lire 3,328 million [around Lire 4,034 million as of December 31, 1999]. The residual balance principally relates to corporate reorganization costs.

Research and development expenses reflect the capitalization of costs incurred for the development of new products.

In 1983 the original Benetton trademark was revalued in accordance with Law no. 72 of March 19, 1983. The monetary revaluation was Lire 4,430 million; the residual value at June 30, 2000 was Lire 553 million.

The difference emerging from the consolidation of the Benetton Sportssystem group, with respect to Stockholders' equity at the acquisition date, was allocated to trademarks, Lire 277,130 million, and to consolidation differences, Lire 59,976 million, on the basis of an independent appraisal.

Net values of trademarks are the following:

[millions of Lire]	06.30.2000	12.31.1999
United Colors of Benetton	3,198	3,427
Sisley	424	424
Nordica	112,880	117,981
Rollerblade	180,160	188,783
Prince	90,821	94,133
Killer Loop	42,662	44,400
Other	5,093	5,364
Total	435,238	454,512

Change in "Goodwill" refers mainly to the value of companies acquired by the French subsidiary. The consolidation difference of Lire 57,624 million reflects the residual goodwill emerging from consolidation of the companies acquired, with Lire 40,826 million attributable to Benetton Sportssystem S.p.A. and the remaining other companies. This consolidation difference is amortized over ten years, which is considered appropriate since it is consistent with the accounting policies currently applied in the sector where Group companies operate.

Assets under construction and advance payments principally concern costs to start the new e-commerce activity of the subsidiary United Web S.p.A. and to register trademarks and patents, still pending at period-end.

"Other" mainly comprises leasehold improvements.

Movements in the principal intangible fixed asset items during the period were as follows:

[millions of Lire]	Patents	Licenses, trademarks and similar rights	Goodwill and consolidation differences	Leasehold improvements	Other intangible fixed assets	Total
Net opening balance	6,876	463,704	67,858	34,682	40,965	614,085
Change in the scope of consolidation	-	-	6,506	62	-	6,568
Increases	561	6,533	18,210	10,300	40,040	75,644
Decreases	-	[1,399]	-	[74]	[557]	[2,030]
Amortization	[1,336]	[21,703]	[4,926]	[3,630]	[6,293]	[37,888]
Translation differences and other movements	337	1,773	37	[87]	[309]	1,751
Net closing balance	6,438	448,908	87,685	41,253	73,846	658,130

"Amortization" includes expenses for the bond issue [Lire 364 million] and leases included among financial expenses.

■ **Tangible fixed assets.** Tangible fixed assets are stated net of accumulated depreciation amounting to Lire 810,693 million.

Additions made during the first half of 2000 mainly concern the following items:

- investments in real estate for commercial use and the related modernization and upgrading of premises;
- plant, machinery and equipment purchased by Benetton Group S.p.A. and the manufacturing companies to improve the efficiency of their production processes.

The depreciation charge for the period was Lire 49,088 million.

Movements in the principal tangible fixed asset items during the first half of 2000 were as follows:

[millions of Lire]	Real estate	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances to suppliers	Total
Net opening balance	618,349	169,516	27,355	96,045	53,472	964,737
Change in the scope of consolidation	[3,178]	[9,407]	-	[5,105]	[626]	[18,316]
Additions	15,175	21,008	2,353	12,364	73,887	124,787
Disposals	[22,231]	[3,940]	[56]	[643]	[397]	[27,267]
Depreciation	[7,872]	[23,908]	[7,200]	[10,108]	-	[49,088]
Translation differences and other movements	24,587	4,482	191	5,128	[29,595]	4,793
Net closing balance	624,830	157,751	22,643	97,681	96,741	999,646

Some of the Group's tangible fixed assets are pledged as security for long-term loans from banks and other financial companies. The outstanding balance of such loans is Lire 49,083 million as of June 30, 2000.

Other assets include the following assets acquired under finance leases:

[millions of Lire]	06.30.2000	12.31.1999
Real estate	12,519	12,519
Plant and machinery	6,489	6,490
Other assets	1,882	1,525
less - Accumulated depreciation	[3,662]	[2,770]
Total	17,228	17,764

Outstanding capital payments due to lessors as of June 30, 2000, classified as amounts due to leasing companies, are reported in the note "Due to other financial companies".

■ Financial fixed assets

■ **Equity investments.** As of the balance-sheet date, equity investments not consolidated on a line-by-line basis are as follows:

[millions of Lire]	06.30.2000		12.31.1999	
	Group ownership	Book value	Group ownership	Book value
Subsidiary companies:				
· T.W.R. Group Ltd.	50%	45,343	50%	46,116
· other minor investments	-	641	-	378
Associated companies	-	93	-	103
Other companies	-	7,302	-	7,168
Total		53,379		53,765

Investments in subsidiary companies amounting to Lire 45,984 million, include Lire 45,343 million relating to T.W.R. Group Ltd., which is carried on an equity basis since it operates in a sector dissimilar to that of the rest of the Group. The inclusion of this company within the scope of consolidation would have distorted the consolidated financial statements to the point where they would not have provided a true and fair view of the financial and operating position of the Group. In December 1996 Benetton International N.V. entered into an agreement with Broadstone Estate Ltd. to sell its subsidiary Benetton Engineering Ltd., which holds the 50% of T.W.R. Group Ltd. The agreed sale price, Gbp 16,000,000, will generate a gain of Gbp 858,000 with respect to the original cost incurred, plus related interest at market rates. The sale is subject to the company receiving the purchase price from the buyer by the end of 2001, of which Gbp 11,850,000 [Lire 36,288 million] has already been paid in accordance with the contract. In August 2000 Gbp 1,200,000 was paid in accordance with the payment plan.

The balance, Lire 641 million, relates to other minor subsidiary companies, mainly foreign trading companies, that are carried at cost or at equity, since they are either not yet operating or are in liquidation at the balance-sheet date.

Other investments primarily represent minority interests in a Swiss company and in Japanese trading companies.

Equity investments are analyzed in detail in appendix.

■ Financial receivables

[millions of Lire]	Maturities [in years]			06.30.2000	12.31.1999
	Within 1	From 1 to 5	Beyond 5		
Other receivables:					
· due within 12 months	15,107	-	-	15,107	14,672
· due beyond 12 months	-	14,194	-	14,194	11,063
Guarantee deposits	-	-	17,949	17,949	16,924
Total	15,107	14,194	17,949	47,250	42,659

Financial receivables due beyond 12 months include some Lire 7,757 million in tax credits on advance taxes paid by Italian companies in relation to employee termination indemnities, under Law 140 of May 28, 1997; these credits are subject to revaluation.

Guarantee deposits mainly include lease contracts stipulated by the Japanese subsidiary.

■ Other securities held as financial fixed assets

[millions of Lire]	06.30.2000	12.31.1999
Long-term Government bonds [B.T.P.] maturing in 2003 and in 2004 at an interest rate between 3.25% and 4%	270,580	270,533
Other	22	22
Total	270,602	270,555

These investments were almost entirely made by the subsidiary Benetton Finance S.A. They are stated at purchase cost, adjusted by the trading discount accrued to date. Since these securities will be held until maturity, they are classified among financial fixed assets.

The balance "Other" mainly includes foreign securities whose carrying value broadly approximates their market value.

Current assets

■ **Inventories.** Inventories, Lire 651,128 million [Lire 570,524 million as of December 31, 1999], recorded net of the related inventory writedown reserve, consist of the following:

[millions of Lire]	06.30.2000	12.31.1999
Raw materials, other materials and consumables	4,872	5,074
Work in progress and semi-manufactured products	2,000	2,000
Finished goods	8,518	12,331
Total	15,390	19,405

The valuation of closing inventories at weighted average cost is not appreciably different from their value at current purchase cost.

■ Accounts receivable

■ **Trade receivables.** As of June 30, 2000, trade receivables, net of the allowance for doubtful accounts, amount to Lire 1,606,265 million [Lire 1,489,648 million as of December 31, 1999].

The allowance for doubtful accounts as of June 30, 2000 amounts to Lire 136,276 million [Lire 148,521 million as of December 31, 1999]. Lire 26,639 million of this reserve was used during the period. A prudent assessment of the specific and generic collection risks associated with receivables

outstanding at period-end has resulted in an additional provision of Lire 18,113 million to take account of the aging of certain balances and the difficult economic conditions in a number of markets.

■ **Due from subsidiaries, associated companies and the Parent Company.** Amounts receivable of Lire 4,757 million, Lire 32 million, Lire 11 million, respectively, mainly relate to trade and financial receivables.

■ **Other receivables.** Other receivables include:

- due from the Renault group for the sale of Benetton [UK] Ltd. and Benetton Formula Ltd. for Lire 121,574 million, of which Lire 60,787 million due beyond 12 months;
- VAT recoverable from the tax authorities, Lire 49,579 million [Lire 56,028 million as of December 31, 1999], of which Lire 3,057 million due beyond 12 months;
- tax credits, Lire 12,274 million [Lire 14,541 million as of December 31, 1999], of which Lire 690 million due beyond 12 months;
- other amounts due from tax authorities, Lire 67,409 million [Lire 69,292 million as of December 31, 1999], of which Lire 754 million due beyond 12 months.

The item includes Lire 62,048 million resulting from the net balance between deferred tax assets [connected to charges where the tax deduction is deferred] and deferred tax liabilities [deriving primarily from reversal of accelerated depreciation].

The following table shows total deferred taxes, net:

[millions of Lire]	06.30.2000	12.31.1999
Tax effect of eliminating intercompany profits	12,359	9,365
Tax effect of provisions and costs that will become deductible in future accounting periods	52,766	56,216
Deferred taxes arising on the reversal of accelerated depreciation and the application of finance lease accounting	[41,474]	[41,696]
Deferred taxes on gains taxable over a number of accounting periods	[8,078]	[10,974]
Tax benefits on accumulated losses	46,358	50,939
Other	117	856
Total	62,048	64,706

In relation to:

[millions of Lire]	06.30.2000	12.31.1999
· Italian companies	2,294	6,990
· Foreign companies	59,754	57,716
	62,048	64,706

■ Financial assets not held as fixed assets

■ **Treasury shares.** In accordance with the resolution adopted at the ordinary Stockholders' meeting, the Parent Company acquired 18,065,000 shares [approximately 1% of capital stock] during the first half of the year. The average price per share was Euro 2.00 [Lire 3,872], for a total outlay of Lire 69,945 million.

3,544,000 shares were subsequently sold at an average price of Euro 2.19 [Lire 4,240] with total proceeds of Lire 15,026 million, realizing a capital gain of approximately Lire 1,304 million.

Benetton Group S.p.A. has not purchased or sold shares or quotas in subsidiary companies.

■ Other securities

[millions of Lire]	06.30.2000	12.31.1999
Consorzio di Credito per le Opere Pubbliche bonds, maturing through 2001 and 2002 bearing interest at rates between 2.25% and 12.63%	129,577	131,202
European Investment Bank bonds in Italian Lire maturing through 2000 and 2002 bearing interest at rates between 3.625% and 11.25%	38,465	39,644
IBRD bonds in Italian Lire, maturing through 2001 and 2002 bearing interest at rates between 10.4% and 10.8%	5,412	5,584
Italian State Railways bonds maturing through 2000 and 2002 bearing interest at rates between 3.738% and 4.375%	11,912	11,904
Long-term Government bonds [B.T.P.], maturing in 2002 bearing interest at rate of 3%	9,377	9,414
Other	337	337
Total	195,080	198,085

Certain securities have been written down to reflect their market value, determined on the basis of average stockmarket prices during June. The net amount of these adjustments is Lire 2,960 million.

■ **Other financial receivables.** These mainly consist of investments made by Benetton Gesfin S.p.A. for the temporary employment of liquidity [Lire 168 billion] via short-term financing granted to third parties.

■ **Differentials on forward transactions.** During the first half of 2000, as in prior years, the proceeds of future sales were hedged in order to optimize management of the exchange risk involved in the commercial activities of certain Group companies, mainly Benetton Group S.p.A. Forward contracts and other currency hedges have been entered with maturities in 2000 e 2001. The value of these commitments is reflected in the memorandum accounts. Such differentials, being highly liquid, are classified among current assets.

■ Liquid funds

[millions of Lire]	06.30.2000	12.31.1999
Current account deposits [Lire]	82,648	66,595
Current account deposits [foreign currency]	98,267	149,623
Time deposits [Lire]	3,080	10,131
Time deposits [foreign currency]	143,299	116,879
Checks	56,750	86,606
Cash in hand	1,320	958
Total	385,364	430,792

Average interest rates on bank deposits reflect market rates for the various currencies concerned.

The balances as of June 30, 2000 reflect temporary high liquidity due to significant period-end receipts from customers and substantial Lire time deposits by Group finance companies.

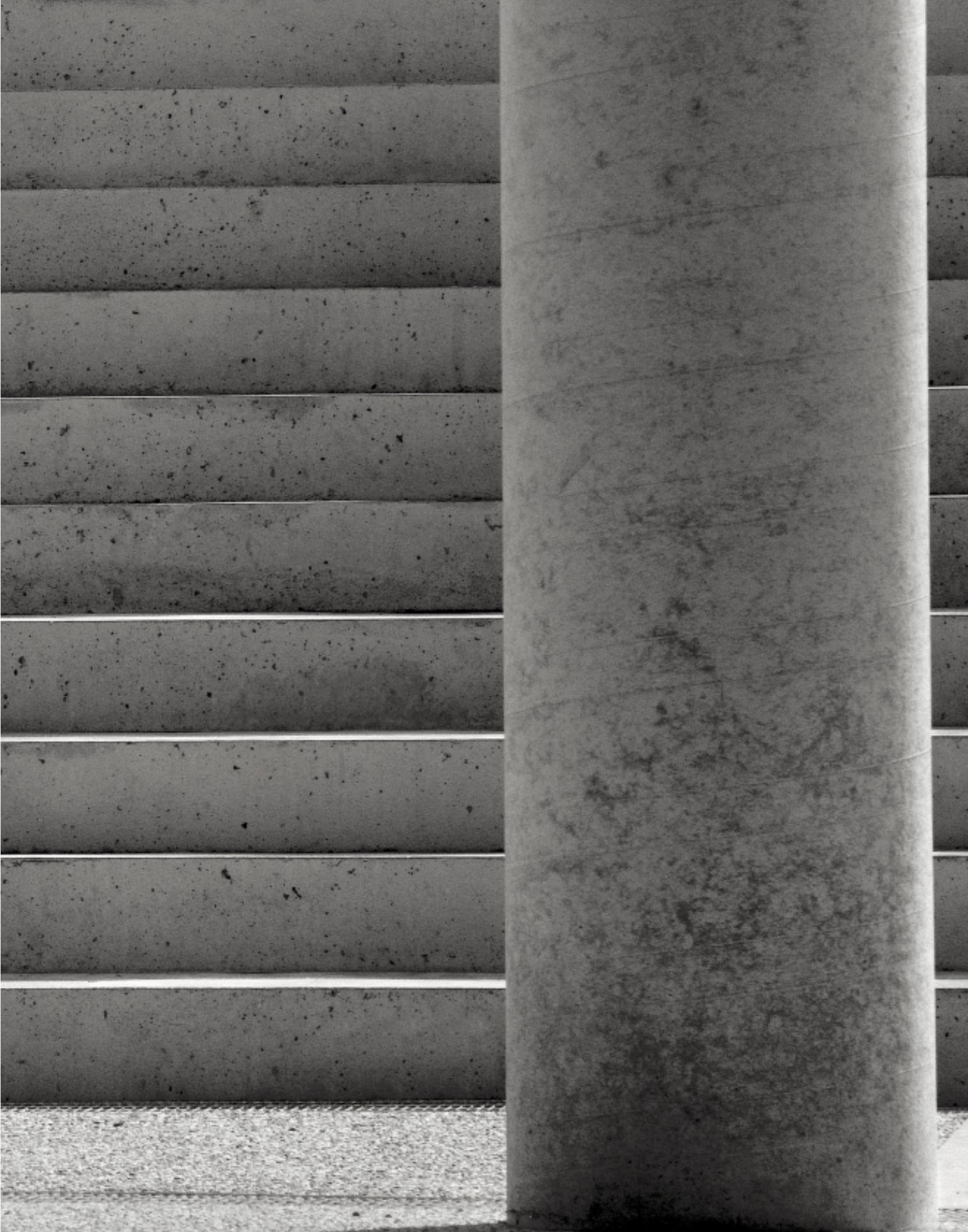
Accrued income and prepaid expenses

[millions of Lire]	06.30.2000	12.31.1999
Accrued income:		
· financial income	10,595	7,485
· other income	1,453	6,019
Total accrued income	12,048	13,504
Prepaid expenses:		
· financial charges	68	60
· rentals and leasing charges	7,953	7,821
· advertising and sponsorships	7,719	4,220
· other expenses	46,424	65,031
Total prepaid expenses	62,164	77,132
Total	74,212	90,636

Accrued financial income mainly relates to interest deriving from temporary investments.

In 1997, 1998 and 1999, the Group's merger differences were released from further taxation via payment of a substitute tax at 27%, as allowed by Decree 358 of October 8, 1997. This substitute tax totals around Lire 61,200 million and is classified under "Current income taxes" with a matching balance in "Due to tax authorities". In accordance with the accruals basis, some Lire 33,234 million of this tax has been recorded as a prepayment because the cost of freeing up merger differences from tax is related to the benefit deriving from future savings generated by tax-deductible amortization charges. Given the various periods of amortization of the assets involved and taking account of the prudence principle, the amortization period was set at 10 years.





Comments on the principal liability and equity items

Stockholders' equity

■ **Capital stock.** The capital stock of Benetton Group S.p.A. is represented by 1,815,588,110 issued and fully-paid ordinary shares, with a par value of Lire 250 each, and totals Lire 453,897,027,500. The 1980 spin-off reserve and part of the monetary revaluation reserves were capitalized by Benetton Group S.p.A. in prior years by the issue of stock dividends.

■ **Additional paid-in capital.** This balance is unchanged with respect to the prior year.

■ **Revaluation reserves.** The item exclusively reflects the residual amounts of revaluation reserves established in accordance with the provisions of Law 72 of March 19, 1983, and Law 413 of December 30, 1991, and the monetary revaluation of tangible fixed assets by a Spanish subsidiary [Royal Decree 2607/96].

■ **Legal reserve.** The increase in the legal reserve derives from the allocation of a portion of net income for the year ended December 31, 1999, in conformity with the law and the articles of association.

■ **Other reserves.** As of June 30, 2000, this item amounts to Lire 1,097,663 million [Lire 1,209,735 million as of December 31, 1999], and includes:

- Lire 62,372 million relating to other reserves of the Parent Company [Lire 32,892 million as of December 31, 1999];
- Lire 28,845 million relating to the cumulative translation adjustment generated by translating the foreign-currency financial statements of companies consolidated on a line-by-line basis;
- Lire 1,006,446 million representing the additional equity of consolidated companies with respect to their carrying value, together with other consolidation entries.

The first of the schedules which follow reconciles the Stockholders' equity and net income of Benetton Group S.p.A. with the corresponding consolidated amounts; the second lists the equity in consolidated subsidiaries attributable to minority Stockholders.

Reconciliation of the Stockholders' equity and net income of Benetton Group S.p.A. with the corresponding consolidated amounts:

[millions of Lire]	06.30.2000	
	Stockholders' equity	Net income
Per Benetton Group S.p.A. financial statements	865,513	101,613
Net income and Stockholders' equity of consolidated subsidiaries, net of their carrying value	1,108,628	242,861
Reversal of writedown of equity investments	-	2,448
Reversal of merger differences and related amortization in Benetton Group S.p.A.	[150,947]	6,685
Allocation to fixed assets of the difference between the purchase price and the equity of new subsidiaries at the time they were acquired and related depreciation	280,122	[15,121]
Reversal of accelerated depreciation considering the useful lives of fixed assets and of intercompany gains on disposal of tangible fixed assets, net of the related tax effect	50,361	3,040
Application of finance lease accounting, taking account of the related tax effect	8,757	[2,419]
Elimination of intercompany profits included in the inventory of consolidated subsidiaries, net of the related tax effect	[27,628]	[3,779]
Adjustment to reflect the equity value of associated companies	5,448	[15]
Net effect of other consolidation entries	600	[1,188]
Per Group's consolidated financial statements	2,140,854	334,125

■ **Minority interests.** As of June 30, 2000 and December 31, 1999, minority interests in consolidated subsidiaries were as follows:

[%]	06.30.2000	12.31.1999
Italian subsidiaries:		
· Olimpias Group	15%	15%
Foreign subsidiaries:		
· Benetton Egypt S.A.E.	50%	50%
· DCM Benetton India Ltd.	50%	50%
· Benetton Korea Inc.	50%	50%

Reserves for risks and charges

■ **Taxation reserve.** As of June 30, 2000, the reserve for fiscal risks amounts to Lire 8,420 million [Lire 8,413 million as of December 31, 1999]. It prudently covers contingent liabilities which may arise on the final settlement of outstanding disputes with the revenue authorities.

Given that the tax tribunals have consistently found in favor of other taxpayers in similar circumstances and taking account of expert opinions on the matter, it is considered that no

significant liabilities will emerge from the settlement of outstanding fiscal disputes.

As of June 30, 2000, the net balance between deferred assets and liabilities is recorded in "Other receivables".

■ Other reserves

[millions of Lire]	06.30.2000	12.31.1999
Reserve for contingencies	10,422	76,712
Agents' leaving indemnity reserve	11,326	13,016
Exchange fluctuation reserve	-	5,804
Total	21,748	95,532

The reserve for contingencies covers risks which may arise from current legal disputes.

The dispute with Eco Swiss China Time Ltd. and Bulova Corporation was finally settled during the period.

Although such settlement brought an additional charge of about Usd 10 million in excess of the 1995 arbitration award, it granted to finally discharge any further risk of disputes and obligations arising from the whole matter.

Additional provisions to risk reserves refer to ongoing restructuring costs, liabilities for other minor disputes and possible costs to hedge guarantees and returns.

The agents' leaving indemnity reserve is prudently maintained to reflect contingencies associated with the interruption of agency contracts in circumstances foreseen by Italian law. The provision of an additional Lire 1,000 million follows utilizations during the period.

Reserve for employee termination indemnities. Movements in the reserve during the period were as follows:

[millions of Lire]	
Balance as of January 1, 2000	91,346
Provision for the period	8,766
Indemnities paid during the period	[5,942]
Other movements	26
Balance as of June 30, 2000	94,196

Accounts payable

■ **Bonds.** This item refers to a bond issued on July 16, 1997 by Benetton Group S.p.A. for Lire 500,000 million, repayable in 2002. The bond bears interest at floating rates which, at period-end, was 4.0575%; it is listed on the Luxembourg Bourse.

■ **Due to banks**

[millions of Lire]	06.30.2000	12.31.1999
Current account overdrafts	73,912	54,792
Import/export advances	38,446	33,151
Advances on receivables and other short-term loans	755,075	640,675
Long-term loans:		
· due within 12 month	17,420	16,931
· due beyond 12 months	446,072	403,454
Total	1,330,925	1,149,003

Amounts due to banks include Lire 48,620 million secured by mortgages on tangible fixed assets.

Long-term loans from banks outstanding as of June 30, 2000 and December 31, 1999 are as follows.

[millions of Lire]	06.30.2000	12.31.1999
Multicurrency loan coordinated by Banca di Roma S.p.A. and Deutsche Bank S.p.A. disbursed on February 6, 1997 for a total of Usd 200 million, at floating interest rates - 4.67% at the balance sheet date. This loan is repayable in full on December 10, 2001	407,600	356,320
Loan from Efibanca [Ente Finanziario Interbancario S.p.A.] and from European Investment Bank, disbursed in two tranches: Lire 20,000 million, at an annual interest rate of 8.375% repayable in half-yearly instalments in arrears through 2001; and Lire 30,000 million, at floating rates, 4.815% at the balance sheet date, repayable in half-yearly instalments in arrears through 2003, secured by mortgages on real estate	20,898	25,216
Loans from Efibanca [Ente Finanziario Interbancario S.p.A.] at an annual interest rate of 5.14%, repayable through 2005	3,781	4,125
Loans from Istituto Mobiliare Italiano, at an annual interest rate of 3.95%, repayable through 2004, secured by mortgages on real estate	19,200	21,800
Loan granted by Medio Venezia on December 18, 1998 repayable in half-yearly instalments through January 1, 2007 at an annual interest rate of 2.5%, secured by mortgages on real estate	6,000	6,000
Loans from San Paolo IMI at floating interest rates 1.348% at the balance sheet date, repayable quarterly through 2002, secured by mortgages on real estate	1,728	2,222
Other Lire loans secured by mortgages on real estate	427	928
Other foreign currency loans obtained by foreign consolidated companies, of which Lire 367 million secured by mortgages on real estate	3,858	3,774
Total long-term loans	463,492	420,385
less - Current portion	[17,420]	[16,931]
Long-term loans, net of current portion	446,072	403,454

The non-current portion of these loans as of June 30, 2000 falls due as follows:

[millions of Lire]	06.30.2000
from 1 to 5 years	441,045
beyond 5 years	5,027
Total	446,072

■ Due to other financial companies

[millions of Lire]	06.30.2000	12.31.1999
Other short-term loans	1,093	995
Long-term loans:		
· due within 12 months	1,155	1,327
· due beyond 12 months	2,753	3,419
Due to leasing companies:		
· due within 12 months	3,995	2,765
· due beyond 12 months	17,790	7,728
Total	26,786	16,234

Long-term loans obtained from other financial companies outstanding as of June 30, 2000 are as follows:

[millions of Lire]	06.30.2000	12.31.1999
Other Lire loans	3,445	3,791
Other foreign currency loans obtained by foreign consolidated companies secured by mortgages on real estate	463	955
Total long-term loans	3,908	4,746
less - Current portion	[1,155]	[1,327]
Long-term loans, net of current portion	2,753	3,419

As of June 30, 2000, the non-current portion of these loans falls due as follows:

[millions of Lire]	06.30.2000
from 1 to 5 years	1,974
beyond 5 years	779
Total	2,753

The non-current portion of amounts due to leasing companies as of June 30, 2000 falls due as follows:

[millions of Lire]	06.30.2000
from 1 to 5 years	12,226
beyond 5 years	5,564
Total	17,790

■ **Due to Parent Company.** The amount of Lire 150 billion refers to financial payables.

■ **Due to tax authorities**

[millions of Lire]	06.30.2000	12.31.1999
Income taxes payable:		
· Italian companies	44,751	121,915
· Foreign companies	13,021	9,289
Total income taxes payable	57,772	131,204
VAT payable	22,218	16,637
Other amounts due to tax authorities	33,807	50,984
Total	113,797	198,825

Income taxes payable are stated net of taxes paid in advance and all tax credits and withholdings. "Other amounts due to tax authorities" mainly comprise the substitute tax and amounts withheld at source.

■ **Due to social security and welfare institutions.** This balance totals Lire 11,087 million [Lire 17,387 million as of December 31, 1999] and reflects both the Group and employee contributions payable to these institutions.

■ **Other payables.** Other payables, totaling Lire 71,264 million, include Lire 43,609 million due to employees [Lire 67,205 million as of December 31, 1999] and other non-trading payables of Lire 27,655 million [Lire 26,285 million as of December 31, 1999]. There are no "Other payables" due beyond five years.

Accrued expenses and deferred income

[millions of Lire]	06.30.2000	12.31.1999
Accrued expenses:		
· financial charges	12,053	8,854
· other charges	6,655	2,983
Total accrued expenses	18,708	11,837
Deferred income:		
· financial income	648	639
· sponsorships	-	21,775
· other income	4,801	1,412
Total deferred income	5,449	23,826
Premiums on bond issues	358	446
Total	24,515	36,109

The reversal of deferred income for sponsorships relates to the sale of Benetton Formula Ltd.

Memorandum accounts

These mainly include currency to be sold or purchased forward. This account group records the Lire value at the balance sheet date of commitments deriving from hedging contracts opened during the period. For the most part, the item reflects transactions entered to hedge receivables, firm orders and future sales. Those covering future sales were subsequently partially renegotiated by carrying out reverse transactions. Other transactions were entered into to hedge the exchange risk on capital invested in some Group companies.

As of June 30, 2000, there were outstanding contracts of interest rate swaps for a notional value of Lire 391,152 million, while there were forward rate agreements for a notional value of Lire 221,990 million.

The item "Sales commitments" refers to the commitment to sell land and a portion of an industrial plant located in the Municipality of Trevignano for Lire 10,000 million, Lire 1,000 million of which has already been paid by way of a non-returnable down-payment and Lire 3,000 million by way of advance. It also refers to the commitment to sell an industrial plant located in Varese for Lire 10,400 million, Lire 500 million of which has already been paid by way of a non-returnable down-payment. The item "Purchase commitments" mainly relates to commitments taken on by Società Investimenti e Gestioni Immobiliari [S.I.G.I.] S.r.l., Lire 54,700 million, to purchase buildings in Rome and Catania.

"Other commitments" relates mainly to the amount that will be due to the current tenant of lease agreements in Paris, which the Group may decide to take over. This commitment amounts to Frf 22.5 million, Lire 6,641 million [of which Lire 664 million has been paid by way of a guarantee deposit].

Restricted receivables relate to transactions involving advances against receivables.





Comments on the principal statement of income items

Value of production

■ Revenues from sales and services

[millions of Lire]	1st half 2000	1st half 1999
Sales of core products	1,843,669	1,782,825
Miscellaneous sales	35,710	33,481
Royalty income	13,086	13,765
Miscellaneous revenues	7,564	85,152
Total	1,900,029	1,915,223

Sales of core products are stated net of unconditional discounts.

Miscellaneous revenues mainly reflect services provided to third parties.

■ Information by geographic area and business category

[millions of Lire]	Europe	%	The Americas	%	Other geographic areas	%	Total
Casual wear	1,188,224	83.4	79,137	33.1	182,090	76.8	1,449,451
Sportswear and equipment	141,672	10.0	155,174	65.0	39,086	16.5	335,932
Other sectors	94,107	6.6	4,589	1.9	15,950	6.7	114,646
Total revenues 1st half 2000	1,424,003	100.0	238,900	100.0	237,126	100.0	1,900,029
Total revenues 1st half 1999	1,396,637	-	283,108	-	235,478	-	1,915,223

Changes in revenues in the Americas area mainly reflect the considerable contraction of US markets, particularly in the sports sector.

■ Net sales of core products, by product category

[millions of Lire]	1st half 2000	1st half 1999
Casual wear	1,365,703	1,295,488
Accessories	26,578	40,149
Casual footwear	22,682	18,378
Sportswear	52,867	37,486
In-line skates	148,572	194,237
Racquets	71,579	67,069
Ski boots	7,776	5,353
Sports footwear	18,101	23,307
Skis and snowboards	3,178	1,808
Fabrics and yarns	100,483	83,873
Other sales	26,150	15,677
Total	1,843,669	1,782,825

■ Net sales of core products, by brand

[millions of Lire]	1st half 2000	1st half 1999
United Colors of Benetton	1,136,378	1,106,657
Sisley	277,048	247,536
Nordica	16,299	8,413
Rollerblade	168,747	208,327
Prince	96,494	87,380
Killer Loop	24,936	10,524
Playlife	18,923	14,807
Other sales	104,844	99,181
Total	1,843,669	1,782,825

The limited amount of revenues generated by Nordica is closely linked to the seasonal nature of the company's products [ski boots, ski equipment and ski-wear] whose sales tend to be higher in the second half of the year.

Production costs**■ Purchasing costs**

[millions of Lire]	1st half 2000	1st half 1999
Raw materials, semi-manufactured and finished goods	530,007	509,190
Other materials	7,583	7,099
Sundry purchases advertising and promotion	4,547	9,975
Other purchases	16,540	18,213
[Discounts and rebates]	[1,595]	[1,011]
Total	557,082	543,466

■ External services

[millions of Lire]	1st half 2000	1st half 1999
Subcontract work	410,838	409,492
Distribution and transport	39,180	42,169
Sales commission	91,100	89,958
Advertising and promotion	104,637	81,219
Other services	94,090	113,709
Emoluments to directors and statutory auditors	7,755	8,596
Total	747,600	745,143

The increase in advertising and promotion expenses is due to the sponsorship of the Benetton F1 team for 2000.

Other services mainly include power costs, Lire 18,333 million; maintenance costs, Lire 11,604 million; consultancy and other fees, Lire 50,254 million; insurance premiums, Lire 3,164 million, and personnel travel expenses, Lire 10,735 million.

■ Leases and rentals. Leases and rentals, Lire 29,484 million, mainly relate to rental paid of Lire 24,614 million.

■ **Payroll and related costs.** These costs are already analyzed in the statement of income.

Personnel are analyzed below, by category:

	06.30.2000	12.31.1999	Average of the period
Managers	147	148	147
White collars	2,847	2,681	2,764
Workers	3,218	3,457	3,338
Part-time	380	299	340
Total	6,592	6,585	6,589

The increase in the number of employees, mainly due to the start-up of the "Retail" activity, offsets the reduction followed by the sale of Benetton Formula Ltd.

Amortization, depreciation and writedowns

■ Amortization of intangible fixed assets

[millions of Lire]	1st half 2000	1st half 1999
Amortization of start-up and expansion expenses	867	1,235
Amortization of research and development expenses	192	148
Amortization of industrial patents and intellectual property rights	1,336	1,205
Amortization of licenses, trademarks and similar rights	21,703	21,639
Amortization of goodwill and consolidation difference	4,926	4,402
Amortization of costs for the purchase and development of software	2,925	2,716
Amortization of other charges	5,575	3,480
Total	37,524	34,825

The item includes around Lire 21,500 million of amortization charged on the higher value resulting from the acquisition of Benetton Sportssystem S.p.A. This higher value, represented by the difference between the price paid and Stockholders' equity, as well as existing differences connected to prior purchases by the Benetton Sportssystem group, were allocated to trademarks and consolidation differences.

■ Depreciation of tangible fixed assets

[millions of Lire]	1st half 2000	1st half 1999
Depreciation of real estate	7,872	9,198
Depreciation of plant and machinery	23,908	25,294
Depreciation of equipment	7,200	7,833
Depreciation of other assets	9,273	9,238
Depreciation of assets acquired under finance leases	835	675
Total	49,088	52,238

■ **Writedowns.** The item "Writedowns of current receivables and of liquid funds", Lire 18,113 million, reflects a prudent provision to the allowance for doubtful accounts. This is discussed in more detail in the note on current receivables.

■ **Provisions to risks reserves.** During the period under review, Lire 4,308 million was provided against future risks. For further details, refer to "Reserves for risks and charges" in the comments on liabilities.

■ Other operating costs

[millions of Lire]	1st half 2000	1st half 1999
Indirect taxation	4,738	4,639
Losses on disposal of fixed assets	1,077	1,650
Losses on receivables	1,156	577
Other general expenses	14,344	17,874
Total	21,315	24,740

Other general expenses include charges incurred by the sport sector during the first half of the year, for returns and discounts relating to sales made in the prior year for approximately Lire 9,000 million.

Financial income and expenses

■ **Income from equity investments.** This balance, Lire 4,606 million, includes Lire 4,468 million of tax credit on dividends distributed by consolidated subsidiaries.

■ Other financial income

[millions of Lire]	1st half 2000	1st half 1999
From receivables held as financial fixed assets	1,865	304
From securities held as financial fixed assets not representing equity investments	5,041	1,357
From securities included among current assets not representing equity investments	7,766	8,759
Financial income other than the above:		
· interest income from subsidiary companies	120	157
· interest income from trade and other receivables	2,291	1,763
· interest income from banks	3,419	11,733
· miscellaneous financial income and income from derivatives	2,523	3,714
· exchange gains	88,994	65,318
Total financial income other than the above	97,347	82,685
Total	112,019	93,105

“Miscellaneous financial income and income from derivatives” includes:

- positive differentials on interest rate swaps [I.R.S.] and forward rate agreements [F.R.A.] for approximately Lire 129 million [around Lire 600 million in the first half of 1999];
- income from cross-currency and currency swaps and forward rate agreements, approximately Lire 2,355 million [around Lire 2,200 million in the first half of 1999].

Exchange gains or losses mainly derive from the collection of receivables from foreign customers, foreign currency hedging transactions, and exchange gains realized on the renegotiation of forward currency sale agreements. This item also includes exchange differences generated by adjustments to receivables and payables in foreign currency at the period-end exchange rate.

■ Interest and other financial expenses

[millions of Lire]	1st half 2000	1st half 1999
Interest expense on bonds	9,243	9,801
Interest expense on bank current accounts	1,545	1,966
Interest expense on import/export advances	1,066	947
Interest expense on advances against receivables	730	684
Interest expense on short-term loans	8,208	7,494
Interest expense on long-term loans	9,315	7,420
Interest expense to subsidiary companies	-	6
Interest expense to the Parent Company	567	2,607
Interest expense on loans from other financial providers	621	398
Miscellaneous financial expense and expense on derivatives	14,529	13,882
Exchange losses	111,370	67,152
Total	157,194	112,357

The change in interest expense on loans is due to the increased bank borrowings.

Miscellaneous financial expense mainly includes:

- negative differentials on interest rate swaps [I.R.S.] and forward rate agreements [F.R.A.], approximately Lire 166 million;
- charges on currency and cross-currency swaps and forward rate agreements, approximately Lire 4,012 million [around Lire 3,700 million in the first half of 1999];
- discounts allowed on the early settlement of trade receivables, approximately Lire 6,900 million [around Lire 6,500 million in the first half of 1999];
- bank charges and commissions of approximately Lire 1,750 million [around Lire 1,900 million in the first half of 1999].

Exchange differences derive from the same type of transactions explained under item "Exchange gains". The foreign exchange results have been affected by the weakness of the Euro with respect to other currencies.

Extraordinary income and expenses

■ Extraordinary income

[millions of Lire]	1st half 2000	1st half 1999
Gains on disposal of fixed assets	230,462	5,339
Other income:		
· out-of-period income	5,397	2,644
· other extraordinary income	1,554	5,117
Total	237,413	13,100

Gains on disposal of fixed assets derive almost exclusively from the sale of Benetton [UK] Ltd. and its subsidiary Benetton Formula Ltd.

Out-of-period income mainly reflects the returns on purchases, the reversal of commission provided in prior years but not paid to agents since the related receivables are no longer collectible, and guarantee deposits that were written down in prior years.

Other extraordinary income includes some Lire 500 million for the partial release of surplus risk reserves and around Lire 830 million in damages from haulage contractors and insurance settlements.

■ Extraordinary expenses

[millions of Lire]	1st half 2000	1st half 1999
Losses on disposal of fixed assets	3,703	2,983
Taxes relating to prior years	32	569
Other expenses:		
· donations	2,977	405
· out-of-period expenses	1,778	1,346
· other extraordinary expenses	45,936	4,468
Total	54,426	9,771

Other charges include the expenses incurred by the company for the settlements with Eco Swiss China Time Ltd. and Bulova Corporation, as explained in the reserve for risks and charges.

Other extraordinary expenses include restructuring costs related to the reorganization of a US subsidiary, costs relating to the sale of Benetton Formula Ltd., compensation payments made to customers against accident and theft claims and charges in relation to settlements of various types.

Income taxes. The tax liability for the period amounts to Lire 125,086 million, of which Lire 116,325 million relates to Italian companies.



Appendices

These appendices present information not contained in the notes to the consolidated financial statements; they form an integral part of such notes and comprise:

- consolidated balance sheet reclassified according to financial criteria;
- consolidated statements of income reclassified to cost of sales;
- companies and groups included within the consolidation area as of June 30, 2000;
- consolidated balance sheet in Euro reclassified according to financial criteria;
- consolidated statements of income in Euro reclassified to cost of sales;
- consolidated statements of income in Usd reclassified to cost of sales;
- consolidated balance sheet in Usd reclassified according to financial criteria.

Consolidated balance sheet reclassified according to financial criteria [millions of Lire]

Assets	06.30.2000	12.31.1999	06.30.1999
Current assets			
Cash and banks	385,364	430,792	660,488
Marketable securities	251,303	198,085	201,033
Differentials on forward transactions	3,075	421	9,514
Financial receivables	10,876	189,202	28,898
	650,618	818,500	899,933
Account receivables			
Trade receivables	1,742,266	1,634,016	1,799,206
Other receivables	230,985	194,103	137,447
less - Allowance for doubtful accounts	[136,276]	[148,521]	[182,913]
	1,836,975	1,679,598	1,753,740
Inventories	651,128	570,524	610,001
Accrued income and prepaid expenses	74,212	90,636	91,399
	725,340	661,160	701,400
Total current assets	3,212,933	3,159,258	3,355,073
Investments and other non-current assets			
Equity investments	53,379	53,765	51,403
Securities held as fixed assets	270,602	270,555	223,003
Guarantee deposits	17,949	16,924	30,546
Financial receivables	14,194	11,063	16,693
Other non current receivables	71,899	16,192	13,982
	428,023	368,499	335,627
Tangible fixed assets			
Real estate	782,736	775,647	659,126
Plant, machinery and equipment	723,581	739,571	734,798
Office furniture, furnishings and electronic equipment	116,225	105,657	118,654
Vehicles and aircraft	70,166	78,406	65,187
Construction in progress and advances for tangible fixed assets	96,741	53,472	50,925
Finance leases	20,890	20,534	28,324
less - Accumulated depreciation	[810,693]	[808,550]	[821,308]
	999,646	964,737	835,706
Intangible fixed assets			
Licenses, trademarks and industrial patents	455,346	470,580	490,266
Deferred charges	202,784	143,505	120,082
	658,130	614,085	610,348
TOTAL ASSETS	5,298,732	5,106,579	5,136,754

[✓]

Liabilities and Stockholders' equity	06.30.2000	12.31.1999	06.30.1999
Current liabilities			
Bank loans	867,433	728,618	673,841
Bonds	-	-	35,999
Short-term loans	160,692	12,007	101
Current portion of long-term loans	18,575	18,258	33,570
Current portion of lease financing	3,995	2,765	3,412
Accounts payable	745,701	710,828	664,001
Other payables, accrued expenses and deferred income	163,584	175,529	159,982
Reserve for income taxes	57,772	131,204	102,604
Total current liabilities	2,017,752	1,779,209	1,673,510
Long-term liabilities			
Bonds	500,000	500,000	500,000
Long-term loans, net of current portion	448,825	406,873	415,381
Other long-term liabilities	26,696	36,228	48,520
Lease financing	17,790	7,728	9,089
Reserve for employee termination indemnities	94,196	91,346	89,048
Other reserves	30,168	103,945	104,258
Total long-term liabilities	1,117,675	1,146,120	1,166,296
Minority interests in consolidated subsidiaries	22,451	19,888	33,629
Stockholders' equity			
Capital stock	453,897	453,897	453,897
Additional paid-in capital	109,543	109,543	109,543
Surplus from monetary revaluation of assets	42,711	42,711	42,711
Other reserves and retained earnings	1,171,733	1,209,520	1,509,092
Translation differences	28,845	23,447	12,868
Net income for the period	334,125	322,244	135,208
Total Stockholders' equity	2,140,854	2,161,362	2,263,319
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	5,298,732	5,106,579	5,136,754

Consolidated statements of income reclassified to cost of sales

[millions of Lire]

	1st half 2000	1st half 1999	Year 1999
Revenues	1,900,029	1,915,223	3,837,815
Cost of sales			
Material and net change in inventories	489,369	537,563	1,066,032
Payroll and related costs	98,275	108,323	211,639
Subcontract work	385,307	357,936	727,802
Industrial depreciation	33,084	37,384	70,308
Other manufacturing costs	35,989	33,578	71,342
	1,042,024	1,074,784	2,147,123
Gross operating income	858,005	840,439	1,690,692
Selling, general and administrative expenses			
Payroll and related cost	117,688	127,761	239,076
Distribution and transport	39,180	42,169	79,996
Sales commissions	91,106	90,161	176,697
Advertising and promotion	108,952	91,054	166,715
Depreciation and amortization	53,528	49,679	102,281
Other expenses	128,939	164,760	314,767
	539,393	565,584	1,079,532
Income from operations	318,612	274,855	611,160
Other income/[expenses]			
Foreign currency gain/[loss], net	[22,376]	[1,834]	[50,358]
Interest income	22,712	27,503	52,912
Interest expense	[41,912]	[39,138]	[78,473]
Other income/[expenses], net	185,121	[10,955]	[22,418]
	143,545	[24,424]	[98,337]
Income before taxes and minority interests	462,157	250,431	512,823
Income taxes	125,086	112,539	184,412
Income before minority interests	337,071	137,892	328,411
Minority interests loss/[gain]	[2,946]	[2,684]	[6,167]
Net income	334,125	135,208	322,244



Companies and groups included within the consolidation area as of June 30, 2000

Name of the company	Location	Currency	Capital stock	Group interest [%]
Companies and groups consolidated on a line-by-line basis:				
Parent company				
Benetton Group S.p.A.	Ponzano Veneto [Tv]	Itl	453,897,027,500	
Italian subsidiaries				
Benfin S.p.A.	Ponzano Veneto [Tv]	Itl	90,000,000,000	100.000
. Olimpias Group	Grumolo delle Abbadesse [Vi]	Itl	10,000,000,000	85.000
Bencom S.p.A.	Ponzano Veneto [Tv]	Itl	3,294,000,000	100.000
. Benair S.p.A.	Ponzano Veneto [Tv]	Itl	3,000,000,000	100.000
. Socks & Accessories Benetton Group [S.A.B.]	Sesto Fiorentino [Fi]	Itl	1,000,000,000	100.000
. Gescom S.r.l.	Ponzano Veneto [Tv]	Itl	20,000,000	100.000
. Benetton Retail Belgique S.A.	Bruxelles	Bef	50,000,000	100.000
Società Investimenti e Gestioni Immobiliari [S.I.G.I.] S.r.l.	Ponzano Veneto [Tv]	Itl	70,000,000,000	100.000
. Buenos Aires 2000 S.r.l.	Ponzano Veneto [Tv]	Itl	1,000,000,000	100.000
Fabrica S.p.A.	Ponzano Veneto [Tv]	Itl	8,000,000,000	100.000
. Colors Magazine S.r.l.	Ponzano Veneto [Tv]	Itl	3,000,000,000	100.000
Benlog S.p.A.	Ponzano Veneto [Tv]	Itl	27,400,000,000	100.000
. Benetton Retail Italia S.r.l.	Ponzano Veneto [Tv]	Itl	1,000,000,000	100.000
. United Web S.p.A.	Ponzano Veneto [Tv]	Itl	1,000,000,000	100.000
Benetton Gesfin S.p.A.	Ponzano Veneto [Tv]	Itl	80,000,000,000	100.000
Foreign subsidiaries				
Benetton U.S.A. Corp.	Wilmington	Usd	34,654,000	100.000
Benetton Holdings N.V.	Amsterdam	Itl	39,920,175,194	100.000
. Benetton Japan Co., Ltd.	Tokyo	Jpy	400,000,000	100.000
. Bene Forte Co., Ltd.	Tokyo	Jpy	10,000,000	100.000
. Benetton Korea Inc.	Seoul	Krw	2,500,000,000	50.000
. Benetton Argentina S.A.	Buenos Aires	Usd	500,000	100.000
. Egyptian European Clothing Manufacturers S.A.E.	Alexandria	Egp	6,000,000	50.000
. DCM Benetton India Ltd.	New Delhi	Inr	80,000,000	50.000
. Benetton [Far East] Ltd.	Hong Kong	Hkd	51,000,000	100.000
. United Colors of Benetton do Brasil Ltda.	São José dos Pinhais	Usd	28,000,000	100.000
. Ben Store Roupas Ltda.	São Paulo	Usd	246,482	100.000
Benetton Sportssystem N.V.	Amsterdam	Itl	126,912,164,254	100.000
. Benetton Sportssystem Austria GmbH	Salzburg	Ats	45,000,000	100.000
. Benetton Holdings U.S.A. Inc.	New York	Usd	202,961,193	100.000
. Rollerblade Inc.	Bordentown	Usd	133,425,148	99.870
. Benetton Sportssystem U.S.A. Group	Bordentown	Usd	185,644,083	100.000
. Benetton Sportssystem Canada Inc.	Montreal	Cad	18,694,998	100.000

[X]

Name of the company	Location	Currency	Capital stock	Group interest [%]
Benetton Sportssystem [Schweiz] AG	Stans	Chf	500,000	100.000
Benetton Sportssystem GmbH [Deutschland]	München	Dem	5,500,000	100.000
Benetton International N.V.	Amsterdam	Itl	215,495,490,660	100.000
. Benetton Finance S.A.	Luxembourg	Itl	351,508,000,000	100.000
. Lairb Property Ltd.	Dublin	Itl	500,246,900	100.000
. Benetton France Trading S.à r.l.	Paris	Frfr	252,859,000	100.000
. Benetton France S.A.	Troyes	Frfr	40,000,000	100.000
. Benetton Realty France S.A.	Paris	Frfr	272,000,000	100.000
. Benetton España S.L.	Castellbisbal	Esp	100,000,000	100.000
. Benetton Ltda.	Maia	Pte	20,000,000	100.000
. Benetton Retail [1988] Group	London	Gbp	18,780,000	100.000
. Benetton Società di Servizi S.A.	Lugano	Chf	100,000	100.000
. United Colors Communication S.A.	Lugano	Chf	1,000,000	100.000
. Benetton Engineering Ltd.	Enstone	Gbp	12,342,000	100.000
. Benetton Tunisia S.à r.l.	Sahline	Itl	500,000,000	100.000
. Benetton Trading S.à r.l.	Sahline	Itl	30,662,557	100.000
. Benetton Retail Deutschland GmbH	München	Euro	500,000	100.000
. Benetton Croatia D.o.o.	Osijek	Itl	506,936,154	100.000
. Benetton Ungheria Kft.	Nagykallo	Itl	172,696,658	100.000
Investments carried at equity:				
. Beijing Benetton Fashion Co., Ltd.	Beijing	Cny	3,797,620	50.000
. Bene West K.K.	Osaka	Jpy	110,000,000	50.000
. T.W.R. Group Ltd.	Kidlington	Gbp	20,000,000	50.000
. Benetton Central Europe Ltd.	Warsaw	Plz	4,224,000	100.000
. Benest Ltd.	Moskba	Rur	400,000	100.000
Investments in subsidiaries and associated companies carried at cost:				
. Consorzio Generazione Forme - Co.Ge.F.	S. Mauro Torinese [To]	Itl	30,000,000	33.333
. Benetton Australia Pty. Ltd.	Sydney	Aud	1,000	100.000
. SNC L'Apollinaire	Paris	Frfr	250,000	100.000

Consolidated balance sheet in Euro reclassified according to financial criteria

[thousands of Euro]*

Assets	06.30.2000	12.31.1999	06.30.1999
Current assets			
Cash and banks	199,024	222,486	341,114
Marketable securities	129,787	102,302	103,825
Differentials on forward transactions	1,588	217	4,914
Financial receivables	5,617	97,715	14,924
	336,016	422,720	464,777
Account receivables			
Trade receivables	899,805	843,899	929,212
Other receivables	119,295	100,246	70,985
less - Allowance for doubtful accounts	[70,381]	[76,705]	[94,467]
	948,719	867,440	905,730
Inventories	336,279	294,651	315,039
Accrued income and prepaid expenses	38,327	46,810	47,204
	374,606	341,461	362,243
Total current assets	1,659,341	1,631,621	1,732,750
Investments and other non-current assets			
Equity investments	27,568	27,767	26,548
Securities held as fixed assets	139,754	139,730	115,171
Guarantee deposits	9,270	8,740	15,776
Financial receivables	7,331	5,714	8,621
Other non current receivables	37,133	8,363	7,222
	221,056	190,314	173,338
Tangible fixed assets			
Real estate	404,249	400,588	340,410
Plant, machinery and equipment	373,698	381,957	379,491
Office furniture, furnishings and electronic equipment	60,025	54,567	61,280
Vehicles and aircraft	36,238	40,493	33,666
Construction in progress and advances for tangible fixed assets	49,963	27,616	26,301
Finance leases	10,789	10,605	14,628
less - Accumulated depreciation	[418,688]	[417,581]	[424,170]
	516,274	498,245	431,606
Intangible fixed assets			
Licenses, trademarks and industrial patents	235,167	243,034	253,201
Deferred charges	104,729	74,114	62,017
	339,896	317,148	315,218
TOTAL ASSETS	2,736,567	2,637,328	2,652,912

[x]

Liabilities and Stockholders' equity	06.30.2000	12.31.1999	06.30.1999
Current liabilities			
Bank loans	447,992	376,300	348,010
Bonds	-	-	18,592
Short-term loans	82,990	6,201	52
Current portion of long-term loans	9,593	9,430	17,337
Current portion of lease financing	2,063	1,428	1,762
Accounts payable	385,122	367,112	342,928
Other payables, accrued expenses and deferred income	84,485	90,653	82,624
Reserve for income taxes	29,837	67,761	52,991
Total current liabilities	1,042,082	918,885	864,296
Long-term liabilities			
Bonds	258,228	258,228	258,228
Long-term loans, net of current portion	231,799	210,133	214,527
Other long-term liabilities	13,787	18,710	25,059
Lease financing	9,188	3,992	4,694
Reserve for employee termination indemnities	48,648	47,176	45,989
Other reserves	15,581	53,683	53,845
Total long-term liabilities	577,231	591,922	602,342
Minority interests in consolidated subsidiaries	11,595	10,271	17,368
Stockholders' equity			
Capital stock	234,418	234,418	234,418
Additional paid-in capital	56,574	56,574	56,574
Surplus from monetary revaluation of assets	22,058	22,058	22,058
Other reserves and retained earnings	605,151	624,666	779,381
Translation differences	14,897	12,109	6,646
Net income for the period	172,561	166,425	69,829
Total Stockholders' equity	1,105,659	1,116,250	1,168,906
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	2,736,567	2,637,328	2,652,912

[*] Exchange rate: 1 Euro = Lire 1,936.27

Consolidated statements of income in Euro reclassified to cost of sales

[thousands of Euro]*

	1st half 2000	1st half 1999	Year 1999
Revenues	981,283	989,130	1,982,066
Cost of sales			
Material and net change in inventories	252,738	277,628	550,560
Payroll and related costs	50,754	55,944	109,302
Subcontract work	198,994	184,859	375,878
Industrial depreciation	17,087	19,307	36,311
Other manufacturing costs	18,587	17,342	36,845
	538,160	555,080	1,108,896
Gross operating income	443,123	434,050	873,170
Selling, general and administrative expenses			
Payroll and related cost	60,781	65,983	123,473
Distribution and transport	20,235	21,778	41,314
Sales commissions	47,052	46,564	91,256
Advertising and promotion	56,269	47,026	86,101
Depreciation and amortization	27,645	25,657	52,824
Other expenses	66,591	85,091	162,564
	278,573	292,099	557,532
Income from operations	164,550	141,951	315,638
Other income/[expenses]			
Foreign currency gain/[loss], net	[11,556]	[947]	[26,008]
Interest income	11,730	14,204	27,327
Interest expense	[21,646]	[20,213]	[40,528]
Other income/[expenses], net	95,607	[5,658]	[11,578]
	74,135	[12,614]	[50,787]
Income before taxes and minority interests	238,685	129,337	264,851
Income taxes	64,602	58,122	95,241
Income before minority interests	174,083	71,215	169,610
Minority interests loss/[gain]	[1,522]	[1,386]	[3,185]
Net income	172,561	69,829	166,425

[*] Exchange rate: 1 Euro = Lire 1,936.27

Consolidated statements of income in Usd reclassified to cost of sales | [thousands of Usd]*

	1st half 2000	1st half 1999	Year 1999
Revenues	937,714	945,213	1,894,062
Cost of sales			
Material and net change in inventories	241,517	265,301	526,115
Payroll and related costs	48,501	53,460	104,449
Subcontract work	190,159	176,651	359,189
Industrial depreciation	16,328	18,450	34,699
Other manufacturing costs	17,762	16,572	35,209
	514,267	530,434	1,059,661
Gross operating income	423,447	414,779	834,401
Selling, general and administrative expenses			
Payroll and related cost	58,082	63,053	117,990
Distribution and transport	19,336	20,812	39,480
Sales commissions	44,963	44,497	87,205
Advertising and promotion	53,770	44,938	82,278
Depreciation and amortization	26,418	24,518	50,478
Other expenses	63,635	81,313	155,346
	266,204	279,131	532,777
Income from operations	157,243	135,648	301,624
Other income/[expenses]			
Foreign currency gain/[loss], net	[11,043]	[905]	[24,853]
Interest income	11,209	13,573	26,113
Interest expense	[20,685]	[19,315]	[38,728]
Other income/[expenses], net	91,362	[5,407]	[11,064]
	70,843	[12,054]	[48,532]
Income before taxes and minority interests	228,086	123,594	253,092
Income taxes	61,733	55,541	91,012
Income before minority interests	166,353	68,053	162,080
Minority interests loss/[gain]	[1,454]	[1,324]	[3,044]
Net income	164,899	66,729	159,036

[*] Exchange rate: Usd 1 = Lire 2,026.2348 as of June 30, 2000

Consolidated balance sheet in Usd reclassified according to financial criteria [thousands of Usd]*

Assets	06.30.2000	12.31.1999	06.30.1999
Current assets			
Cash and banks	190,187	212,607	325,968
Marketable securities	124,025	97,760	99,215
Differentials on forward transactions	1,518	208	4,695
Financial receivables	5,368	93,376	14,262
	321,098	403,951	444,140
Account receivables			
Trade receivables	859,854	806,430	887,955
Other receivables	113,997	95,795	67,834
less - Allowance for doubtful accounts	[67,256]	[73,299]	[90,272]
	906,595	828,926	865,517
Inventories	321,349	281,569	301,051
Accrued income and prepaid expenses	36,626	44,731	45,108
	357,975	326,300	346,159
Total current assets	1,585,668	1,559,177	1,655,816
Investments and other non-current assets			
Equity investments	26,344	26,534	25,369
Securities held as fixed assets	133,549	133,526	110,058
Guarantee deposits	8,858	8,352	15,075
Financial receivables	7,005	5,460	8,238
Other non current receivables	35,484	7,991	6,900
	211,240	181,863	165,640
Tangible fixed assets			
Real estate	386,301	382,802	325,296
Plant, machinery and equipment	357,106	364,998	362,642
Office furniture, furnishings and electronic equipment	57,360	52,144	58,559
Vehicles and aircraft	34,629	38,695	32,171
Construction in progress and advances for tangible fixed assets	47,744	26,390	25,133
Finance leases	10,310	10,134	13,979
less - Accumulated depreciation	[400,098]	[399,041]	[405,337]
	493,352	476,122	412,443
Intangible fixed assets			
Licenses, trademarks and industrial patents	224,725	232,244	241,959
Deferred charges	100,079	70,823	59,264
	324,804	303,067	301,223
TOTAL ASSETS	2,615,064	2,520,229	2,535,122

[✓]

Liabilities and Stockholders' equity	06.30.2000	12.31.1999	06.30.1999
Current liabilities			
Bank loans	428,101	359,592	332,558
Bonds	-	-	17,766
Short-term loans	79,306	5,926	50
Current portion of long-term loans	9,167	9,011	16,568
Current portion of lease financing	1,972	1,365	1,684
Accounts payable	368,023	350,812	327,702
Other payables, accrued expenses and deferred income	80,733	86,628	78,955
Reserve for income taxes	28,512	64,753	50,638
Total current liabilities	995,814	878,087	825,921
Long-term liabilities			
Bonds	246,763	246,763	246,763
Long-term loans, net of current portion	221,507	200,802	205,001
Other long-term liabilities	13,175	17,879	23,946
Lease financing	8,780	3,814	4,486
Reserve for employee termination indemnities	46,488	45,082	43,948
Other reserves	14,889	51,300	51,454
Total long-term liabilities	551,602	565,640	575,598
Minority interests in consolidated subsidiaries	11,080	9,815	16,597
Stockholders' equity			
Capital stock	224,010	224,010	224,010
Additional paid-in capital	54,063	54,062	54,062
Surplus from monetary revaluation of assets	21,079	21,079	21,079
Other reserves and retained earnings	578,281	596,930	744,776
Translation differences	14,236	11,572	6,351
Net income for the period	164,899	159,036	66,729
Total Stockholders' equity	1,056,568	1,066,689	1,117,007
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	2,615,064	2,520,231	2,535,123

[*] Exchange rate: Usd 1 = Lire 2,026.2348 as of June 30, 2000

[X]



Auditors' review report on the interim financial information for the six months ended June 30, 2000

To the Shareholders of Benetton Group S.p.A.

We have reviewed the accompanying interim financial information for the six months ended June 30, 2000, which consist of the accounting schedules [balance sheet and statement of income], for the Parent Company only and consolidated, and of the related footnotes of Benetton Group S.p.A. In addition, we have verified the consistency of the footnotes with the related information contained in the above accounting schedules.

Our review was carried out in accordance with the Italian auditing standards recommended by Consob under Resolution n. 10867 of July 31, 1997. Our review consisted principally of applying analytical procedures to the underlying financial data, assessing whether accounting principles have been consistently applied and making enquiries of management responsible for financial and accounting matters. The review excluded some audit procedures and was therefore substantially less in scope than an audit performed in accordance with Italian auditing standards. Accordingly, unlike our reports on the financial statements, both statutory and consolidated, as of December 31, 1999, we do not express an audit opinion on the interim financial information.

As far as comparable data for the Parent Company only and consolidated financial statements for the year ended December 31, 1999 is concerned, reference should be made to the auditors' report issued by us dated March 31, 2000. For the prior year interim financial information reference is made to the review report issued by us dated October 1, 1999.

Based on our review, we are not aware of any material modifications that should be made to the interim financial information mentioned in the first paragraph above in order for it to be in conformity with the criteria provided by Consob regulations for the preparation of the interim financial information for the six months, adopted with Resolution n. 11971 of May 14, 1999 and subsequent modifications and integrations.

DELOITTE & TOUCHE S.p.A.

Andrea Ruggeri

PARTNER

Fausto Zanon

PARTNER

Treviso, Italy

September 15, 2000

This auditors' review report and the accompanying financial statements are English translations of the Italian auditors' review report and financial statements prepared for and used in Italy. The financial statements were prepared using accounting principles, procedures and reporting practices generally accepted in Italy and are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than those in Italy.

C O R P O R A T E I N F O R M A T I O N

HEADQUARTERS

Benetton Group S.p.A.
Villa Minelli
31050 Ponzano Veneto [Treviso] - Italy
Tel. +39 - 0422 - 519111

LEGAL DATA

Capital stock: Lire 453,897,027,500 fully paid-in
Treviso Company Register: 4424
Treviso Register of Commerce: 84146
Tax ID: 00193320264

MEDIA & COMMUNICATION DEPARTMENT

E-mail: fsartor@benetton.it
Tel. +39 - 0422 - 519036
Fax +39 - 0422 - 519930

FINANCIAL DEPARTMENT

Investor relations
E-mail: invrel@benetton.it
Tel. +39 - 0422 - 519412
Fax +39 - 0422 - 519336
TV Conference +39 - 0422 - 510623/24/25

To obtain copy of the 1999 annual report
and 2000 half-year: www.benetton.it

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Attilio Vianello

Consultancy & co-ordination

D&C Financial Communication - Milano

Color separations

Sartori - Quinto [Tv]

Printing

Grafiche V. Bernardi S.r.l. - Pieve di Soligo [Tv] - Italy



