

Benetton Board approves 1996 results
CONSOLIDATED NET INCOME REACHES RECORD LEVEL AT 246
BILLION LIRE (+11.5%)

- **The year closed with a net liquidity of 133 billion Lire**
- **Consolidated revenues of 2,871 billion Lire**
- **A dividend of Lire 500 per share is proposed (+18%)**

UNITED COLORS
OF BENETTON.

Ponzano, Italy, April 3, 1997. Consolidated net income of 246 billion Lire, an increase of 11.5 per cent; three million more items sold compared to 1995; net borrowing eliminated for the first time in the group's history, together with significant cash balances; net financial charges consequently reduced to a negligible percentage of consolidated revenues: all record results announced by the Benetton Group for 1996, the direct result of continuous innovation in business systems, combined with incisive action to contain operating costs during the past years.

Following today's approval of these results, the Board of Directors will propose that the Stockholders' Meeting, (called for April 29, 1997), should declare a dividend of Lire 500 per share; this is 18 per cent higher than that declared last year and will be payable from May 19, 1997.

Self financing as of December 31, 1996, reached 668 billion Lire; net liquidity was 133 billion Lire, following an improvement of 273 billion Lire over the year, after the payment of dividends totalling approximately 80 billion Lire in 1996. Net financial charges have declined from 46.6 to just 12.6 billion Lire, representing 0.4 per cent of consolidated revenues. Operating capital decreased by almost 150 billion Lire in 1996, from 1,285 to 1,137 billion Lire. Consolidated stockholders' equity amounted to 1,821 billion Lire, following a rise of 10 per cent compared to 1995.

Consolidated revenues amounted to 2,871 billion Lire (2,939 billion Lire in 1995), this was due in great part to the appreciation of the lira (by over 8 per cent on average) as well as the disposal and subsequent deconsolidation of some businesses no longer considered strategic to the Group's program of optimizing commercial and distribution systems.

The overall volume of sales has increased by almost 4 per cent, principally achieved within the European Union: in France, Great Britain, Spain, Portugal, Germany, and in Eastern Europe, as well as in certain countries in the Middle East.

Notwithstanding the appreciation of the lira, the gross margin has remained over the optimal 40 per cent, the operating income has amounted to a ratio of 14 per cent on revenues.

The development and renewal of the retail network - which contributed to the rise in the volume of products sold - continued during 1996, notably by the opening of new megastores in London (the world's largest Benetton store), New York, San Francisco, Barcelona, Moscow and Riyadh. These stores offer complete ranges of clothing and accessories covering all Benetton brands, thereby consolidating public awareness and the Group's global image.

Having completed work on the Castrette manufacturing facilities, now the world's most advanced, the investment in innovation has focused on adopting the latest technology in data processing and applications systems and above all, on the further enhancement of integrated logistics. Here, new automated systems have considerably improved efficiency and the speed of customer service, whilst reducing transport expenses by more than 10 billion lire. All in all, this has resulted in cost savings of almost 45 billion lire, thanks to projects to reorganize and optimize costs in various business sectors and in certain markets, particularly Japan.

Consolidated Statement of Income

(in billions of lire)

	1996	%	1995	%	Change	%
Total sales	2,871.1	100.0	2,939.1	100.0	(68.0)	(2.3)
Cost of sales	1,716.6	59.8	1,721.3	58.6	(4.7)	(0.3)
Gross margin	1,154.5	40.2	1,217.8	41.4	(63.3)	(5.2)
Selling and general expenses	752.8	26.2	774.0	26.3	(21.2)	(2.7)
Income from operations	401.7	14.0	443.8	15.1	(42.1)	(9.5)
Net income from currency hedging and exchange differences	117.2	4.1	46.0	1.6	71.2	154.8
Interest expense, net	12.6	0.4	46.6	1.6	(34.0)	(73.0)
Other expense, net	49.1	1.7	32.0	1.1	17.1	53.4
Income taxes	206.6	7.2	188.7	6.4	17.9	9.5
Minority interests	4.9	0.2	2.2	0.1	2.7	122.7
Net income	245.7	8.6	220.3	7.5	25.4	11.5

Ratios

	1996	1995
Income from operations/Total sales	14.0	15.1
Income from operations/Total Capital invested	23.5	24.2
Net income/Total sales	8.6	7.5
Net income/Stockholders' equity	13.5	13.3

Financial position

(in billions of lire)

	12-31-1996	12-31-1995	Change
Operating capital	1,136.7	1,284.8	(148.1)
Total capital invested	1,712.4	1,835.6	(123.2)
Net borrowing/ (liquidity)	(133.0)	139.7	(272.7)
Stockholders' equity	1,820.8	1,657.0	163.8
Minority interest	24.6	38.9	(14.3)

Consolidated Cash flows

(in billions of lire)

Self-financing	667.8
Increase in operating capital	(32.9)
Investments in operating activities, net	(91.2)
Other investing activities	1.4
Dividends paid	(79.0)
Income taxes paid	(175.8)
Net cash provided	290.3