CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999. DIRECTORS' REPORT ON OPERATIONS

Shareholders,

The consolidated financial statements for the year ended 31 December 1999, prepared in Lire and Euro, are submitted for your review.

Shareholders are reminded that during September 1999 the Parent Company acquired control of the E.D.I. Group (hereinafter referred to as 'Le Bourget Group') via the purchase of 100% of E.D.I. S.A.'s share capital and a subsequent public bid for the shares of Le Bourget S.A., a subsidiary of the latter.

CSP INTERNATIONAL INDUSTRIA CALZE SPA took over operating control of the new group from the date of acquiring the entire share capital of the intermediate holding company, E.D.I.; therefore, since the circumstances apply, the Company has prepared group consolidated financial statements, which include the financial statements of the E.D.I. Group for the last quarter of 1999. This means that the balances illustrated and commented on below refer to the entire accounting period for the Parent Company and the last quarter of the year for Le Bourget Group. Furthermore, it has not been possible to present the financial statements on a comparative basis with prior years. All amounts are expressed in Italian Lire. Since this is the first year consolidated financial statements have been prepared, for ease of understanding the Group's report on operations primarily includes information concerning its newly-acquired interest in Le Bourget Group as well as consolidated data in general, since the Parent Company's specific full-year results are covered in more detail in the report accompanying the statutory financial statements.

1. Key figures

Key figures for the Group are as follows:

– net sales of stockings, Lire 213.3 billion;

– amortisation and depreciation, Lire 12.3 billion;

– pre-tax profit, Lire 16.5 billion;

– income taxes, Lire 6.6 billion, corresponding to 39.8% of pre-tax profit;

– net profit, Lire 9.9 billion.

2. Sales revenues

Total sales revenues, before eliminating intercompany transactions, refer to:

– 12 months of CSP International's activities, producing net sales of Lire 185 billion;

– 3 months of post-acquisition activities by Le Bourget Group, producing consolidated net sales of Lire 28.5 billion.

3. The statement of income

A detailed analysis of the balance sheet and statement of income balances is given in a note attached to the reclassified consolidated financial statements. This report comment on only certain key figures regarding Le Bourget Group.

This group reported net sales of Lire 28.5 billion and net profit of Lire 374 million during the last quarter of the year, which has been consolidated with CSP International since it followed the acquisition.

The gross margin came to 37.5% and operating profit to 5.4%. Financial charges represented less than 2% of net sales.

4. The balance sheet

Highlights of the consolidated balance sheet, expressed in Italian Lire, are as follows:
– the consolidation difference, totalling Lire 27.1 billion. Approximately Lire 25 billion refers to the additional value paid for Le Bourget Group. The consolidation difference is amortised over a period of ten years, in relation to its estimated useful life. We believe that this period of time is correct, in view of the future earnings prospects of the Group as a whole;
– consolidated working capital, totalling Lire 109 billion;
– consolidated net indebtedness, totalling Lire 107 billion;
– shareholders' equity pertaining to the Group, totalling Lire 101 billion.

5. Acquisition of Le Bourget

The key stages in the acquisition of Le Bourget are outlined below; this group sells 35 million pairs of hose under Le Bourget and Bomo labels, with sales of FF 292 million in 1999 (approximately Lire 86 billion):
– 21 September 1999: CSP International acquired 100% of EDI, who owns 51% of Le Bourget;
– 9 November 1999: CSP International completed its public bid for the minority shareholding, thus acquiring 99.54% of the total shares;
– 12 January 2000: CSP International finalised its bid (Offre Publique de Retraite) for the purchase of the remaining shares and the de-listing of Le Bourget from the stockmarket.

The major objectives of this operation are:
– to acquire a significant share - about 15% - of the third largest European hosiery market;
– to manufacture for Le Bourget, which produced only one-quarter of its output in-house, using CSP International's automated production plant, thereby achieving lower costs and higher quality.

The expected synergies of this acquisition will enable:
– Le Bourget to offer more competitive products, featuring lower manufacturing costs and higher quality;
– CSP International to optimise its production capacity, with a favourable impact on its statement of income.

6. Prior year results lts of Le Bourget

Le Bourget Group underwent restructuring in the years leading up to its acquisition. This involved reducing headcount from a peak of 1,100 employees to a level of approximately 450.
The group reported a loss of FF 26.4 million (roughly Lire 7.8 billion) in 1998, partly as a result of restructuring costs. The losses were cut to FF 10.4 million in 1999, (approximately Lire 3.1 billion).
The last quarter of the year, which has been consolidated with CSP International since it followed the acquisition, reported net sales revenues of Lire 28.5 billion and net profit of Lire 374 million.

7. CSP International product range following the acquisition of Le Bourget

CSP International's product range currently includes the following brands:
• Oroblù covers the top end of the market in terms of quality and price, with an image of class and international elegance. This is our primary brand for the Western European markets;
• Sanpellegrino offers the best value for money and is our top brand for the Eastern European markets;

- Star Way, positioned at an intermediate level between Oroblù and Sanpellegrino, is our most young and innovative brand; it is currently sold in 25 countries, mainly outside Europe;
- New Opportunity is the brand targeted at the low-end of the market; it plays an insignificant role in company sales.
- CSP International also produces private labels for major international distribution chains, such as Marks & Spencer in the UK and Esselunga in Italy.

Le Bourget brands are positioned as follows in relation to CSP International:

- the Le Bourget brand is well-established on the French market, priced between Oroblù and Sanpellegrino, at a level similar to Star Way. Despite the similarity in price, the two brands have quite separate images since Le Bourget targets an adult market, while Star Way appeals to the younger market;
- the Bomo brand is highly competitive and appeals to "price-oriented" consumers: it is comparable with New Opportunity, but enjoys much higher sales, largely concentrated in France.

Following the acquisition of Le Bourget, CSP International products now have the following relative recommended average retail prices:

Brand	*Price Index*
Oroblù	220
Le Bourget	150
Star Way	140
Sanpellegrino	100
Bomo	90
New Opportunity	80

8. Sanpellegrino Polska

Sanpellegrino Polska was set up in 1998 and began production operations in the first half of 1999, including processing of raw materials and semi-finished products supplied by CSP International. Since September, it has been able to supply finished products to CSP.

The mission of Sanpellegrino Polska is to produce, in a country with low labour costs, the most basic articles for sale on the Polish market itself, in Eastern Europe and to the CSP International Group in general.

CSP holds a 50% interest in Sanpellegrino Polska, while our Polish distributor holds the other 50%.

Its board of directors consists of two members representing CSP International and one representing our Polish partner, who also acts as the managing director.

9. Other equity investments

CSP International has two minority investments (20%) in its French and British distributors.

10. Related party disclosures

As required, we declare that there were no transactions during the year between Group companies and related parties.

11. Investments held by directors, statutory auditors and general managers as per the implementation protocol for Art. 33, Decree Law 58 of 24 February 1998

As required by Consob regulations, we attach schedule 2C on investments held by the individuals or entities stated in Art. 33.

12. Information concerning the year 2000

As required by Consob circular DAC/98079574 of 9 October 1998 concerning Year 2000 compliance, we state that the change-of-year did not involve any loss or alteration of data. As confirmed by software and hardware suppliers, there are currently no objectively foreseeable risks which may arise as a result of the new date. The new IT system at CSP International is, in any case, certified as Year 2000 compliant.

13. Share capital

Share capital amounts to Lire 24.5 billion and is made up of 24,500,000 shares with a par value of Lire 1,000 each.

As of 31 December 1999 the company held 202,500 of its own shares, representing 0.8% of total capital.

14. Trends at the start of 2000

The table summarises the sales in the first two months of 2000, compared with the same period in 1999.

Total sales	*First two months 1999*	*First two months 2000*
CSP International	31.1 billion	27.9 billion
Le Bourget	–	14.7 billion
Consolidated	–	42.6 billion

15. Significant subsequent events

The main events that have taken place since the end of the year are as follows.

New products

During the last few months of 1999, several new products were launched, the most important of which were:

- Sanpellegrino Comodo, extremely innovative hose thanks to its loose-fitting and comfortable features, which was supported by a TV and billboard advertising campaign;
- Oroblù Silverado, a collection of products in nylon, elastomer and silver filigree, which makes use of the odour-prevention, protective and hygienic properties of silver.

Both products were very received by the market. Sales of “Comodo” were already partially reflected in the 1999 figures, while “Silverado” sales will affect the 2000 results. “Comodo” is the subject of a new TV and press advertising campaign starting in February.

New distribution methods

- The group continues to develop the “Shop in Shops” formula for the Oroblù and Star Way brands within major international department stores.
- Internet sales of Oroblù hosiery will start in the USA during the year and in Italy in May via the Internet shop 2000 web site, in collaboration with Omnitel.

- The first Oroblù sales outlets will be inaugurated during the year; this forms part of the Franchising project, which aims to open 100 sales outlets over the next three years.

Diversification
The new Oroblù Extroversion collection was launched on the market early in 2000; it includes "outer-wear" lingerie and prêt-à-porter clothing.

Licensing
Product diversification continues through licensing: the two most recent, expected to become operative in 2000, are:

- a licensing agreement signed with IRGE for the production and distribution of Sanpellegrino pyjamas through large-scale distribution channels;
- a licensing agreement for the production and retail distribution of men's socks under the Sanpellegrino label.

In agreement with Gucci, the new owners of Yves Saint Laurent, we have decided to abandon the license for the YSL trademark after the first year. There are two reasons for this: Gucci no longer wishes to grant licenses in order to manage the trademark directly; Le Bourget wishes to release itself from heavy overheads caused by a very complex collection involving significant production costs. The disengagement from YSL will help strengthen the strategic role of Oroblù, which can now exploit Le Bourget's French sales network.

16. Prospects for 2000

The CSP International Group expects profitability to improve in 2000, reflecting its recent capital investments, the integration of operations by CSP International, Le Bourget and Sanpellegrino Polska and the related synergies.

- CSP International is forecasting an Operating Margin of at least 10% in 2000, with further improvements of at least one percentage point a year over the next three years;
- After years of poor results, Le Bourget's Operating Margin will return to positive figures in 2000. The main initiatives targeted at improving the profitability of Le Bourget Group can be summarised as follows.

  Production
  - a third of production will be carried out at the Fresnoy le Grand factory, where, with the same number of machines and staff, we shall increase pairs produced in 2000 by approximately 50% compared with 1999, thereby reducing unit costs;
  - a third of production will be carried out at CSP International's automated plants, thus resulting in improvements in quality and cost cutting;
  - the remaining third of production will be carried out by outside contractors, due to reasons of price and operating ease.

  Logistics
  - the 3 current shipment warehouses will be rationalised by the end of the year, thereby optimising costs and profits.

  Marketing
  - Le Bourget has started to market CSP International's Oroblù and Star Way labels in France;
  - CSP International is currently launching the Le Bourget collection in Italy;
  - other synergies are underway abroad, with regard to branches and distributors.
- Sanpellegrino Polska's Operating Margin will be in line with that of CSP International.

Our thanks go the statutory auditors and the external auditors for their work and to all of our staff, who made a vital contribution to the year's results.

Ceresara, Italy, 27 March 2000

Attachments:

1. Reclassified statement of income
2. Reclassified balance sheet
3. Comments on the reclassified financial statements

Attachment 1

Reclassified Consolidated Statement of Income (in millions of Lire)

	31 December 1999
NET SALES	**213,325**
COST OF SALES	
Purchases	70,799
Labour cost	27,709
Services	14,079
Depreciation & amortization	9,520
Other costs	8,240
(Increase) decrease in inventories	11,006
	141,353
GROSS PROFIT	**71,972**
SELLING, GENERAL AND ADMINISTRATIVE COSTS	
Labour cost	14,656
Advertising expenses	19,193
Commissions	5,027
Depreciation & amortization	2,819
Other expenses	13,211
	54,906
OPERATING PROFIT	**17,066**
Financial charges (income), net	3,399
Writedown (writeup) of investments	(98)
Other (income) and charges	(1,599)
	1,702
PROFIT BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	**15,364**
Extraordinary items	(1,118)
NET PROFIT FOR THE YEAR	**16,482**
Income taxes	(6,560)
NET PROFIT FOR THE YEAR	**9,922**
NET (PROFIT) LOSS ATTRIBUTABLE TO MINORITY INTERESTS	(18)
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO THE GROUP	**9,904**

Attachment 2

Reclassified Consolidated Balance Sheet (in millions of Lire)

ASSETS	*31 December 1999*
CURRENT ASSETS	
Cash and banks	5,157
Trade receivables	123,003
Due from subsidiary and associated companies	2,034
Other receivables	6,696
Inventories	75,303
Accrued income and prepayments	1,618
Own shares	1,852
TOTAL CURRENT ASSETS	**215,663**
FIXED ASSETS	
Financial fixed assets:	
Financial receivables	1,321
Equity investments	1,465
Total financial fixed assets	**2,786**
Tangible fixed assets	87,477
Intangible fixed assets	28,962
TOTAL FIXED ASSETS	**119,225**
TOTAL ASSETS	**334,888**

LIABILITIES & SHAREHOLDERS' EQUITY (in millions of Lire)	*31 December 1999*
CURRENT LIABILITIES	
Short-term bank borrowings	38,490
Current portion of medium/long term debt	28,523
Trade payables due to third parties	89,330
Trade payables due to subsidiary/associated companies	362
Taxes payable	1,080
Other payables	10,472
Accrued liabilities and deferred income	624
TOTAL CURRENT LIABILITIES	**168,881**
MEDIUM/LONG-TERM LIABILITIES	
Medium/long-term debt, net of the current portion	44,901
Bills payable	2,181
Severance indemnities	8,178
Other provisions	9,880
TOTAL MEDIUM/LONG-TERM LIABILITIES	**65,140**
TOTAL LIABILITIES	**234,022**
MINORITY INTERESTS IN CAPITAL AND RESERVES	90
SHAREHOLDERS' EQUITY	
Share capital	24,500
Legal reserve	2,201
Share premium reserve	35,000
Other reserves	29,171
Net profit for the year	9,904
TOTAL SHAREHOLDERS' EQUITY	**100,776**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**334,888**

MEMORANDUM ACCOUNTS	**48,103**

Attachment 3

1. Analysis of the results for the year ended 31 December 1999

The following remarks refer to the reclassified consolidated financial statements as of 31 December 1999. The consolidated financial statements at this date include the statutory financial statements of CSP International, the Parent Company, and the financial statements for the period 1 October 1999-31 December 1999 of Le Bourget Group.
Given the lack of comparative data for the previous year and the fact that the results for a single quarter do not have a particularly important bearing on the entire year, these comments are necessarily brief.

Net profit for the year ended 31 December 1999 was Lire 9,904 million, while pre-tax profit came to Lire 16,482 million.

Net sales – net sales of stockings in 1999 amounted to Lire 213,325 million.

In the year ended 31 December 1999, sales in Italy and France accounted for approximately 64% of total sales. The rest of Western Europe represented 21% of sales, Eastern Europe 13% and other countries 2%.

Cost of sales – cost of sales in 1999 was Lire 141,353 million, representing 66.3% of net sales. Industrial labour costs were 13% of net sales.

Gross profit – the gross profit margin was 33.7%.

Selling, general and administrative costs – selling, general and administrative costs, amounting to Lire 54,906 million, represented 25.7% of net sales in the year.
The most significant item was advertising and promotional expenditure, equal to 9% of net sales.

Operating profit – operating profit came to Lire 17,066 million, representing an operating margin of 8%.

Financial charges (income), net – net financial charges amounted to Lire 3,399 million, representing 1.6% of net sales.

Other income, net – other income, net mostly referred to royalty income.

Extraordinary charges (income) – net extraordinary income, which amounted to Lire 1,118 million, comprised Lire 1,349 million for amortising costs incurred in floating the Parent Company on the screen-traded market of the Italian Stock Exchange, Lire 1,597 million for recognising deferred tax assets relating to timing differences arising in prior years, and Lire 886 million in respect of a warranty payable by the former shareholders of the EDI Group.

Pre-tax profit – pre-tax profit amounted to Lire 16,482 million.

Income taxes – income taxes came to Lire 6,560 million and represented 40% of pre-tax profit.

2. Analysis of capital expenditure for the year ended 31 December 1999

In line with its growth and the need to redress the balance between internal and sub-contracted production, the Group completed the investment programme started in 1996.

During the year, the Parent Company also acquired a majority interest in Le Bourget Group, an operation described in detail in the report on operations, involving a total outlay of approximately Lire 25 billion. Amongst others, this acquisition aims to improve utilisation of the excellent technical and manufacturing capacities of CSP International, partly by gaining market shares associated with important historic brands which have been weakened, industrially speaking, by a lack of technological investment.

3. Analysis of the net financial position as at 31 December 1999

Net debt at 31 December 1999 came to Lire 106,757 million. The Group's financial position at that date is analysed as follows (in millions of lire):

	31 December 1999
Short-term bank borrowings	38,490
Current portion of medium/long-term debt	28,523
Cash and banks	(5,157)
Net short-term debt	**61,856**
Medium/long-term lending, net of the current portion	44,901
Total net debt	**106,757**

4. Analysis of the trend in net working capital and free cash flow for the year ended 31 December 1999

Net working capital at 31 December 1999 is analysed in the following table (in millions of lire):

	31 December 1999
Trade receivables	125,037
Other receivables, accrued income and prepayments	10,166
Inventories	75,303
	210,506
Trade payables	(89,692)
Other payables, accrued liabilities and deferred income	(12,176)
	(101,868)
Working capital	**108,638**
Net short-term debt	(61,856)
Net Working Capital	**46,782**

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 1999
(in Lire and in Euro)

CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.

BALANCE SHEET

ASSETS	*Stated in Lire 31.12.1999*	*Stated in Euro 31.12.1999*
A) RECEIVABLES FROM SHAREHOLDERS:	0	0.00
B) FIXED ASSETS		
I. Intangible fixed assets:		
3. industrial patents and intellectual property rights	911,131,386	470,560.09
4. concessions, licences, trade marks and similar rights	218,235,457	112,709.21
5. goodwill	437,276,270	225,834.35
6. consolidation difference	27,076,580,835	13,983,886.98
7. others	319,138,818	164,821.44
Total I.	**28,962,362,766**	**14,957,812.07**
II. Tangible fixed assets:		
1. land and buildings	37,568,581,840	19,402,553.28
2. plant and machinery	43,622,116,673	22,528,943.11
3. industrial and commercial equipment	2,709,992,374	1,399,594.26
4. other fixed assets	3,206,573,142	1,656,056.82
5. construction in progress and advances	369,468,000	190,814.30
Total II.	**87,476,732,029**	**45,177,961.77**
III. Financial fixed assets		
1. Equity investments in:		
b) associated companies	1,440,476,900	743,944.23
d) other companies	24,294,005	12,546.81
Total 1.	**1,464,770.905**	**756,491.04**
2. Financial receivables:		
a) from subsidiary companies:		
a.a. due within 12 months	2,195,765	1,134.02
b) from associated companies:		
b.a. due within 12 months	123,679,882	63,875.33
Total 2.	**125,875,647**	**65,009.35**
3. Other securities	611,182,778	315,649.56
Total III.	**2,201,829,330**	**1,137,149.95**
TOTAL FIXED ASSETS (B)	**118,640,924,125**	**61,272,923.79**

	Stated in Lire 31.12.1999	Stated in Euro 31.12.1999
C) CURRENT ASSETS		
I. Inventories:		
1. raw, ancillary and consumable materials	14,693,243,435	7,588,426.94
2. semi-finished products, work-in-progress	15,249,998,164	7,875,966.76
4. finished products and goods	45,359,935,327	23,426,451.54
5. advances	0	0.00
Total I.	**75,303,176,926**	**38,890,845.24**
II. Receivables:		
1. trade accounts:		
1.a. due within 12 months	122,874,096,958	63,459,175.09
3. associated companies:		
3.a. due within 12 months	2,034,331,408	1,050,644.49
5. others:		
5.a. due within 12 months	6,695,760,530	3,458,071.72
5.b. due beyond 12 months	584,328,701	301,780.59
Total 5.	**7,280,089,231**	**3,759,852.31**
Total II.	**132,188,517,598**	**68,269,671.89**
III. Current financial assets		
5. own shares	1,852,147,298	956,554.25
Total III.	**1,852,147,298**	**956,554.25**
IV. Liquid funds:		
1. cash at banks and post offices	5,015,834,324	2,590,462.24
2. cheques	128,629,275	66,431.48
3. cash and equivalents on hand	140,727,611	72,679.75
Total IV.	**5,285,191,210**	**2,729,573.47**
TOTAL CURRENT ASSETS (C)	**214,629,033,032**	**110,846,644.85**
D) ACCRUED INCOME AND PREPAYMENTS	**1,618,012,707**	**835,633.83**
TOTAL ASSETS	**334,887,969,864**	**172,955,202.47**

BALANCE SHEET

LIABILITIES		*Stated in Lire 31.12.1999*	*Stated in Euro 31.12.1999*
A)	SHAREHOLDERS' EQUITY:		
I.	Share capital	24,500,000,000	12,653,194.03
II.	Share premium reserve	35,000,000,000	18,075,991.47
III.	Revaluation reserves	1,195,810,187	617,584.42
IV.	Legal reserve	2,201,077,443	1,136,761.63
V.	Reserve for own shares in portfolio	1,852,147,298	956,554.25
VI.	Statutory reserves	0	0.00
VII.	Other reserves:		
	a. undistributed profit	19,840,296,853	10,246,658.19
	b. capital grants reserve	398,324,000	205,717.18
Total VII.		**20,238,620,853**	**10,452,375.37**
VIII.	Profit carried forward	5,883,381,329	3,038,512.88
IX.	Net profit for the year	9,904,266,255	5,115,126.64
	TOTAL SHAREHOLDERS' EQUITY (A)	**100,775,303,366**	**52,046,100.69**
	MINORITY INTERESTS IN CAPITAL AND RESERVES	**89,956,309**	**46,458.56**
B)	RESERVES FOR CONTINGENCIES AND OTHER CHARGES:		
1.	pensions and similar commitments	1,210,246,200	625,040.00
2.	taxation	6,582,429,109	3,399,540.93
3.	other	2,088,212,161	1,078,471.58
	RESERVES FOR CONTINGENCIES AND OTHER CHARGES (B)	**9,880,887,470**	**5,103,052.51**
C)	RESERVE FOR SEVERANCE INDEMNITIES	**8,177,832,752**	**4,223,498.14**

	Stated in Lire 31x12.1999	Stated in Euro 31.12.1999
D) PAYABLES:		
3. banks:		
a. due within 12 months	67,012,444,787	34,609,039.44
b. due beyond 12 months	44,901,941,324	23,189,917.38
Total 3.	**111,914,386,111**	**57,798,956.82**
5. advances:		
a. due within 12 months	260,367,150	134,468.41
6. trade accounts:		
a. due within 12 months	89,328,589,771	46,134,366.47
7. notes payable	2,181,011,834	1,126,398.61
9. associated companies:		
a. due within 12 months	362,254,332	187,088.75
11. taxes payable:		
a. due within 12 months	2,188,037,912	1,130,027.28
12. social security institutions:		
a. due within 12 months	4,147,451,198	2,141,979.78
13. other payables:		
a. due within 12 months	4,957,823,995	2,560,502.40
TOTAL PAYABLES (D)	**215,339,922,303**	**111,213,788.52**
E) ACCRUED LIABILITIES AND DEFERRED INCOME	**624,067,665**	**322,304.05**
TOTAL LIABILITIES	**334,887,969,864**	**172,955,202.47**

MEMORANDUM ACCOUNTS	*Stated in Lire 31.12.1999*	*Stated in Euro 31.12.1999*
– Mortgages for loans	36,000,000,000	18,592,448.37
– Guarantees given to third parties	576,666,000	297,823.13
– Assets held by third parties	606,440,000	313,200.12
– Purchasing commitments	1,404,000,000	725,105.49
– Assets deposited with third parties	4,373,790,757	2,258,874.41
– Third party assets	142,476,042	73,582.73
Total	**43,103,372,799**	**22,261,034.25**

CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.

STATEMENT OF INCOME

	Stated in Lire *31.12.1999*	*Stated in Euro* *31.12.1999*
A) VALUE OF PRODUCTION		
1. Revenues from sale of goods and services	243,973,374,106	126,001,732.25
2. Changes in inventories of work-in-progress, semi-finished and finished products	(9,192,982,125)	(4,747,779.04)
4. Additions to fixed assets by internal production	5,224,131	2,698.04
5. Other income:		
a. other income	2,521,518,613	1,302,255.68
TOTAL VALUE OF PRODUCTION (A)	**237,307,134,725**	**122,558,906.93**
B) PRODUCTION COSTS		
6. Raw, ancillary and consumable materials and goods	101,036,355,883	52,180,923.05
7. Services	58,201,988,544	30,058,818.52
8. Use of third party assets	474,663,647	245,143.32
9. Labour costs:		
a. wages and salaries	29,373,483,356	15,170,138.13
b. social security contributions	10,797,996,463	5,576,699.77
c. severance indemnities	1,919,566,286	991,373.25
e. other costs	24,540,909	12,674.32
Total 9.	**42,115,587,014**	**21,750,885.47**
10. Depreciation, amortisation and writedowns:		
a. amortisation of intangible fixed assets	3,425,865,487	1,769,311.87
b. depreciation of tangible fixed assets	10,262,070,157	5,299,916.93
c. other writedowns of fixed assets	14,915,546	7,703.24
d. writedown of doubtful accounts included in current assets and of liquid funds	1,394,293,152	720,092.32
Total 10.	**15,097,144,342**	**7,797,024.36**
11. Changes in inventories of raw, ancillary and consumable materials and goods	1,814,105,032	936,907.06
12. Provisions for contingencies and other charges	335,933,314	173,495.08
13. Other provisions	0	0.00
14. Other operating expenses	1,587,491,710	819,871.03
TOTAL PRODUCTION COSTS (B)	**220,663,269,486**	**113,963,067.89**
DIFFERENCE BETWEEN VALUE OF PRODUCTION AND PRODUCTION COSTS (A–B)	**16,643,865,239**	**8,595,839.04**

	Stated in Lire 31.12.1999	Stated in Euro 31.12.1999
C) FINANCIAL INCOME AND (CHARGES)		
15. Income from investments	0	0.00
16. Other financial income:		
c. income from securities held as current assets not representing equity investments	121,849,014	62,929.76
d. other than above:		
d. from third parties	867,226,624	447,885.17
Total 16.	**989,075,638**	**510,814.93**
17. Interest and other financial charges:		
d. from third parties	(3,826,671,108)	(1,976,310.69)
TOTAL FINANCIAL INCOME AND (CHARGES) (C)	**(2,837,595,470)**	**(1,465,495.76)**
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS:		
18. Writeups:		
a. of equity investments	108,844,837	56,213.67
19. Writedowns:		
a. of equity investments	(10,665,784)	(5,508.42)
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)	**98,179,053**	**50,705.25**
E) NON-RECURRING INCOME AND CHARGES:		
20. Non-recurring income:		
b. other non-recurring income	2,605,192,458	1,345,469.62
Total 20.	**2,605,192,458**	**1,345,469.62**
21. Non-recurring charges:		
c. other non-recurring charges	(28,005,392)	(14,463.58)
Total 21.	**(28,005,392)**	**(14,463.58)**
TOTAL NON-RECURRING INCOME AND (CHARGES) (E)	**2,577,187,066**	**1,331,006.04**
PROFIT BEFORE TAXES (A – B+/–C+/–D+/–E)	**16,481,635,889**	**8,512,054.57**
22. Income taxes for the year	(6,559,046,617)	(3,387,464.88)
26. NET PROFIT FOR THE YEAR	**9,922,589,272**	**5,124,589.69**
(PROFIT) LOSS FOR THE YEAR ATTRIBUTABLE TO MINORITY INTERESTS	**(18,323,016)**	**(9,463.05)**
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO THE GROUP	**9,904,266,255**	**5,115,126.64**

CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

The consolidated financial statements as of 31 December 1999 of the CSP INTERNATIONAL GROUP, have been prepared in Italian Lire and comply with the provisions of Decree 127/91.
This document represents the Group's first set of consolidated financial statements. During September 1999, the Parent Company acquired a controlling interest in the E.D.I. Group (hereinafter identified as the 'Le Bourget Group') by means of the purchase of 100% of the share capital in E.D.I. S.A. and a subsequent public bid for the shares in Le Bourget S.A..
CSP INTERNATIONAL INDUSTRIA CALZE SPA took over operating control of the group from the date of acquiring the entire share capital in the intermediate holding company, E.D.I.; therefore, since the circumstances apply, the Company has prepared Group consolidated financial statements, which include the statutory financial statements for the entire accounting period and those of the E.D.I. Group for the period 1 October – 31 December 1999. Consequently, asset and liability balances, and the costs and revenues of the companies acquired belonging to Le Bourget Group have been included with reference to 1 October 1999, while the movements in these balances refer to those taking place in the period subsequent to this date.
Furthermore, since this is the first set of consolidated financial statements, prior year balances have not been presented for comparative purposes nor is a pro-forma situation illustrated; the reason for this decision lies in the complexity of such preparation, as well as the fact that the Company is not required to do so by the related legislation.

Form and content of the consolidated financial statements

The consolidated financial statements comprise the consolidated balance sheet, the consolidated statement of income, and these explanatory notes, and is accompanied by the Group's report on operations. In accordance with the Consob request, a balance sheet and statement of income expressed in Euro have been attached. The accounting reference date of the consolidated financial statements, 31 December 1999, is consistent with that of CSP INTERNATIONAL INDUSTRIA CALZE SPA, the Parent Company, and all the companies included within the scope of consolidation. The financial statements used for consolidation purposes are those as of 31 December 1999 prepared by the respective Boards of Directors for approval by the shareholders (the financial statements of the subsidiary companies belonging to the Le Bourget Group include a statement of income referring to the last quarter of the year). These financial statements have been adjusted, where necessary, in order to eliminate any adjustments made solely for fiscal purposes (accelerated depreciation) and to align them with the accounting policies as per article 2426 of the Italian Civil Code, consistently applied throughout the Group, as interpreted and supplemented by the accounting principles established by the Italian Accounting Profession or, in the absence thereof, by the International Accounting Standards Committee (IASC), assimilated in Italy by the Consob. Where applicable, the related deferred taxation has been provided on these adjustments.
A reconciliation between shareholders' equity and the net results as of 31 December 1999 reported in the financial statements of CSP INTERNATIONAL INDUSTRIA CALZE SPA and the consolidated amounts at the same date, has been presented in the commentary on consolidated shareholders' equity.
In addition, for ease of understanding, amounts in the notes have been expressed in millions of Lire in the narrative and thousands of Lire in the tables.

Scope of consolidation

The consolidated financial statements as of 31 December 1999 include the line-by-line consolidation of the Parent Company's financial statements at that date and those of the following companies in which the Group directly or indirectly holds the majority of the voting rights:

Name	*Address*		*Share capital*	*Controlling interest %*	*Shareholding %*
CSP International Industria Calze S.p.A.	Via Piubega, 5/c Italy	Lire	24,500,000,000	Parent Company	
E.D.I. S.A. (*)	Rue J.P. Saltiel 02230- Fresnoy Le Grand, France	F.F.	28,015,274	100%	100%
Le Bourget S.A. (1) (*)	Rue J.P. Saltiel 02230- Fresnoy Le Grand France	F.F.	16,604,544	99.54%	99.54%
S.A.R.L. BUC (2) (*)	Rue J.P. Saltiel 02230- Fresnoy Le Grand France	F.F.	60,000	95%	94.56%
SOGED S.A. (2) (*)	Petite Route d'Aubagne, 32 13821 La Penne Sur Huveaune France	F.F.	6,153,533	99.87%	99.41%
Le Bourget Benelux (2) (*)	Rue Reigersvliet 1040 Bruxelles	BF	9,000,000	70.56%	70.24%
Le Bourget (uk) Ltd (2) (*)	8 Canons Road Old Wolverton Milton Keynes MK 12 5TL Buckinghamshire, UK	£	150,000	99.99%	99.53%
BO.MO. Srl (3) (*)	Via San Martino 8/12 Fraz. Borgo Poncarale 25020 Poncarale (BS), Italy	Lire	180,000,000	60%	59.65%

(1) Owned by E.D.I. S.A.
(2) Owned by Le Bourget S.A.
(3) Owned by SOGED S.A.
(*) The financial statements of this company refer to the period 1 October 1999 - 31 December 1999

Sanpellegrino Polska, the 50% owned subsidiary, has been included within the scope of consolidation using the equity method. This is because it started operations during the first half of 1999 and its volume of business in the year ended 31 December 1999 would not justify its inclusion on a proportional basis. This company will be included in the scope of consolidation on a proportional basis in the 2000 consolidated financial statements.

Consolidation principles

The main consolidation principles adopted for the companies consolidated on a line-by-line basis are described below:

– The financial statements of subsidiaries are consolidated on a line-by-line basis. The book value of the investments held by the Parent Company and the other consolidated companies is eliminated against the related share of the shareholders' equity, while the assets, liabilities, costs and revenues of the subsidiaries are consolidated fully, regardless of the interest held. Any differences emerging on acquisition (or initial consolidation) of the investments following the elimination of the book value of these companies and the corresponding portion of shareholders' equity at the current values of the investments, is attributed, where possible, to the assets and liabilities of the companies concerned; the residual balance, if positive, is recorded among intangible fixed assets under 'Consolidation differences', if negative, among the equity accounts as the "Consolidation reserve". Consolidation differences are amortised on a straight-line basis over a period of ten years.

- Minority interests in shareholder's equity and the results for the year are reported separately as "Minority interests in capital and reserves" in the consolidated balance sheet and as "Net profit (loss) attributable to minority interests" in the consolidated statement of income.
- Transactions giving rise to receivables, payables, costs and revenues, between companies consolidated line-by-line, are eliminated, as are unrealised intercompany gains included at the balance sheet date in the valuation of inventories and fixed assets.
- Dividends from consolidated companies recorded as income from equity investments in the statements of income of the Parent Company and other companies owning such interests, are eliminated against "Retained earnings".
- The financial statements of foreign subsidiaries based in countries not belonging to the European Union, are translated into Lire using year-end exchange rates for balance sheet items (with the exception of the equity accounts which are translated at historical exchange rates) and average exchange rates for statement of income items. The financial statements of foreign subsidiaries based in countries belonging to the European Union, are translated into Lire using the related fixed conversion rates for all balances. Any differences arising as a result of the application of the above policies are classified directly under "Retained earnings" as part of consolidated shareholders' equity; the difference between the result expressed at average exchange rates and the result expressed at rates ruling at year end is also booked to "retained earnings". The exchange rates used to translate foreign currency financial statements are as follows:

Currency	*Average*	*Year-end*
French Franc	295.182	295.182
Pound Sterling	2,954.77	3,114.47
Belgian Franc	47.998	47.998

Accounting policies

The more important accounting policies adopted for the preparation of the consolidated financial statements, which comply with those established by law, are as follows:

Intangible fixed assets – These are recorded at purchase or production cost, including related charges. They are amortised on a systematic basis over their estimated useful lives. In particular, goodwill deriving from corporate re-organisation is amortised over a period of five years. Application software is recorded among intangible fixed assets and amortised over a period of three years.

Tangible fixed assets – These are recorded at purchase or production cost. This cost is adjusted for certain assets in application of specific revaluation laws (as detailed in the attached schedule). Cost includes the related charges, direct costs and the share of indirect costs that is reasonably attributable to the asset.
Tangible fixed assets are depreciated every year on a straight-line basis using rates that reflect the residual technical and economic useful lives of the assets concerned. The rates applied are indicated in the relevant section of the notes. If, independently of the depreciation already accounted for, there is a permanent loss in value, the asset's value is written down accordingly; if, in the future, the bases for the writedown no longer apply, the original value may be written back, as adjusted for accumulated depreciation.
Ordinary maintenance costs are wholly expensed to income as incurred. Maintenance costs which improve assets, are capitalised and depreciated using the rates applying to those assets over the residual useful lives.

Investments in non-consolidated companies – Investments in non-consolidated companies, in which the portion of voting rights held is between 20% and 50%, are carried at equity. The differences emerging on initial consolidation between the book value of the investments in these companies and the corresponding portion of shareholders' equity at current values is charged/credited to the specific equity captions. Other minor investments are stated at cost. Cost is written down where there is a permanent loss in value and when there is no prospect of the company in question earning future profits, which would absorb the losses. The original value may be written back if, in the future, the bases for the write-down no longer apply.

Inventories – Inventories are stated at the lower of purchase or production cost, determined on the basis of weighted average cost, and their estimated realisable value taking account of market trends. Cost is calculated using the same criteria as that applied to fixed assets. Estimated realisable value is calculated taking account of manufacturing costs to be incurred and direct selling costs. Obsolete and slow-moving items are written down to their utilisable or realisable value.

Receivables – Receivables are stated at their estimated realisable value.

Accruals and deferrals – Income and expenses which relate to more than one accounting period are recorded in these captions in order to respect the principle of matching income and expenses to the period to which they refer.

Reserves for contingencies and other charges – These reserves cover known or probable losses, whose timing and amount could not be determined at the year end. Provisions reflect the best estimate based on the information available.
Certain Group companies, located abroad, are obliged to pay a severance indemnity to employees in specific circumstances. The estimated liability at the balance sheet date, which is correlated to the death-rate and employee turnover, is recorded among the reserves for contingencies and other charges under 'pensions and similar commitments'.

Reserve for severance indemnities – The reserve for severance indemnities is provided to cover the liability maturing in respect of employees. It is accrued in accordance with current legislation, collective labour contracts and in-house agreements. The liability is subject to annual revaluations using officially-established indices.

Payables – Payables are stated at their nominal value.

Revenue recognition – Revenues from product sales are recognised at the time ownership passes, which is generally upon shipment to the customer.

Advertising, research and development costs – Advertising and promotional costs not benefiting future accounting periods are expensed to income in period incurred: any costs relating to advertising campaigns spanning several accounting periods are recorded on an accruals basis by booking accruals or deferrals as appropriate. Research and development costs are fully expensed as operating costs in the period incurred.

Lease contracts – Operating assets, acquired under financial lease, are reflected in the consolidated financial statements in accordance with financial lease methodology. This involves capitalising the assets and depreciating them over their residual useful life, while the related financial payable is recorded among liabilities.

Income taxes for the year – Current income taxes are provided with reference to the taxable income of each consolidated subsidiary, determined in accordance with local tax regulations.

Deferred taxation – Since this is the first set of consolidated financial statements, taxation relating to timing differences which emerged prior to 1 January 1999, has been recorded in the statement of income under caption 20 b) "Other non-recurring income", while changes during the year have been recorded under caption 22) "Income taxes for the year".
Deferred tax assets on timing differences deductible for tax purposes in years subsequent to that in which they were charged to the statutory statement of income (mainly taxed reserves) is recorded among assets as "Other receivables". The liability for deferred taxes calculated on the timing differences taxable in accounting periods subsequent to that in which they were charged to the statutory statement

of income (mainly capital gains on assets) is recorded among the liabilities under "Reserves for contingencies and other charges - deferred taxation". Deferred tax assets and liabilities have not been offset since it is expected that the deferred tax assets will reverse in different periods to that of the liabilities.

Translation of foreign currency balances

Receivables and payables originally denominated in foreign currency (concerning countries not belonging to the European Union) are translated into Lire using the exchange rates prevailing at the transaction dates. Exchange differences realised upon collection of receivables or the settlement of payables are recorded in the statement of income, after taking account of any provisions already accrued in the exchange fluctuation reserve.
Foreign currency receivables and payables are translated using the average exchange rate in the last month of the period (in accordance with article 72 of the Tax Consolidation Act). Net losses arising from this translation are charged to the period's statement of income with the contra-entry being booked to the exchange fluctuation reserve. Any net gains are not recognised.

Other information

Exceptions allowed under article 2423.4 – No exceptions have been made in the application of the established accounting principles, as would be permitted in certain circumstances under article 2423.4 of the Italian Civil Code.

The year 2000 and the Euro – No direct costs linked to transition to the Euro have been incurred; furthermore, the transfer of the entire accounting-administrative system to the Euro is currently being examined.
The year 2000 problem caused no difficulties or loss of data at the time of the millenium change. As confirmed by the suppliers of software and hardware, to date there are no objectively predictable risks which could occur as a result of the millenium change. The new computer system of the parent company is certified as being year 2000 compliant.

Explanation added for translation into English – The financial statements have been translated into English from the original version in Italian. They have been prepared in accordance whit the Italian law related to financial statements, interpreted and integrated by accounting principles established by the Italian Accounting Profession. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Italy may not conform with the generally accepted accounting principles in other countries.

COMMENTS TO THE FINANCIAL STATEMENTS

BALANCE SHEET

COMMENTS ON THE PRINCIPAL ASSET CAPTIONS

B. Fixed assets

B.I. Intangible fixed assets

Movements in intangible fixed assets during the period are set out in Attachment 1. For the companies acquired during the year and consolidated from their date of acquisition, these movements refer to the period running from the acquisition date to the accounting reference date.

The amortisation rates applied are as follows:

	Rate
Software	33.33%
Goodwill (from corporate re-organisation)	20%
Trademarks	20%
Consolidation differences	10%
Deferred operating charges	20%
Flotation costs	33.33%

"Goodwill" refers to the excess purchase price of Tintoria di Ceresara S.r.l., a company acquired in 1996, compared with its actual value, which was formulated by a third party expert. The goodwill is amortised over 5 years.

The balance recorded under the caption "consolidation differences" essentially relates to the acquisition of the E.D.I. Group (Lire 12,950 million) and Le Bourget following the public bid (Lire 12,642 million).

Consolidation differences are amortised on a straight-line basis over their useful life, estimated as ten years. Consolidation differences, in the year of acquisition of the related companies, are amortised in proportion to the months elapsing between the date of acquisition and the accounting reference date.

Other intangible fixed assets include costs incurred for the registration and renewal of trade marks, and for the raising of finance. The latter is amortised over the life of the related loans while the former are amortised over 5 years.

B.II. Tangible fixed assets

Movements in tangible fixed assets are set out in Attachment 2.

The most significant increases are mainly due to investments made by the Parent Company:

- completion of new industrial premises at Ceresara;
- purchase of new machinery installed at all the production units.

Ordinary depreciation has been calculated using rates considered to reflect the residual useful lives of the related assets. The rates applied are as follows:

	Rate
Buildings	3% - 15%
Plant and machinery	5% - 15%
Industrial equipment	10% - 25%
Electronic office machines	15% - 33%
Office furniture and fittings	10% - 33%
Vehicles	20% - 25%

Mortgages and charges over tangible fixed assets are detailed in the section on memorandum accounts. In addition, tangible fixed assets include fixed assets (acquired under finance lease agreements), which have been recorded as described in the accounting policies. The net book value as of 31 December 1999 of these assets came to Lire 2,305 million.

B.III. Financial fixed assets

Attachments 3a and 3b set out both the movements in financial fixed assets (consisting of equity investments and loans) and the information required by article 2427.5 of the Italian Civil Code for each associated company.

Sanpellegrino Polska, set up in 1998 and jointly owned (50%) with our local distributor, began its productions activity during the year, producing and marketing socks and stockings.

The investment in C.S.P. Hosiery UK Ltd was written down during the year, since the prior year loss and the termination of distribution activities for the UK, mean that this company is unlikely to generate sufficient future earnings to absorb its accumulated losses.

C. Current assets

C.I. Inventories

Inventories are made up as follows:

	31/12/1999
Gross value	78,906,246
Writedown reserve	(3,603,069)
Net value	**75,303,177**

C.II.1 Trade accounts

Trade receivables may be analysed as follows:

	31/12/1999
Trade receivables - Italy	49,533,264
Trade receivables - France	23,765,647
Trade receivables - abroad	22,242,169
Bills subject to collection	34,192,597
Customers - invoices to be issued	1,624,623
Credit notes to be issued	(4,856,908)
Reserve for doubtful accounts	(3,627,295)
Total	**122,874,097**

Trade receivables due from foreign customers do not include significant exposures towards countries at risk.

All amounts are due within 12 months.

Movements during the year in the doubtful receivables reserve are as follows:

	Reserve at 1/1/99	*Inclusion of the E.D.I. Group*	*Utilisation*	*Provisions*	*Reserve at 31/12/99*
Reserve for doubtful receivables	5,627,920	326,262	(3,721,180)	1,394,293	3,627,295

During the year receivables deemed to be completely unrecoverablee have been written off to the reserve. Provisions, increasing the reserve, have been made for expected future losses on receivables which are included in the year-end financial statements.

C.II.3 Due from associated companies

This item is made up as follows:

	31/12/1999
ROZAL S.a.r.l. (France)	193,521
CSP HOSIERY Ltd (UK)	261,078
SANPELLEGRINO POLSKA SP.z.oo (PL)	1,579,732
Total	**2,034,331**

These refer to trade receivables and are due within 12 months. They are considered to be recoverable, so no writedowns have been made.

C.II.5 Other receivables

The balance includes various receivables comprised as follows:

	31/12/1999
VAT credits	2,200,226
Income taxes for the year	763,882
Advances to suppliers	87,705
Employees' travel advances	11,630
Deferred tax assets	2,327,590
Other current receivables	1,262,609
Foreign VAT credits	42,118
Total other current receivables	**6,695,760**
Guarantee deposits	584,329
Total other non-current receivables	**584,329**
Total other receivables	**7,280,089**

The "deferred tax assets" refer to the positive balance of deferred taxation arising on timing differences between the accounting values of assets and liabilities and their corresponding value for tax purposes.

"Other current receivables" include Lire 886 million due from the former shareholders of the holding company E.D.I. in respect of the warranties they gave regarding results. The agreement requires the selling shareholders to reimburse Le Bourget for any losses reported in 1999 in excess of an established amount. Following preparation of Le Bourget's draft financial statements by its Board of Directors, the reported loss emerged as being higher than the afore-mentioned excess. As a result, agreements were reached which will result in the Group collecting the amount receivable recorded in the financial statements.

The guarantee deposits are due within 5 years.

C.III.5 Own shares

As of 31 December 1999, the Parent Company owned 202,500 of its own shares, with a par value of Lire 202.5 million, and corresponding to 0.826% of its share capital, as authorised by the Extraordinary Shareholders' meeting of 17 November 1998.

During the period under review, 340,500 own shares were purchased and 138,000 were sold. This resulted in a net capital gain of Lire 116 million.

C.IV. Liquid funds

These represent cash on hand and bank current accounts open at 31 December 1999.

D. Accrued income and prepayments

This caption is comprised as follows:

	31/12/1999
Prepaid TV commercial	974,713
Accrued customer interest receivable	1,880
Prepayments	615,135
Others	26,285
Total	**1,618,013**

The caption prepaid TV commercial refers to the making of the Sanpellegrino advertisement, whose cost is being expensed over the duration of the film's related copyright. The cost expensed to 1999 is recorded as production costs under the caption "services".

COMMENTS ON THE MAIN LIABILITY CAPTIONS

A.I. Share capital

The share capital at 31 December 1999, which is fully subscribed and paid-in, comprises 24,500,000 ordinary shares with a par value of Lire 1,000 each.

A.II. Share premium reserve

The share premium reserve (Lire 35,000 million) refers to the increase in share capital carried out in 1997 when the Parent Company was floated on the screen-traded market of the Italian Stock Exchange.

A.III. Revaluation reserves

These reserves are broken down as follows:

	31/12/1999
Revaluation Law 596/75	61,619
Revaluation Law 72/83	372,907
Revaluation Law 413/91	761,284
Total	**1,195,810**

A.IX. Net profit for the year

This caption refers to the net profit for the 1999 financial year.

Reconciliation between statutory and consolidated balances

A reconciliation between the net profit and shareholders' equity recorded in the statutory financial statements of the Parent Company CSP INTERNATIONAL INDUSTRIA CALZE SPA and the corresponding consolidated amounts is presented below in millions of Lire:

Description	*Net profit*	*Shareholders' equity*
As per the financial statements of the Parent Company	**6,244**	**91,232**
Increase (Decrease)		
Difference between the equity of consolidated subsidiaries and the respective book values of the investments, net of amortisation of the consolidation differences	314	345
Net effect of carrying investments in associated companies at equity	109	(108)
Elimination of adjustments of a fiscal nature (accelerated depreciation), net of the related tax effect	2,840	8,436
Other consolidation adjustments	397	870
As per the consolidated financial statements	**9,904**	**100,775**

B. Reserves for contingencies and other charges

Changes in this caption are set out below:

	01/01/1999	*Inclusion of the E.D.I. Group*	*Provisions*	*Utilisations*	*31/12/1999*
Provision for pensions and similar commitments	0	1,210,246	0	0	1,210,246
Taxation provision	5,016,973	0	1,672,614	(107,158)	6,582,429
Other:					
Exchange fluctuation provision	106,622	0	0	(106,622)	0
Provision for future contingencies	0	0	200,000	0	200,000
Provision for returns	0	288,393	0	(5,210)	283,183
Euro provision	0	3,955	0	0	3,955
Re-organisation provision	0	41,922	0	0	41,922
Agents' supplementary indemnity provision	1,241,066	334,542	110,100	(126,556)	1,559,152
Total other	**1,347,688**	**668,812**	**310,100**	**(238,388)**	**2,088,212**
Total	**6,364,661**	**1,879,058**	**1,982,714**	**(347,546)**	**9,880,887**

The provision for pensions and similar commitments includes the liability estimated in relation to indemnities which certain Group companies are obliged to pay employees in the event of termination of employment due to retirement. The size of this indemnity and the related entitlement depend on various conditions, including death-rate and staff turnover; the amount recorded in the financial statements represents an estimate of the liability whose maximum amount (in the hypothesis that all the current employees of the companies earn the right to the pension without prejudice to their employment relationship) totals Lire 2,184 million.
The provision for taxes relates to deferred taxes mainly referring to consolidation adjustments (elimination of adjustments made for tax purposes, and other minor items) and gains on the disposal of assets which benefit from a deferred tax treatment.
In addition, a contingency reserve amounting to Lire 200 million has been provided for potential future liabilities which may arise on outstanding legal disputes.
The agents' supplementary indemnity has been accrued in accordance with the current collective labour contract.
In 1996 and 1997 Le Bourget benefited from incentives introduced by the French government for reducing social security charges incurred by companies in the textiles sector. The European Commission has disputed the legitimacy of these incentives, whose overall total for the company came to approximately Lire 900 million. The company has provided no contingency reserve in relation to this matter since, at present, it is not known if this amount must be refunded and if so, to what extent. Furthermore, the company has received a communication from the Department of Industry dated 24 June 1999 indicating that the matter will be discussed and settled case by case with the companies concerned.

C. Reserve for severance indemnities

Movements during the year were as follows:

	01/01/1999	*Inclusion of the E.D.I. Group*	*Payments*	*Provisions*	*31/12/1999*
Severance indemnity	6,607,146	318,989	(625,306)	1,877,004	8,177,833

D. PAYABLES

D.3 Banks

Indebtedness amounted to Lire 111,914 million.

The due dates of the loans are set out below:

	During 2000	*Within 5 years*	*Beyond 5 years*	*Total*
Loans	28,522,723	40,401,652	4,500,289	73,424,664

Five new unsecured loans for a total of Lire 37,000 million were raised during 1999. They all bear market rates.

Mortgage guarantees have been given as security against part of the above loans. These guarantees are dealt with in greater detail in the section on memorandum accounts.

During 1995, Le Bourget launched a re-organisation plan, leading to an agreement for the restructuring of its debt with its main banking creditors. The related agreement included a '*retour a meilleur fortune*' (return to better fortunes) clause entitling the creditors to receive an amount equal to 5% of the net profit for each accounting period from 1997-2001, should this profit be greater than F 6,000,000. Furthermore, guarantees on property and machines have been given in respect of these restructured loans.

As of 31 December 1999, there were no forward currency hedging transactions or transactions in financial derivatives.

D.11 Taxes payable

Taxes payable are made up as follows:

	31/12/1999
Tax liability	1,204,459
Withholding taxes on payments to consultants/agents	78,442
Withholding on wages and salaries	905,137
Total	**2,188,038**

D.12 Payables to social security institutions

These include the following items:

	31/12/1999
Social security institutions	4,063,272
Agents' social security (Enasarco)	18,542
Agents' social security (F.I.R.R.)	65,637
Total	**4,147,451**

D.13 Other payables

This caption:

	31/12/1999
Payable to employees	3,902,606
Other payables	1,055,218
Total	**4,957,824**

E. Accrued liabilities and deferred income

	31/12/1999
Accrued interest payable on loans	129,858
Other accruals	494,210
Total	**624,068**

"Other accruals" refer to the accrual for attendance bonuses maturing up to 31 December 1999, in respect of the Parent Company's employees.

Memorandum accounts

Mortgages for loans – These are mortgages on company assets in guarantee of loans granted by banks, whose residual value amounts to about Lire 9,399 million.

Guarantees given to third parties – The caption relates to guarantees granted to third parties.

Assets held by third parties – These relate to portable computers and printers on loan to agents.

Purchasing commitments – At 31 December 1999, there are commitments based on signed contracts for the purchase of tangible fixed assets amounting to Lire 1,404 million. These commitments refer to plant enhancements in the new warehouses, Lire 825 million, while the remaining balance refers to software purchases.

Assets deposited with third parties – The caption refers to the value of goods sent to subcontractors for processing.

Third party assets – This caption includes third party goods for re-packaging and re-dyeing.

STATEMENT OF INCOME

COMMENTS ON THE MAIN CAPTIONS

As already stated, the consolidated statement of income includes the costs and revenues of the Parent Company for the entire accounting period, while the balances relating to Le Bourget Group are included as of 1 October 1999 onwards. Le Bourget Group's results for the first nine months of the year were reflected in its shareholders' equity as of 30 September 1999 for the purpose of determining the "Consolidation difference" (Goodwill).

A. Value of production

A.1 Revenues from sales of goods and services

Revenues are analysed by geographical area and by type of product below:

	1999
Italy:	
– stockings	122,549,841
– yarns	14,807,608
– raw materials/other	500,490
France:	
– stockings	26,009,726
– other	91,308
Western Europe:	
– stockings	45,153,793
– other	542,002
Eastern Europe:	
– stockings	27,361,306
– other	2,236,997
Non-European countries:	
– stockings	4,662,846
– other	57,457
Total	**243,973,374**

Revenues for sales of stockings in Italy have been influenced by the trade practice of reinvoicing to major retail chains/department stores. This operation, representing Lire 13,831 million, involves the Parent Company repurchasing stockings sold to some wholesalers with their subsequent resale to retail chains. Net sales of stockings include Lire 1,005 million in relation to the Body line.

Sales of yarns, amounting to Lire 14,808 million, consist of sales of raw materials to sub-contractors, who in turn reinvoice them together with the cost of the work performed.

Revenues are shown net of returns, discounts and allowances.

Net sales of stocking amounted to Lire 225,738 million.

A.5.a Other income

This caption is made up as follows:

	1999
Transport & production expenses charged to customers	507,483
Advertising contributions	500,000
Expenses reinvoiced to customers	118,189
Royalty income	820,614
Gains on disposal of assets	81,916
Out-of-period income for taxes	171,178
Other	322,139
Total	**2,521,519**

B. Production costs

This caption comprises:

	1999
Raw materials	85,872,041
Packaging and consumable materials	15,164,315
Total	**101,036,356**

B.7 Services

This caption is made up as follows:

	1999
Outside contractors	13,822,878
Advertising	20,394,896
Agents	5,305,372
Transportation	4,262,513
Power and heating	5,509,499
Directors' emoluments	1,000,320
Statutory Auditors' emoluments	72,278
Maintenance	2,514,759
Insurance	659,212
General and commercial advice	1,731,625
Travel	689,662
Postage	459,954
Other transport costs	318,524
Legal	74,969
Commercial information and communications costs	194,611
Bank charges	439,566
Other	751,350
Total	**58,201,988**

In compliance with the provisions of article 38.1 letter o) of Decree Law 127/91, the total amount of remuneration owing to the directors and statutory auditors of the Parent Company in relation to offices held in all the consolidated companies, came to Lire 1,000 million and Lire 60 million respectively.

B.9 Labour costs

This caption includes all the costs incurred in respect of employees in 1999. The detail of this caption is set out on the face of the statement of income.

Movements in staff numbers during the year are set out below:

	01/01/99	*Inclusion of the E.D.I. Group*	*New recruits*	*Leavers*	*31/12/1999*
Managers	8	0	1	1	8
Supervisors	22	33	5	2	58
Office staff	114	193	31	23	315
Workers	624	231	8	39	824
Total	**768**	**457**	**45**	**65**	**1,205**

The new recruits and leavers categories also include internal promotions. With regard to the Le Bourget Group, the changes are those occurring subsequent to its inclusion within the scope of consolidation, while the average has been calculated on a pro-rata basis.

B.10 Depreciation, amortisation and writedowns

These comprise:

a. Amortisation of intangible fixed assets

Software	867,532
Goodwill	420,601
Deferred charges	112,010
Flotation costs	1,349,382
Consolidation differences	639,814
Other	36,526
Total	**3,425,865**

b. Depreciation of tangible fixed assets

Buildings	1,032,276
Light constructions	6,095
Plant/machinery	7,396,863
Equipment	514,808
Furniture, electrical equipment	190,823
Electronic office machines	433,957
Cars	272,562
Vehicles	236,195
Assets worth under 1 million	178,491
Total	**10,262,070**

d. Writedown of doubtful accounts included in current assets

The caption "Writedown of doubtful accounts included in current assets and of liquid funds" consists of the provision required to adjust the value of receivables to their estimated realisable value. Losses during the year have been expensed to income with a corresponding utilisation of the reserve for doubtful accounts.

B.12 Provisions for contingencies and other charges

This caption relates to the provision for contingencies and to charges for agents' supplementary indemnity maturing in the year and the provision of Lire 200 million for contingencies linked to potential future liabilities arising as a result of current legal disputes.

B.14 Other operating expenses

This item is comprised as follows:

	1999
Entertaining	371,552
Membership fees	133,082
Stationery & other materials	260,244
Non deductible VAT on gifts	45,918
Taxes and duties	540,271
Losses on the sale of assets	72,668
General expenses	77,533
Other charges	86,224
Total	**1,587,492**

C. Financial income and charges

C.16.d.d. Other financial income from third parties

This caption is analysed as follows:

	1999
Interest receivable on current accounts	39,705
Interest receivable from customers	218,974
Exchange gains	494,335
Other interest receivable	111,886
Discounts & positive roundings	2,327
Total	**867,227**

C.17.d. Interest and other financial charges from third parties

This caption comprises:

	1999
Interest payable on current accounts	558,033
Interest payable on borrowings	852,532
Interest payable on loans	1,914,821
Other interest and charges payable	381,663
Exchange losses	119,622
Total	**3,826,671**

E. Extraordinary income and charges

E.20.b. Other extraordinary income

This caption comprises deferred taxation of Lire 1,597 million recorded on positive timing differences between taxable income and the results in prior years, while that relating to the year under review (Lire 730 million) has been reclassified among “income taxes for the year”. This caption also includes Lire 886 million concerning the afore-mentioned warranty in respect of the 1999 results given by the former shareholders of E.D.I.

E.22 Income taxes for the year

The caption includes Lire 5,584 million relating to the current income taxes of the Parent Company, determined on the basis of local tax legislation, and Lire 975 million in deferred taxation. The latter amount essentially reflects the fiscal effect of consolidation adjustments and the fiscal effect of timing differences between the values recognised for statutory purposes and those recognised for tax purposes. Furthermore, certain companies in Le Bourget Group have suffered significant losses during the current and prior years, which have resulted in a considerable amount of accumulated losses for tax purposes. In addition, these companies use the option to calculate taxable income at sub-consolidated level, so-called "fiscal integration", and therefore the taxable profit of these companies is reduced by the afore-said accumulated losses. No deferred tax assets have been provided for prudent reasons on the above-mentioned accumulated losses. The combination of all these effects has produced a tax rate of 40%.

Ceresara, Italy, 27 March 2000

The Board of Directors

ATTACHMENTS

These attachments contain supplementary information to that provided in the Notes, of which they form an integral part.

This information is included in the following attachments:

1 – Schedule of movements in intangible fixed assets for the year ended 31 December 1999

2 – Schedule of movements in tangible fixed assets for the year ended 31 December 1999

3 – 3a) Schedule of movements in financial fixed assets for the year ended 31 December 1999
3b) List of equity investments in accordance with article 2427.5 of the Italian Civil Code

4 – Cash flow statement for the year ended 31 December 1999.

Attachment 1 – Schedule of movements in intangible fixed assets for the year ended 31 December 1999

Description	*Net book value at 01.01.99*	*Net value at 30.09.99 (1)*	*Additions 1999 (2)*	*Amortisation 1999 (2)*	*Net book value at 31.12.99*
Industrial patents and intellectual property rights					
– Software	779,518	154,624	845,411	(868,422)	911,131
Concessions, licences, trade marks & similar rights					
– CSP trade mark	17,214	221,675	0	(20,654)	218,235
Goodwill	656,541	0	0	(328,140)	328,401
Consolidation difference	0	2,123,834	25,592,560	(639,814)	27,076,580
Other					
– Flotation costs	1,349,382	0	0	(1,349,382)	0
– Deferred loan costs	50,228	0	37,500	(16,991)	70,737
– Other intangible fixed assets	264,621	192,621	102,499	(202,462)	357,279
Total others	**1,664,231**	**0**	**139,999**	**(1,568,835)**	**235,395**
Total	**3,117,504**	**2,692,754**	**26,577,970**	**(3,425,865)**	**28,962,363**

(1) Companies consolidated during the year

(2) The additions and depreciation relating to Le Bourget Group refer to the period 01.10.1999 - 31.12.1999

Attachment 2 – Schedule of movements in tangible fixed assets for the year ended 31 December 1999

Summary of assets											
	Opening balances		*Movements during the year*					*Closing balances*			
Description	*Net book value at 01/01/99*	*Net value at 30/09/99 (1)*	*Additions 1999* (2)	*Decreases 1999* (2)	*Reversal depre-ciation* (2)	*Reclassi-fications 1999*	*Depre-tciation 1999* (2)	*Historical cost*	*Revaluations*	*Accumulated depreciation at 31/12/99*	*Net book value at 31/12/99*
Land & buildings	27,068,144	2,311,683	1,744,496	0	0	6,413,300	(1,038,371)	49,879,309	1,219,606	(13,530,333)	37,568,582
Plant & machinery	28,838,399	1,200,924	6,954,697	(132,949)	(52,856)	7,038,932	(7,401,355)	88,939,185	204,743	(45,521,811)	43,622,117
Equipment	303,115	2,329,241	491,653	(14,175)	(10,375)	0	(514,557)	28,024,013	28,769	(25,342,791)	2,709,991
Other assets	1,592,216	782,222	863,175	(71,960)	(68,113)	0	(1,307,787)	13,074,595	42,912	(9,910,933)	3,206,574
Construction in progress	13,811,700	0	10,000	0	0	(13,452,232)	0	369,468	0	0	369,468
Total	**71,613,574**	**6,624,070**	**10,064,021**	**(219,084)**	**(131,344)**	**0**	**(10,262,070)**	**180,286,570**	**1,496,030**	**(94,305,868)**	**87,476,732**

(1) Companies consolidated during the year
(2) The additions and depreciation relating to Le Bourget Group refer to the period 01.10.1999 - 31.12.1999

Attachment 3a – Schedule of movements in financial fixed assets for the year ended 31 december 1999

(Amounts in thousands of lire)

	Opening balance				*Movements during the year*					*Closing balance*	
Description	*Original Cost*	*Revaluations*	*Writedowns*	*Balance at 31/12/98*	*Increases*	*Reclassifications*	*Decreases*	*Revaluations*	*Writedowns*	*Balance at 31/12/99*	*Of which Revalued*
EQUITY INVESTMENTS											
SUBSIDIARY COMPANIES											
CSP STRUMPFVERTRIEB - RHEINE (Germany) Loesstrasse, 7	30,912		(24,829)	6,083			(6,083)				
TOTAL SUBSIDIARY COMPANIES	**30,912**	**–**	**(24,829)**	**6,083**	**–**	**–**	**(6,083)**	**–**	**–**	**–**	**–**
ASSOCIATED COMPANIES											
ROZAL SARL - PARIS (France) Rue Turbigo, 30	17,943			17,943						17,943	
CSP HOSIERY (UK) LTD - LONDON (UK) Acton Park, 28	4,821			4,821					(4,821)		
SANPELLEGRINO POLSKA SP.z.oo Ul.Laska, 7-KONSTANTYNOW (LODZ) (Poland)	1,530,684		(216,995)	1,313,689				108,845		1,422,534	0
TOTAL ASSOCIATED COMPANIES	**1,553,448**	**–**	**(216,995)**	**1,336,453**	**–**	**–**	**–**	**108,845**	**(4,821)**	**1,440,477**	**–**
OTHER COMPANIES	7,203			7,203	22,936 (1)				(5,845)	24,294	
TOTAL OTHER EQUITY INVESTMENTS	**7,203**	**–**	**–**	**7,203**	**22,936**	**–**	**–**	**–**	**(5,845)**	**24,294**	**–**
TOTAL EQUITY INVESTMENTS	**1,591,563**	**–**	**(241,824)**	**1,349,739**	**22,936**	**–**	**(6,083)**	**108,845**	**(10,666)**	**1,464,771**	**–**
FINANCIAL RECEIVABLES											
SUBSIDIARY COMPANIES											
BENETTON LEGS loan				2,196						2,196	
TOTAL RECEIVABLES FROM SUBSIDIARIES	**–**	**–**	**–**	**2,196**	**–**	**–**	**–**	**–**	**–**	**2,196**	**–**
ASSOCIATED COMPANIES											
ROZAL SARL loan				60,495						60,495	
CSP HOSIERY (UK) LTD loan				63,185						63,185	
TOTAL RECEIVABLES FROM ASSOCIATES	**–**	**–**	**–**	**123,680**	**–**	**–**	**–**	**–**	**–**	**123,680**	**–**
TOTAL RECEIVABLES	**–**	**–**	**–**	**125,876**	**–**	**–**	**–**	**–**	**–**	**125,876**	**–**

(1) Investments held by the E.D.I. Group, whose financial statements have been included in the consolidation

Attachment 3b – List of equity investments in associated companies at 31 december 1999
(Amounts in thousands of lire)

Name		*Share capital in local currency*	*Shareholders'equity lire/000*		*Profit or loss*	*Stake-holding %*	*Interest in sharehol-ders'equity lire/000*	*Interest in profit/loss lire/000*	*Book value*
EQUITY INVESTMENTS									
ASSOCIATED COMPANIES									
ROZAL SARL - PARIS (France) Rue Turbigo, 30	F.F.	300,000	152,639	(*)	4,071	20	30,528	814	17,943
CSP HOSIERY (UK) LTD - LONDON (UK) Acton Park, 28	LGS	10,000	(740,999)	(**)	(498,382)	20	(148,200)	(99,676)	0
SANPELLEGRINO POLSKA SP.z.oo Ul.Laska, 7-KONSTANTYNOW (LODZ) (Poland)	Zloty	6,000,000	2,851,090	(***)	223,711	50	1,425,545	111,856	1,422,534

NOTES: (*) as per the financial statements at 31 December 1998
(**) as per the financial statements at 31 March 1998, translated at exchange rates ruling on that date
(***) as per the financial statements at 31 December 1999 translated at exchange rates ruling on that date

Attachment 4 – Consolidated cash flow statement for the year ended 31 December 1999
(in millions of Lire)

		1999
A. OPENING NET DEBT		**(69,489)**
B. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES		
Net profit for the year		9,904
Depreciation, amortization and writedowns		13,688
Net change in severance indemnities for employees and agents		1,236
Net change in reserves for contingencies and other charges		1,652
Cash flows from operating activities before changes in working capital		**26,480**
(Increase) decrease in trade receivables		3,385
(Increase) decrease in inventories		11,109
Increase (decrease) in trade and other payables		9,708
Changes in other working capital items		3,613
		54,295
C. CASH FLOWS FROM (FOR) INVESTMENT ACTIVITIES		
(Purchase) disposal of fixed assets:		
Intangible		(947)
Tangible		(9,916)
Financial		54
Effects of consolidating Le Bourget Group		
– Assets and liabilities acquired:		
- group borrowings at acquisition date	34,744	
- fixed assets	(9,939)	
- current assets	(50,901)	
- trade payables and other current liabilities	26,426	
– Goodwill recorded in the consolidation difference	(25,593)	
Total investment	**(25,263)**	
		(36,072)
D. CASH FLOWS FROM (FOR) FINANCING ACTIVITIES		
New borrowings net of the current portion of loans transferred to current payables		11,818
Dividends paid		(1,220)
Other changes in shareholders' equity, including that pertaining to minority interests		(408)
		10,190
E. TOTAL CASH FLOWS FOR THE YEAR (B + C + D)		**28,413**
F. NET BORROWINGS OF LE BOURGET GROUP AT THE ACQUISITION DATE		**(20,651)**
G. CLOSING NET DEBT (A + E + F)		**(61,727)**

REPORT OF THE BOARD OF STATUTORY AUDITORS

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 1999

Shareholders,

The consolidated financial statements as at 31 December 1999 have been prepared in compliance with current law.

The directors' report on operations explains the events involving the Group, satisfying the legal requirement to be consistent with the consolidated financial statements.

The notes to the financial statements describe the accounting principles and policies adopted for their preparation, with particular reference to the principles and scope of consolidation and the financial statements used in them.

The Statutory Auditors agrees with the principles and policies indicated in the notes and adopted to define the scope of consolidation and the valuation of the various captions. The Statutory Auditors therefore AFFIRM that the consolidated financial statements have been properly prepared and that they correspond to the accounting records of the Parent Company and information submitted by Group companies.

The consolidated financial statements are audited by Arthur Andersen S.p.A.

On the specific request of the President of the Board of Statutory Auditors, Mr. Ghidelli, for reasons that have nothing to do with its content, this report has been prepared and signed only by the statutory auditors Mr. Montesano and Mr. Anceschi.

Ceresara - Mantua, Italy, 8 April 2000

The Statutory Auditors
Marco Montesano
Danilo Anceschi

REPORT OF INDIPENDENT AUDITORS

ARTHUR ANDERSEN

(Translation from the original issued in Italian)

Arthur Andersen SpA
Via Albere 19
37138 Verona

Report of the Independent Auditors pursuant to art. 156 of Legislative Decree no. 58 of February 24, 1998

To the Shareholders of
CSP International Industria Calze S.p.A.,

We have audited the financial statements of CSP International Industria Calze S.p.A. and subsidiaries as of and for the year ended December 31, 1999. These consolidated financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Italy as recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob"). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the adequacy and the fairness of the accounting principles used and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of some controlled and associated companies, which represent 20.7% of the consolidated assets and 11.7% of the consolidated turnover respectively, were audited by other auditors who provided us with their auditor's report. Our opinion, expressed in this report, as far as the values of those companies included in the consolidated financial statements is concerned, is based also on the audit performed by other auditors.

In our opinion, the consolidated financial statements of CSP International Industria Calze S.p.A. and subsidiaries as of and for the year ended December 31, 1999 comply with the Italian statutory provisions related to consolidated financial statements; therefore, they give a true and fair view of the financial position and results of operations of the Group.

For a better understanding of the financial statements, we wish to draw your attention on the following information described in detail in the notes to the consolidated financial statements:

- In compliance with the content of the new accounting principle relating to the income taxes, the Company modified the accounting criteria of income taxes and accounted for, in the financial statements, the effects of deferred tax assets deriving from the temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet.

Sede Legale
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R.E.A. 960046
Cod Fisc 02400570581
Partita IVA 09869140153
Capitale Sociale Lire 3.000.000.000 i.v.

Bari Bologna Brescia Firenze
Genova Milano Napoli Padova
Roma Torino Treviso Verona

As a consequence of the application of the above mentioned accounting principle, on the basis of the methodology explained in the notes to the financial statements, the Company recorded an extraordinary income of Lire 1,597 million relating to the retroactive effects of the change in accounting principle and a reduction of the income taxes of Lire 730 million relating to the effects of the current year.

- In September 1999 CSP International S.p.A. acquired the majority control of EDI Group through the acquisition of 100% investment in EDI S.A. and a subsequent take-over bid on Le Bourget S.A., a controlled subsidiary of EDI. The operational control of the Group was taken over by CSP International Industria Calze S.p.A. starting from the acquisition date of the majority control of the sub-holding EDI; therefore the Company prepared for the first year the consolidated financial statements including the consolidated financial statements of EDI Group for the three-months period ended December 31, 1999.

  The excess of the purchase price over the Shareholders' equity of the acquired companies ("consolidation difference"), amounting to Lire 12,950 million and Lire 12,642 million respectively, has been recorded among intangible assets and amortised on a straight line basis starting from current year on the basis of a useful life of ten years, as estimated by the Directors.

Verona, Italy
April 6, 2000

Arthur Andersen SpA

Giancarlo De Marchi - Partner