QUARTERLY REPORT
AT
30 JUNE 2001

CSP GROUP

CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.
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CORPORATE BODIES

Board of Directors

Chairman	Enzo	BERTONI (*)
Managing Director	Francesco	BERTONI (*)
Directors	Massimo	ARMANINI
	Carlo	BERTONI
	Maria Grazia	BERTONI
	Gianfranco	BOSSI
	Arturo	TEDOLDI

Board of Statutory Auditors

Chairman	Vanna	STRACCIARI
Auditors	Marco	MONTESANO
	Luca	SAVOIA
Alternate auditors	Paolo	BERTOCCO
	Luca	GASPARINI

(*) Notes on exercising power: powers of ordinary and extraordinary administration, except for those reserved to the Board of Directors as per the law or by-laws, with single signature.

CSP GROUP

REPORT ON OPERATIONS FOR THE SECOND QUARTER OF 2001

DIRECTORS’ REPORT ON OPERATIONS

The report on the financial statements for the second quarter of 2001 is prepared in euros.
The scope of consolidation is constituted by CSP International, Le Bourget, Lepel and Sanpellegrino Polska (the latter was carried at equity in the corresponding period last year).

Shareholders are reminded that the Parent Company acquired full control of Lepel purchasing the remaining 45% in June 2001 after acquiring 55% in June 2000.
Lepel operates in the lingerie market: foundation garments, pyjamas, knitwear, underwear and socks; it therefore represents a logical area of diversification for CSP International, which already successfully covers a substantial part of this market. In the lingerie sector, Lepel operates in the bra segment which is the most important one in terms of value; it also has the highest rate of growth (+3.9% during 2000). During 2000, thanks to the launch of innovative products and with brand support from advertising with famous testimonials (first Ornella Muti and then Natalia Estrada), Lepel has consolidated its co-leader position with a share of consumption of around 7%.
Again referring to the lingerie market, there have also been comforting results for the Parent Company, which is successfully marketing its seamless products, thanks to their quality, the innovative nature of the collections (fashion items and mean's collections) as well as investments in advertising. During the first half of 2001 seamless lingerie represented 15.6% of the Company's total sales.
The joint effect of these two factors is allowing the CSP Group to make more than 28% of its turnover in the lingerie market.

On the distribution front, constant attention to the evolution of markets and sales channels persuaded CSP International to change quite significantly its distribution strategy in the field of Mass Retailing. From a type of "indirect" distribution, where trading partners bought the goods in their own right and then handled their sale to the distribution channels, the Company has now switched to a type of "direct" distribution, starting on 1 January 2001. CSP International has therefore become the sole point of reference for the definition of agreements, assortments and commercial strategies, while the trading partners have taken on the important role as providers of logistical services, as they now receive the goods and deliver them to the individual point of sale, as well as looking after merchandising and the running of promotions.

1. Key figures

The key figures in the first six months of the year 2001 are the following:
- net sales of € 71.22 million;
- depreciation and amortisation of € 5.88 million;
- pre-tax losses of € 3.60 million.

2. The statement of income

A detailed analysis of the main items in the statement of income is given in the notes to the financial statements. In this report we will only highlight certain key aspects, comparing them with the same period in 2000:
- net sales of € 71.22 million, compared with € 72.11 million. At the end of the first half of 2001, the sales revenues generated by the Company's main brands were as follows:
  - Sanpellegrino 37.4%
  - Lepel 17.2%
  - Oroblù 16.0%
  - Le Bourget 12.9%
- manufacturing labour cost of € 10.71 million, compared with € 10.86 million, stable at around 15%;
- depreciation and amortization of € 5.88 million, compared with € 4.40 million, reflecting the revaluation of the Parent Company's plant and machinery and Lepel's trademark, as permitted by the tax supplement to the Budget Law 2000 (dated 21.11.2000);

- advertising expenditure of € 9.72 million, compared with € 8.88 million, + 9.5% on the same period in 2000: this is due to the investments made by the Parent Company and by Lepel;
- financial charges of € 1.83 million, versus € 1.26 million;
- pre-tax losses of € 3.60 million versus pre-tax profits of € 0.09 million. This result reflects the costs incurred in reorganising the distribution system, higher depreciation and amortization following the revaluation of fixed assets, and higher financial charges due to the acquisition of Lepel.

3. The Balance Sheet

The key figures in the consolidated balance sheet, expressed in euros and compared with the same period last year, are as follows:

- trade receivables for € 51.56 million, versus € 48.59 million;
- inventories for € 56.48 million versus € 52.76 million;
- short-term debt for € 74.35 million, versus € 64.75 million;
- trade payables for € 40.60 million, versus € 36.73 million;
- shareholders' equity of € 57.84 million, versus € 49.52 million;

4. CSP International

The key figures of the Statement of Income of the Parent company, CSP International for the first six months of 2001, compared with the same period of the previous year, are the following:

- net sales for € 46.95 million, compared with € 40.51 million, with an increase of15.9% versus 2000. The merit for this result goes to the positive development of the diversification into lingerie with the seamless technology, which has helped offset the ongoing drop in volumes in the hosiery market, together with generation of real synergies within the Group's manufacturing activities;
- depreciation and amortisation of € 4.33 million, € 0.43 million of which is accelerated depreciation, versus € 3,90 million;
- advertising expenses of € 4.63 million, compared with € 3.14 million, up 47.4%, to provide support during the market launch of the new Sanpellegrino and Oroblù brand lingerie lines. During the first quarter of 2001, a period during which the hosiery market generally saw a further decline in the value of consumption of 10.2%, CSP International achieved a market share of 10.6%, in line with the average share for the whole of 2000: 10.6%. (Source: Hosiery Consumer Index Nielsen);
- pre-tax losses of € 1.17 million versus pre-tax profits of € 2.56 million.

I key figures in the balance sheet of the Parent Company, CSP International, for the first six months of 2001, compared with the same period last year, are as follows:

- trade receivables of € 32.61 million, versus € 28.52 million;
- inventories of € 37.42 million versus € 36.19 million;
- own shares of € 5.13 million, compared with € 2.69 million; The Company continued to buy back its own shares, as authorised by the shareholders in a buy-back resolution approved at the meeting held on 27.04.2000, which is operative until October 2001;
- equity investments of € 35.46 million, versus € 25.75 million, an increase of € 9.71 million, following the acquisition of the other 45% of Lepel;
- tangible fixed assets of € 42.07 million, versus € 32.70 million. After the total reorganisation of its production facilities, which entailed considerable technological evolution with the automation of all the phases of production, involving huge investments during the four-year period 1997-2000, the Company is not expected to make further significant capital investments over the coming years;
- short-term debt of € 62.40 million, versus € 52.52 million;
- trade payables of € 32.08 million, versus € 26.00 million;
- shareholders' equity of € 60.07 million, compared with € 48.44 million.

5. Le Bourget

The key figures in Le Bourget's statement of income for the first six months of 2001, with comparative figures for the same period last year, are as follows:

- net sales of € 16.82 million, versus € 15.45 million, up 8.8%, all achieved in hosiery, the core business, as the diversification into seamless products will only shows its effects from the autumn/winter of 2001.
- advertising expenditure of € 1.55 million, versus 1.74 million
- financial charges of € 0.48 million, versus 0.46 million

- pre-tax result of € (1.92) million, compared with € (3.63) million, even though the seasonal nature of the business meant that, historically, the first half only represented one third of the year's sales.

The key figures in Le Bourget's balance sheet at the end of the first six months of 2001, with comparative figures for the same period last year, are as follows:

- trade receivables of € 5.31 million, versus € 5.61 million;
- inventories of € 13.14 million, versus € 12.50 million;
- short-term debt of € 10.15 million, versus € 14.07 million;
- trade payables of € 3.97 million, versus € 5.32 million;
- shareholders' equity of € 0.82 million, versus € (2.67) million.

6. Lepel

The key figures of Lepel's statement of income for the first six months of 2001, with comparative figures for the same period last year, are as follows:

- net sales of € 13.97 million, versus € 16.94 million, a decrease of 17.5% compared with 2000, even though the company operates in a growing market (+3% in terms of value during 2000). The reasons for this result that goes against the trend depend on the company's marketing strategies, decided in 2000 for 2001, to spread new product launches over the course of the year rather than concentrate them in the first half as was done generally by the market in the past, with a view to spreading growth over 12 months;
- depreciation and amortization of € 0.61 million, versus € 0.14 million.
- advertising expenditure of € 3.60 million, compared with € 4.06 million.
- pre-tax profit of € 0.29 million, versus € 1.36 million.

The key figures in Lepel's balance sheet at the end of the first six months of 2001, with comparative figures for the same period last year, are as follows:

- trade receivables of € 12.52 million, versus € 14.46 million;
- inventories of € 3.13 million versus € 4.13 million;
- net short-term debt of € 1.41 million, compared with cash of € 1.85 million;
- trade payables of € 3.13 million, versus € 5.41 million;
- shareholders' equity of € 14.03 million, compared with € 15.76 million.

7. Sanpellegrino Polska

Sanpellegrino Polska forms part of CSP International's consolidation for the first time, as it was previously consolidated at equity. For this reason, comparative figures for the first half of the previous year are not available.

The key figures in Sanpellegrino Polska's statement of income for the first six months of 2001, are as follows:

- net sales of € 4.22 million;
- depreciation and amortisation of € 0.12 million;
- pre-tax profit of € 0.14 million.

The key figures in Sanpellegrino Polska's balance sheet at the end of the first six months of 2001, are as follows:

- trade receivables of € 1.14 million;
- inventories of € 3.24 million;
- trade payables of € 1.48 million;
- shareholders' equity of € 2.93 million.

During the course of 2001, almost double the number of machines were installed at Sanpellegrino Polska: this will allow the Group to benefit from a more favourable labour cost, especially for certain types of processing which require a high degree of manual work.

8. Outlook

The following developments are expected during the second half of 2001.

Parent company, CSP International

Further growth in net sales, thanks to the diversification into seamless lingerie, with improvements in distribution coverage and deliveries of new fashion lines and men's collections, as well as through steps taken in the hosiery business to regain market share over time.

Le Bourget

In addition to the positive trend in stocking sales during the first half, there will also be the turnover in the new seamless lingerie, which in the second half of August will already benefit from substantial advertising expenditure in France's leading women's publications.

The results achieved in terms of sales, together with the outlook for the second half and the significant improvements obtained in the production area - where output in 2001 has doubled compared with what it was prior to the acquisition, using the same number of machines and workers - suggest that this company too will end the year in profit.

Lepel

Part of the shortfall accumulated during the first half of the year should be recovered thanks to the launch of new Lepel-brand products, which will benefit from massive investments in advertising during the whole of the period from September to December 2001. New projects involving Group brands are also being developed, thanks to the realisation of synergies throughout the group in both the production and distribution areas.

Ceresara, 10 August 2001

The Chairman of the Board of Directors

COMMENTS ON THE FINANCIAL STATEMENTS

Introduction

These notes refer to the results of the second quarter of 2001 and have been prepared in accordance with the current legislation with comparative figures for the period ending 30 June 2000 as well as for the whole of 2000.
Comparative figures for the same period last year are not provided as they are not available. In fact, last year the Group preferred to prepare a half-yearly report within the term laid down in the regulations.

The accounting and consolidation policies used in preparing these financial statements have been applied consistently with the previous year's consolidated financial statements as of 31 December 2000, except for the following differences :

INCOME TAXES FOR THE PERIOD : no provisions have been made for either current or deferred income taxes for the individual consolidated companies, as allowed under CONSOB's rules on the preparation of half-yearly reports, which the Company believes also apply to quarterly reports .

SALES INCENTIVES: the costs associated with sales incentives have been estimated on the basis of their impact on net sales for the year ended 31 December 2000, modified where necessary to reflect new contractual conditions.

This method guarantees consistency in the figures between the interim and the annual reports, taking into account the above differences in accounting treatment.

All the figures given in the following comments are expressed in millions of euros, unless stated otherwise.

Reclassified Consolidated Statement of Income

(figures in thousands of Euro)

	Quarter 01/04 - 30/06 2001 CONSOLIDATED	Period at 30 June 2001 CONSOLIDATED	Period at 30 June 2000 CONSOLIDATED	31 December 2000 CONSOLIDATED
Net sales	27,837	70,762	71,733	159,608
Income from royalties	263	459	379	732
NET REVENUES	28,100	71,221	72,112	160,340
COST OF SALES				
Purchases	16,021	29,598	33,259	58,910
Labour cost	5,409	10,714	10,862	20,870
Services	3,401	6,626	6,475	11,452
Depreciation and amortisation	1,787	3,774	3,075	7,514
Other costs	1,559	3,763	3,204	6,806
(Increase) decrease in inventories	(9,719)	(9,973)	(10,423)	(2,968)
	18,458	**44,502**	**46,452**	**102,584**
GROSS PROFIT	**9,642**	**26,719**	**25,660**	**57,756**
SELLING, GENERAL AND ADMINISTRATIVE COSTS				
Labour cost	3,388	7,312	6,850	13,719
Advertising expenses	3,222	9,724	8,880	17,119
Commissions	625	1,566	1,745	3,573
Depreciation and amortisation	1,042	2,105	1,332	4,359
Other expenses	3,198	6,969	5,662	11,571
	11,475	**27,676**	**24,469**	**50,341**
OPERATING PROFIT	**(1,833)**	**(957)**	**1,191**	**7,415**
Financial charges (income), net	830	1,830	1,261	3,044
Writedown (writeup) of investments	(41)	(41)	(31)	9
Other (income) and charges	111	815	(493)	(621)
	900	**2,604**	**737**	**2,432**
PROFIT (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	**(2,733)**	**(3,561)**	**454**	**4,983**
Extraordinary charges and (income)	15	39	368	(1,156)
PROFIT (LOSS) BEFORE INCOME TAXES	**(2,748)**	**(3,600)**	**86**	**6,139**
Income taxes (*)	0	0	0	(2,782)
NET PROFIT (LOSS) FOR THE PERIOD	**(2,748)**	**(3,600)**	**86**	**3,357**
LEPEL'S PRE-ACQUISITION PROFITS BEFORE TAX	0	0	(1,361)	(331)
Net minority interests	364	(191)	8	(129)
NET PROFIT (LOSS) FOR THE GROUP	**(2,384)**	**(3,791)**	**(1,267)**	**2,897**

(*) the figures at 30 June do not include income taxes.

Reclassified Consolidated Balance Sheet - Assets

(figures in thousands of Euro)

	30 June 2001 CONSOLIDATED	31 March 2001 CONSOLIDATED	31 December 2000 CONSOLIDATED	30 June 2000 CONSOLIDATED
CURRENT ASSETS				
Cash and banks	1,277	2,684	2,013	6,293
Trade receivables	51,564	67,904	66,633	48,589
Due from subsidiary and associated companies	235	235	235	1,572
Other receivables	7,019	5,238	5,319	7,008
Inventories	56,484	46,555	46,166	52,764
Accrued income and prepaid expenses	1,431	1,614	892	799
Own shares	5,128	3,864	3,369	2,693
TOTAL CURRENT ASSETS	**123,138**	**128,094**	**124,627**	**119,718**
FIXED ASSETS				
Financial fixed assets:				
Financial receivables	544	624	750	767
Equity investments	110	110	14	1,160
Total financial fixed assets	**654**	**734**	**764**	**1,927**
Tangible fixed assets	52,351	51,725	53,387	45,904
Intangible fixed assets	21,242	18,622	19,355	18,196
TOTAL FIXED ASSETS	**74,247**	**71,081**	**73,506**	**66,027**
TOTAL ASSETS	**197,385**	**199,175**	**198,133**	**185,745**

Reclassified Consolidated Balance Sheet - Liabilities and shareholders' equity

(figures in thousands of Euro)

	30 June 2001 CONSOLIDATED	31 March 2001 CONSOLIDATED	31 December 2000 CONSOLIDATED	30 June 2000 CONSOLIDATED
CURRENT LIABILITIES				
Short-term bank borrowings	43,252	34,297	33,448	31,116
Current portion of medium / long term debt	19,706	15,902	12,112	15,289
Trade payables due to third parties	40,596	42,469	40,027	36,726
Due to subsidiary / associated companies	6	6	6	507
Taxes payable	4,552	3,239	4,052	922
Other payables	7,520	7,086	5,682	8,744
Accrued liabilities and deferred income	229	260	221	129
TOTAL CURRENT LIABILITIES	**115,861**	**103,259**	**95,548**	**93,433**
MEDIUM/LONG-TERM LIABILITIES				
Medium / long-term debt, net of the current portion	12,672	18,114	23,712	24,626
Bills payable	0	0	0	0
Severance indemnities	5,796	5,771	5,868	5,507
Other provisions	3,696	3,702	3,989	5,501
TOTAL MEDIUM/LONG-TERM LIABILITIES	**22,164**	**27,587**	**33,569**	**35,634**
TOTAL LIABILITIES	**138,025**	**130,846**	**129,117**	**129,067**
MINORITY INTERESTS IN CAPITAL AND RESERVES	1,523	8,211	7,572	7,156
SHAREHOLDERS' EQUITY				
Share capital	12,740	12,653	12,654	12,653
Legal reserve	1,365	1,298	1,330	1,298
Share premium reserve	18,076	18,076	18,076	18,076
Other reserves	29,447	29,498	26,487	18,762
Net profit (loss) for the period (*)	(3,791)	(1,407)	2,897	(1,267)
TOTAL SHAREHOLDERS' EQUITY	**57,837**	**60,118**	**61,444**	**49,522**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**197,385**	**199,175**	**198,133**	**185,745**

(*) the figures at 30 June and at 31 March do not include income taxes.

Comments on the financial statements

1. Introduction

In 2000, the Parent Company and the subsidiary Lepel S.r.l. took advantage of the possibility under Law no. 342 of 21 November 2000 to revalue their plant and machinery by a total of 15.32 million euro, and «Concessions, licenses, trade marks and similar rights» by 5.16 million euro. The effects of these revaluations are explained in the consolidated financial statements at 31 December 2000. Please note that the revaluation led to a new accounting base for calculating depreciation and amortization, which means that the figures in the two quarters are not directly comparable.

During the first four months of 2001, the parent company has also made a major change to its distribution system, whereby the network of distributors has taken on an important role in the logistics and management of the retail outlets, leaving the Company to handle direct relations with large-scale distribution chains for all matters concerning contracts and marketing policies.
This will result in more efficient communication to consumers of new initiatives and proposals, as well as better control over the sales side of the business.

2. Analysis of the results for the quarter ended 30 June 2001 compared with the first six months of the previous year

The quarter ending 30 June 2001 and the half-year at the same date show a loss of Euro 2.38 million and Euro 3.79 million, respectively, compared with a loss of Euro 1.27 million in the corresponding period last year.

The result as at 30 June 2001 is affected by the impact of the two factors mentioned in the introduction, i.e. higher amortization and depreciation of Euro 1.4 million (due to revaluations) and around Euro 1.2 million (lower margins due to the change in the distribution policy).

Net sales - Net sales in the quarter and half-year at 30 June 2001 amount to Euro 28.10 million and Euro 71.22 million respectively, versus Euro 72.11 million as at 30 June 2000.

The Group activities, which are extremely seasonal, reached a low during the second quarter of the year. Given this situation, the results of the three main business areas can be analyzed as follows:

- parent company sales are up by Euro 6.44 million (+ 16% on the same period last year), mainly due to intercompany sales to the French subsidiary; in fact, the parent company succeeded in replacing almost entirely Le Bourget's purchases from third parties.
- Even though Le Bourget increased its sales by Euro 1.4 million or 9% during the first half of the year, compared with the same period of 2000, sales during the second quarter amounted to Euro 4 million.

Furthermore, Lepel postponed the launch of its much publicized second line of products (in addition to its main product Belseno) by a quarter compared with the previous year (thus concentrating deliveries in the third quarter).

In the half-year as at 30 June 2001, the sales in Italy, France and Poland amounted to roughly 74.2% of total sales (Central and Western Europe represented 10.8%, Eastern Europe 13%, and other countries 2%).

*Cost of Sales*Cost of sales in the quarter and half-year to 30 June 2001 was Euro 18.46 million and Euro 44.50 million respectively, versus Euro 46.45 million in the first six months of 2000. The incidence of cost of sales on net sales passes from 64.42% in the first half of 2000 to 62.48% in the six months as at 30 June 2001, with a decrease of 1.94%.
This improvement was obtained despite higher depreciation due to the revaluation of plant and machinery.

Gross profit– The percentage of gross profit margin on net sales during the quarter and six-month period to 30 June 2001 was 34.31% and 37.52 respectively, compared with 35.58% at the same date last year.

The lower profitability in second quarter 2001, with respect to the whole six-month period, is due to the seasonality factor mentioned above.

Selling, general and administrative costs – Selling, general and administrative costs of Euro 11.48 million for the quarter ended 30 June 2001 and Euro 27.68 million for the six-month period ended at the same date, represent 40.84% and 38.86% respectively of net sales for the period, compared with a figure of 33.93% in the first half of 2000.

The increase in the proportion of these costs is mainly due to three factors:

- advertising expenses rose by 1.34%, but this is expected to balance out during the second half of 2001, when the ratio should be around 9%.
- depreciation & amortization which increased by 1.11% with respect to the same period last year, because of the revaluation of the Lepel trademark.
- other expenses increased by 1.94% mainly because of the change in the distribution strategy mentioned above.

Operating profit The first six months of 2001 ended with an operating loss of 0.96 million euro, compared with an operating profit for the corresponding period of the previous year of 1.19 million euro.

Financial charges, net – Net financial charges for the period amounted to 1.83 million euro, accounted for 2.57% of net sales, compared with 1.75% in the corresponding period last year.
This higher incidence is mainly attributable to the loan taken out to finance the purchase of 55% of Lepel at the end of June 2000.

Other charges, net– The other net charges mainly include the effects of the writedown of own shares in portfolio .

Income taxes– the quarterly financial statements do not include any provision for income taxes, as permitted by CONSOB regulations in these circumstances .

3. Analysis of the net financial position for the period ended 30 June 2001, compared with the net financial position at 31 December 2000 and at 30 June 2000

Net debt at 30 June 2001 amounts to 74.35 million euro, compared with 67.26 million euro at 31 December 2000 and 64.75 million euro at 30 June 2000. The financial situation of the Company is set out below (in millions of euro):

	June 2001	31 December 2000	June 2000
Short-term bank borrowings	43.25	33.45	31.12
Current portion of medium/long-term debt	19.71	12.11	15.29
Cash on hand and bank accounts	(1.28)	(2.01)	(6.29)
	----------	----------	----------
Net short-term borrowings	61.68	43.55	40.12
Medium/long-term debt, net of the current portion	12.67	23.71	24.63
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Total net debt	74.35	67.26	64.75
	=====	=====	=====

Net debt increased with respect to the corresponding period last year mainly because of financing for the acquisition of the remaining 45% of Lepel. This loan, booked to short-term payables as at 30 June 2001, is already totally covered by a medium/long term loan due to be finalised during the third quarter.

4. Analysis of the trend in net working capital and free cash flow for the half-year ended 30 June 2001

Net working capital as of 30 June 2001, 31 December 2000 and 30 June 2000 is shown in the following table (in millions of Euro):

	June 2001	31 December 2000	June 2000
Trade receivables	51.80	66.87	50.16
Other receivables, accrued income and prepayments	8.45	6.21	7.81
Inventories	56.48	46.17	52.76
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	116.73	119.25	110.73
Trade payables	(40.60)	(40.03)	(37.23)
Other payables, accrued liabilities and deferred income	(12.30)	(9.96)	(9.80)
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	(52.90)	(49.99)	(47.03)
	----------	----------	----------
Working capital	**63.83**	**69.26**	**63.70**
Net short-term borrowings	(61.68)	(43.55)	(40.12)
	----------	----------	----------
Net working capital	**2.15**	**25.71**	**23.58**
	=====	=====	=====

Net equity

Shareholders' equity at 30 June 2001, of Euro 57.84 million, remained unchanged with respect to 31 December 2000, except for the current year's net profit in course of formation.