QUARTERLY REPORT
AT
31 MARCH 2001

CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.
VIA PIUBEGA, 5C - 46040 CERESARA (MN) - ITALY
Tel. (0376) 8101 - Fax (0376) 87573

CORPORATE BODIES

Board of Directors

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

Board of Statutory Auditors

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

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

CSP INTERNATIONAL INDUSTRIA CALZE S.P.A

OPERATING REPORT FOR THE FIRST QUARTER OF 2001

CSP International S.p.A.

DIRECTORS' REPORT ON OPERATIONS

The quarterly report as of 31 March 2001 is prepared in euros. The balances and remarks that follow refer to the parent Company, CSP International S.p.A. A separate quarterly report has been prepared for the CSP International Group.

Comparative figures are provided for the same period of the previous year, though there are certain factors that make the two periods not exactly comparable:

- The Company took advantage of the possibility provided by the tax supplement to the Budget Law 2000 (Law no. 342 of 21.11.2000) to revalue its fixed assets. The revaluation only involved plant and machinery, excluding buildings and intangible assets, and resulted in an increase in value of 15.32 million euro.
- The 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 sales and marketing policies. This meant that 1st quarter 2001 sales were influenced – from a profitability standpoint – by the running down of stocks previously held (and owned) by the distributors.
- The Parent Company brought forward its advertising investments to the 1st quarter of 2001 in support of the new seamless lingerie line, encouraged by excellent sales in the first few months after the launch. Usually, these advertising expenditures are concentrated in the second half of the year. However, the company expects total advertising expenditure for the year to be in line with the historical amount, namely 10% of sales.

1. Key figures

Key figures for the first quarter of 2001 are as follows:

- net sales of € 25.30 million ;
- depreciation and amortisation of € 2.16 million, € 0.12 million of which accelerated;
- an operating loss before financial charges and taxes, of € 0.25 million, 0.98% of net sales;
- a pre-tax loss of € 1.88 million.

2. Comparison

The 1st quarter operating result was a loss (0.98% of sales), compared with a profit (13.6% of sales) in 1st quarter 2000. The difference is almost entirely due to non-recurring factors that will not happen again over the coming months.

3. Sales trend

1st quarter 2001 sales increased by 5.4% compared with 1st quarter 2000.

It is worth reiterating that the stockings market has been declining for the past decade. In 2000, sales volumes decreased by 12.3% in Italy, compared with 1999, and by 10% in Europe.

The net sales made outside of Italy in the first quarter of 2001 represent 51.8% of the total. Foreign sales contributed 41.2% in 1999 and 51.6% in 2000.

4. 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. This report only comments on certain key figures.

- Cost of sales accounts for 67.59% of net sales in 1st quarter 2001, compared with 66.2% in 1999 and 68.39% in 2000. We would point out that industrial depreciation and amortisation have increased with respect to 1st quarter 2000, increasing from 4.91% to 6.57% primarily because of the revaluation of fixed assets.
- Advertising expenditure comes to 15.8% of net sales in 1st quarter 2001, against 9.26% in the corresponding period of the previous year.

- The operating result was negative for nearly a full percentage point, penalised by the changes mentioned in the introduction.
- Financial charges come to 3.09%, against 1.76% at March 2000, and were influenced by the increase in interest rates during the period, as well as by borrowings to finance the Lepel acquisition which took place in June 2000.

5. The balance sheet

Highlights of the consolidated balance sheet are as follows. For further information, review the notes attached to the financial statements.

- Trade receivables are stable at € 40 million.
- Net bank debt has increased to € 49.70 million compared with € 40.58 million in the same period last year.
- Trade payables have increased from € 27.36 million in the first quarter of 2000 to € 32.08 million in the first quarter of 2001.
- Inventories at the end of the quarter are € 31.94 million, more or less the same as the figure of € 31.51 million at March 2000.
- Own shares: there were 1,106,500 own shares in portfolio (4.5% of share capital) at the end of the period. The Company currently has authorisation until 27 October 2001 to buy back shares up to 10% of the share capital.
- Equity investments at the end of the first quarter were equal to € 22.81 million, against € 13.92 million in the first quarter of 2000. The increase in equity investments is due to the Lepel acquisition.
- Tangible assets at the end of the first quarter were equal to € 41.83 million compared with € 33.62 million in the first quarter of 2000.

6. Research and development

Research and development activities have enabled the Company to produce important new collections of casual hosiery in recent months, including bobby socks, ankle socks, knee-highs, thigh-highs, foot socks, and “fantasmini” (foot protector), a market segment that is experiencing significant growth, considering that the pantyhose market generally is in decline.

The casual “Metropolis” collection for the Sanpellegrino brand, “On Line” for Oroblù, and “Frontera” for Star Way, have been launched in eye-catching and high impact packaging that are immediately recognisable to the consumer.

Other new products have been launched in addition to the usual fashion collections:

- Oroblù Libera, a unique type of hose that do without the usual uncomfortable elastic waistband in favour of a special panty with wider coverage that hugs the hips and lends a slimming effect;
- Oroblù Sun Time Bronzing Effect, hose realised with “Sideria”, a high-tech, dual component fibre. Sun Time pantyhose not only ensure freshness and comfort, but also provide a tanning effect all year round.
- Sanpellegrino Body Line, special pantyhose that flatten the tummy and accentuate the female silhouette.

7. Diversification

The significant success achieved in the early months of sales of seamless products has encouraged expansion of the range with new fashion collections marketed under Oroblù and Sanpellegrino. In addition to the basic articles, new items featuring lace and special diamond shaped patterns have been launched, all made with the seamless technology.

CSP International has further diversified its business by directly entering the men’s market for the first time with innovative seamless underwear collections, marketed under the “Sanpellegrino Man” and “Oroblù Man” brands with distribution scheduled to begin in the fall/winter this year.

8. Licensing

Product diversification continues through licensing.

In the first quarter of 2001, the Company earned royalties of € 0.20 million against € 0.14 million in first quarter 2000.

The trend in royalties over the last three years has been as follows:

1998: € 0.27 million
1999: € 0.42 “
2000: € 0.62 “

9. Production organisation and technology investments

In the first quarter of 2001, the Company began a major programme aimed at upgrading production capacity for seamless items. Production capacity is now sufficient to cope with the Company's ambitious plans for these products.

10. STAR segment of the Italian Stock Exchange

CSP International has been admitted to the new STAR segment of the Italian Stock Exchange. This division is devoted to small to medium sized companies that comply with certain criteria linked to ensuring minimum levels of liquidity in the corporate stock, high levels of transparency, and the implementation of corporate governance standards aligned with international best practice policies. (In fact, STAR stands for *Segmento Titoli con Alti Requisiti*, the Segment for Securities with High Requisites).

11. Prospects for 2001

CSP International's profitability has been rising over the past three years, with the following operating margins:

1998: 8.2%
1999: 9.6%
2000: 10.3%

The figure for 2000 has been restated as 8.54% (from 10.3% in the last quarter of 2000) as a result of the higher depreciation charges incurred after CSP International chose to revalue its fixed assets, which should significantly improve cash flow over the coming years.

Starting from the 8.54% operating margin made in 2000 and exploiting the advertising expenditure and organisational efforts made in the first quarter of 2001, which were one-offs and will not occur again, CSP International expects to continue the upward trend, reaping the benefits from 2001 onwards of the initiatives undertaken to date.

Ceresara, 15 May 2001

The Chairman of the Board of Directors

CSP INTERNATIONAL INDUSTRIA CALZE S.P.A

OPERATING REPORT FOR THE FIRST QUARTER OF 2001

COMMENTS ON THE FINANCIAL STATEMENTS

Introduction

These notes refer to the results of the first quarter of 2001 and have been prepared in accordance with the current legislation with comparative figures for the corresponding period of the previous year as well as for the whole of 2000.

The accounting 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 (as allowed under CONSOB's rules on the preparation of quarterly reports), as it was considered excessively burdensome to apply exactly the same policies as are applied at the year-end:

INVENTORIES: Inventories are stated at the lower of purchase or production cost, using the average cost method, and the estimated realisable value according to current market trends.

INCOME TAXES FOR THE PERIOD: no provisions have been made for either current or deferred income taxes for the individual consolidated companies, again 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 half-yearly and the annual reports, taking into account the above differences in accounting treatment.

Certain provisions have had to be made in the quarterly figures to comply with the accruals principle and these have been booked to payables or deducted from receivables in the interests of consistency with the financial statements at 31 December 2000.

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

Reclassified Statement of Income
(figures in thousands of Euro)

	31 March 2001	31 March 2000	31 December 2000
Net sales	25,107	23,856	95,360
Income from royalties	196	135	620
NET REVENUES	25,303	23,991	95,980
COST OF SALES			
Purchases	9,244	7,997	35,471
Labour costs	3,061	3,217	12,478
Services	2,054	1,650	6,693
Depreciation and amortisation	1,663	1,179	6,256
Other costs	1,523	1,215	4,820
(Increase) Decrease in inventories	(443)	(80)	(74)
	17,102	**15,178**	**65,644**
GROSS PROFIT	**8,201**	**8,813**	**30,336**
SELLING, GENERAL AND ADMINISTRATIVE COSTS			
Labour costs	1,640	1,423	5,629
Advertising expenses	3,998	2,221	7,794
Commissions	551	549	2,287
Depreciation and amortisation	384	258	1,538
Other expenses	1,876	1,089	4,892
	8,449	**5,540**	**22,140**
OPERATING PROFIT (LOSS)	**(248)**	**3,273**	**8,196**
Net financial charges (income)	782	422	2,230
Writedown (writeup) of investments	0	0	3,016
Other charges (income)	729	(224)	(3,330)
	1,511	**198**	**1,916**
PROFIT (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	**(1,759)**	**3,075**	**6,280**
Accelerated depreciation	116	457	2,142
Extraordinary charges (income)			(10)
PROFIT (LOSS) BEFORE INCOME TAXES	**(1,875)**	**2,618**	**4,148**
Income taxes for the period (*)	(*)	(*)	(1,202)
NET PROFIT (LOSS) FOR THE PERIOD	**(1,875)**	**2,618**	**2,946**

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

Reclassified Consolidated Balance Sheet - Assets

(figures in thousands of Euro)

	31 March 2001	31 December 2000	31 March 2000
CURRENT ASSETS			
Cash and banks	683	191	1,772
Trade receivables	39,668	38,377	40,533
Due from subsidiary and associated companies	8,339	10,129	2,641
Other receivables	3,184	2,252	2,343
Inventories	31,943	31,500	31,507
Accrued income and prepaid expenses	337	365	169
Own shares	3,864	3,369	1,104
TOTAL CURRENT ASSETS	**88,018**	**86,183**	**80,069**
FIXED ASSETS			
Financial fixed assets:			
Financial receivables	386	393	465
Equity investments	22,810	22,810	13,922
Total financial fixed assets	**23,196**	**23,203**	**14,387**
Tangible fixed assets	41,828	43,580	33,623
Intangible fixed assets	963	1,006	1,054
TOTAL FIXED ASSETS	**65,987**	**67,789**	**49,064**
TOTAL ASSETS	**154,005**	**153,972**	**129,133**

Reclassified Consolidated Balance Sheet - Liabilities and shareholders' equity

(figures in thousands of Euro)

	31 March 2001	31 December 2000	31 March 2000
CURRENT LIABILITIES			
Short-term bank borrowings	24,100	22,288	15,462
Current portion of medium / long term debt	13,962	10,326	13,265
Trade payables due to third parties	32,079	31,673	27,361
Due to subsidiary / associated companies	1,582	1,126	982
Taxes payable	2,000	2,135	126
Other payables	2,735	1,558	2,990
Accrued liabilities and deferred income	152	122	354
TOTAL CURRENT LIABILITIES	**76,610**	**69,228**	**60,540**
MEDIUM/LONG-TERM LIABILITIES			
Medium / long-term debt, net of the current portion	12,317	17,816	13,620
Bills payable			0
Severance indemnities	4,546	4,531	4,162
Other provisions	1,175	1,165	1,075
TOTAL MEDIUM/LONG-TERM LIABILITIES	**18,038**	**23,512**	**18,857**
TOTAL LIABILITIES	**94,648**	**92,740**	**79,397**
MINORITY INTERESTS IN CAPITAL AND RESERVES			
SHAREHOLDERS' EQUITY			
Share capital	12,653	12,653	12,653
Legal reserve	1,298	1,298	1,137
Share premium reserve	18,076	18,076	18,076
Other reserves	29,205	26,259	15,252
Net profit (loss) for the period (*)	(1,875)	2,946	2,618
TOTAL SHAREHOLDERS' EQUITY	**59,357**	**61,232**	**49,736**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**154,005**	**153,972**	**129,133**

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

Comments on the financial statements

1. Analysis of the results for the quarter ended 31 March 2001 compared with the corresponding quarter of the previous year

Readers are reminded that in 2000, the Company revalued its plant and machinery, the effects of which are explained in the statutory financial statements at 31 December 2000. Please note that the revaluation led to a new accounting base for calculating depreciation, which means that the figures in the two quarters are not directly comparable.

The quarter ended 31 March 2001 shows a pre-tax loss of 1.88 million euro, compared with a pre-tax profit of 2.62 million euro in the corresponding period of the previous year.

Net sales - net sales in the first quarter of 2001 amounted to 25.30 million euro, compared with 23.99 million euro. During first quarter 2001, export sales accounted for 51.8% of total sales (Central and Western Europe 26.7%, Eastern Europe 21.6%, other countries 3.5%). Note that around 23% of the total foreign sales figure is made up of sales to Le Bourget, a subsidiary.

Cost of sales - cost of sales in the first quarter of 2001 was 17.10 million euro, 67.6% of net sales, compared with 63.3% in 1st quarter 2000 and 68.4% for the year ended 31 December 2000.
The increase in cost of sales is largely due to higher depreciation charges following the revaluation of plant and machinery, higher sales at lower margins to the French subsidiary, and the effects of the change in the 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 sales and marketing policies. This means that 1st quarter 2001 sales are influenced – from a profitability standpoint – by the running down of stocks previously held (and owned) by the distributors.

Gross profit – the gross profit margin for first quarter 2001 was 32.4% compared with 36.7% in the corresponding period of the previous year and 31.6% for the year ended 31 December 2000.

Selling, general and administrative costs – selling, general and administrative costs, totalling 8.45 million euro, represented 33.4% of net sales for the period, compared with 23.1% in 1st quarter 2000 and 23.1% for the year ended 31 December 2000.

The most significant item was advertising and promotional expenditure, equal to 4.0 million euro, accounting for 15.8% of net sales, compared with 2.2 million euro, 9.3% of sales, in the corresponding period last year. These costs accounted for 8.1% of net sales in the year ended 31 December 2000.
The increase in advertising expenses is due to the massive television advertising campaign launched during the first months of the period aimed at promoting the new seamless collection.

As the year progresses, advertising investments will be realigned with the average percentages of net sales normally maintained by the Company.

Furthermore, the strategic changes in the way that the large-scale distribution channel is being managed has led to a different allocation of the corresponding selling costs; in the period ended 31 March 2001 these were booked to “other expenses”, while in the corresponding period in 2000 they were deducted directly from sales revenues.

Operating profit (loss) – The first quarter 2001 ended with an operating loss of 0.25 million euro, compared with an operating profit of 3.28 million euro in the corresponding period last year.

Financial charges, net – Net financial charges for the period amounted to 0.78 million euro, increasing by 0.36 million euro compared with the corresponding period last year, and accounted for 3.1% of net sales, compared with 1.8%.
The increase in the proportion of financial charges is due to the higher net debt required for the acquisitions.

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 31 March 2001, compared with the net financial position at 31 December 2000 and at 31 March 2000

Net debt at 31 March 2001 amounts to 49.70 million euro, compared with 50.25 million euro at 31 December 2000 and 40.58 million euro at 31 March 2000. The financial situation of the Company is set out below (in millions of euro):

	31 March 2001	31 December 2000	31 March 2000
Short term bank borrowing	24.10	22.29	15.46
Current portion of medium-long term borrowing	13.96	10.33	13.27
Cash and banks	(0.68)	(0.19)	(1.77)
	----------	----------	----------
<u>Net short term debt</u>	37.38	32.43	26.96
Medium/long-term lending, net of the current portion	12.32	17.82	13.62
	---------	---------	---------
<u>Total net debt</u>	49.70	50.25	40.58
	=====	=====	=====

Net short term debt increased with respect to March last year mainly because of financing for the Lepel acquisition, the loans granted to the French subsidiary, and the investment made in own shares for 3.86 million euro at 31 March 2001.

4. Analysis of the trend in net working capital and free cash flow for the quarter ended 31 March 2001

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

	31 March 2001	31 December 2000	31 March 2000
Trade receivables	39.67	38.38	40.53
Due from subsidiaries and associated companies	8.34	10.13	2.64
Other receivables and accrued income and prepaid expenses	3.52	2.62	2.51
Inventories	31.94	31.50	31.51
	83.47	82.63	77.19
Trade payables	(33.66)	(32.80)	(28.34)
Other payables and accrued liabilities and deferred income	(4.89)	(3.82)	(3.47)
	(38.55)	(36.62)	(31.81)
Working capital	**44.92**	**46.01**	**45.38**
Net short-term debt	(37.38)	(32.43)	(26.96)
Net working capital	**7.54**	**13.58**	**18.42**

Net working capital at 31 March 2001 decreased compared with the corresponding period in the previous year and with the balance at 31 December 2000 essentially due to new short term borrowings.

Net equity

Net equity as of 31 March 2001 has not changed compared with 31 December 2000, apart from the current period's result.

CSP GROUP

OPERATING REPORT FOR THE FIRST QUARTER OF 2001

CSP International Group

DIRECTORS' REPORT ON OPERATIONS

The report on the financial statements for the 1st quarter of 2001 is prepared in euros.
Shareholders are reminded that the Parent Company acquired full control of Le Bourget during 1999 and 55% of Lepel in 2000, which was therefore not included in the 1st quarter 2000 consolidation.
Furthermore:

- the Parent Company took advantage of the possibility provided by the tax supplement to the Budget Law 2000 (Law no. 342 of 21.11.2000) to revalue its fixed assets. The revaluation only involved plant and machinery, excluding buildings and intangible assets, and resulted in an increase in value of 15.32 million euro.
- Lepel wrote up its brand name, resulting in an increase of 5.16 million euro.
- The Parent Company brought forward its advertising investments to the 1st quarter of 2001 in support of the new seamless lingerie line, encouraged by excellent sales in the first few months after the launch. Usually, these advertising expenditures are concentrated in the second half of the year. However, the company expects total advertising expenditure for the year to be in line with the historical amount, namely 10% of sales.

1. Key figures

Key figures for the first quarter of 2001 are as follows:
- net sales of € 43.12 million;
- depreciation and amortisation of €3.05 million;
- pre-tax losses of € 0.85 million.

2. Sales revenues

Total sales revenues, before eliminating inter-company transactions, are made up of:

- € 25.30 million by the Parent Company CSP International;
- € 12.57 million by Le Bourget;
- € 7.97 million by Lepel;
- € 2.06 million by Sanpellegrino Polska;

For a total of € 47.90 million.

3. 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. This report only comments on certain key figures:

- cost of sales accounts for 60.4% of sales, compared with 64% for the whole of 2000;
- selling, general, and administrative costs, net of advertising, represent 22.5% of sales;
- promotional and advertising costs come to 15.1%;
- operating profit comes to 2.03%, compared with 7.33% for the same period last year: the reasons for the decrease are those mentioned in the introduction;
- financial charges come to 2.32%.

4. The balance sheet

Highlights of the consolidated balance sheet, stated in euros, are as follows:

- net debt amounts to € 65.63 million compared with € 57.49 million in the first quarter of 2000;
- net equity is € 60.12 million, up from € 54.19 million in the first quarter of 2000;
- inventories total € 46.56 million against € 38.70 million in the first quarter of 2000;
- trade receivables are € 67.90 million against € 54.83 million in the first quarter of 2000;
- trade payables are € 42.47 million against € 34.56 million in the first quarter of 2000.

5. Le Bourget

The first concrete results of restructuring Le Bourget's production facilities, which began in 2000, started to be visible in the first quarter of 2001: in the three months to 31 March, Le Bourget achieved an operating profit of € 0.52 million, or 4.12% of net sales.

6. Lepel

Lepel made an operating profit of € 1.18 million, 14.8% of net sales.

7. Sanpellegrino Polska

Sanpellegrino Polska is increasing its production capacity with the group of weaving looms installed during the first quarter of 2001.
In the meantime, Sanpellegrino Polska is already able to make an operating profit of 4.6%.

8. Prospects for 2001

In light of these comments, the company expects to be able to confirm its objective of improving the consolidated operating margin by one point per year for the next three years.
The fixed asset revaluation carried out by the Parent Company and by Lepel will of course have an impact on the two companies' results for the entire depreciation or amortisation period. On the other hand, they will both benefit from an improved cash flow thanks to lower taxation. This said, the other negative factors impacting the first quarter 2001 results are not only non-recurring, but they should also be re-absorbed by the end of the year. This is particularly the case with advertising expenditure which, as we said, has been concentrated in the first quarter, but will still average 10% of net sales by the end of the year.

Ceresara, 15 May 2001

The Chairman of the Board of Directors

COMMENTS ON THE FINANCIAL STATEMENTS

Introduction

These notes refer to the results of the first quarter of 2001 and have been prepared in accordance with the current legislation with comparative figures for the corresponding period of the previous year as well as for the whole of 2000.

The accounting and consolidation policies used in preparing these financial statements have been applied consistently with the previous year's consolidated financial sheets 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, again as allowed under CONSOB's rules on the preparation of half-yearly reports, which the Company believes also apply to quarterly reports .
COSTS OF 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 half-yearly and the annual reports, taking into account the above differences in accounting treatment.
Certain provisions have had to be made in the quarterly figures to comply with the accruals principle and these have been booked to payables or deducted from receivables in the interests of consistency with the financial statements at 31 December 2000.

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)

	31 March 2001 CONSOLIDATED	31 March 2000 CONSOLIDATED	31 December 2000 CONSOLIDATED
Net sales	42,925	34,904	159,608
Income from royalties	196	136	732
NET REVENUES	43,121	35,040	160,340
COST OF SALES			
Purchases	13,577	12,316	58,910
Labour cost	5,305	4,511	20,870
Services	3,225	2,066	11,452
Depreciation and amortisation	1,987	1,502	7,514
Other costs	2,204	1,652	6,806
(Increase) decrease in inventories	(254)	188	(2,968)
	26,044	**22,235**	**102,584**
GROSS PROFIT	**17,077**	**12,805**	**57,756**
SELLING, GENERAL AND ADMINISTRATIVE COSTS			
Labour cost	3,924	3,515	13,719
Advertising expenses	6,502	3,110	17,119
Commissions	941	611	3,573
Depreciation and amortisation	1,063	622	4,359
Other expenses	3,771	2,377	11,571
	16,201	**10,235**	**50,341**
OPERATING PROFIT	**876**	**2,570**	**7,415**
Financial charges (income), net	1,000	674	3,044
Writedown (writeup) of investments	0	0	9
Other (income) and charges	704	(251)	(621)
	1,704	**423**	**2,432**
PROFIT (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	**(828)**	**2,147**	**4,983**
Accelerated depreciation	0	0	0
Extraordinary charges (income)	24	5	(1,156)
PROFIT (LOSS) BEFORE INCOME TAXES	**(852)**	**2,142**	**6,139**
Income taxes (*)	(*)	(*)	(2,782)
NET PROFIT (LOSS) FOR THE PERIOD	**(852)**	**2,142**	**3,357**
LEPEL'S PRE-ACQUISITION PROFITS BEFORE TAX	0		(331)
NET MINORITY INTERESTS	(555)	12	(129)
NET PROFIT (LOSS) FOR THE GROUP	**(1,407)**	**2,154**	**2,897**

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

Reclassified Consolidated Balance Sheet - Assets

(figures in thousands of Euro)

	31 March 2001 CONSOLIDATED	31 December 2000 CONSOLIDATED	31 March 2000 CONSOLIDATED
CURRENT ASSETS			
Cash and banks	2,684	2,013	3,211
Trade receivables	67,904	66,633	54,834
Due from subsidiary and associated companies	235	235	1,568
Other receivables	5,238	5,319	4,886
Inventories	46,555	46,166	38,703
Accrued income and prepaid expenses	1,614	892	1,359
Own shares	3,864	3,369	1,105
TOTAL CURRENT ASSETS	**128,094**	**124,627**	**105,666**
FIXED ASSETS			
Financial fixed assets:			
Financial receivables	624	750	682
Equity investments	110	14	757
Total financial fixed assets	**734**	**764**	**1,439**
Tangible fixed assets	51,725	53,387	44,511
Intangible fixed assets	18,622	19,355	14,948
TOTAL FIXED ASSETS	**71,081**	**73,506**	**60,898**
TOTAL ASSETS	**199,175**	**198,133**	**166,564**

Reclassified Consolidated Balance Sheet - Liabilities and shareholders' equity

(figures in thousands of Euro)

	31 March 2001 CONSOLIDATED	31 December 2000 CONSOLIDATED	31 March 2000 CONSOLIDATED
CURRENT LIABILITIES			
Short-term bank borrowings	34,297	33,448	24,693
Current portion of medium / long term debt	15,902	12,112	14,950
Trade payables due to third parties	42,469	40,027	34,564
Due to subsidiary / associated companies	6	6	609
Taxes payable	3,239	4,052	124
Other payables	7,086	5,682	6,540
Accrued liabilities and deferred income	260	221	354
TOTAL CURRENT LIABILITIES	**103,259**	**95,548**	**81,834**
MEDIUM/LONG-TERM LIABILITIES			
Medium / long-term debt, net of the current portion	18,114	23,712	21,057
Bills payable	0	0	0
Severance indemnities	5,771	5,868	4,334
Other provisions	3,702	3,989	5,091
TOTAL MEDIUM/LONG-TERM LIABILITIES	**27,587**	**33,569**	**30,482**
TOTAL LIABILITIES	**130,846**	**129,117**	**112,316**
MINORITY INTERESTS IN CAPITAL AND RESERVES	8,211	7,572	61
SHAREHOLDERS' EQUITY			
Share capital	12,653	12,654	12,653
Legal reserve	1,298	1,330	1,137
Share premium reserve	18,076	18,076	18,076
Other reserves	29,498	26,487	20,167
Net profit (loss) for the period (*)	(1,407)	2,897	2,154
TOTAL SHAREHOLDERS' EQUITY	**60,118**	**61,444**	**54,187**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**199,175**	**198,133**	**166,564**

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

Comments on the financial statements

1. Analysis of the results for the quarter ended 31 March 2001 compared with the corresponding quarter of the previous period

Readers are reminded that the consolidated financial statements for the first quarter of 2000 did not include the figures of Lepel (acquired during 2000) nor of Sanpellegrino Polska, previously consolidated at net equity.

Furthermore, in 2000, the Parent Company took advantage of the possibility under Law no. 342 of 21 November 2000 to revalue its plant and machinery by a total of 15.32 million euro, while Lepel S.r.l. revalued its "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 amortisation, which means that the figures in the two quarters are not directly comparable.

The quarter ended 31 March 2001 shows a pre-tax loss and a share of profits or losses pertaining to minority interests (from now on called "minority interests") of 0.85 million euro compared with 2.14 million euro in the corresponding period last year .

Net sales - net sales in the first quarter of 2001 amounted to 43.12 million euro, compared with 35.04 million euro.
In the first quarter of 2001, the sales in Italy, France and Poland amounted to roughly 75.6% of total sales (Central and Western Europe represented 10.2%, Eastern Europe 12%, and other countries, 2.2%).

Cost of Sales - cost of sales in the first quarter of 2001 was 26.04 million euro, 60.4% of net sales, compared with the 63.5% in 1st quarter 2000 and 64.0% for the year ended 31 December 2000.
The decrease in cost of sales is due to several factors. The main positive factors involve the acquisition of Lepel, which has a lower cost of sales than the rest of the Group, and the positive performance of the Le Bourget Group in the first quarter of 2001. Negative factors include higher depreciation charges following the revaluation of plant and machinery and the effects of the changes in distribution through the large-scale distribution channel, as explained in greater detail in the Parent Company report.

Gross profit – the gross profit margin was 39.6% in the first quarter of 2001, compared with 36.5% in the corresponding period last year and 36.0% for the year ended 31 December 2000.

Selling, general and administrative costs – selling, general and administrative costs, amounting to 16.20 million euro, represented 37.6% of net sales for the period, compared with 29.2% in 1st quarter 2000 and 31.4% for the year ended 31 December 2000.

The most significant item was advertising and promotional expenditure, equal to 6.50 million euro, accounting for 15.1% of net sales, compared with the 3.11 million euro, 8.9% of net sales, in the corresponding period last year. The impact on net sales in the year ended 31 December 2000 was 10.7%.

The increase in advertising expenses was partly due to the massive television advertising campaign launched by the Parent Company in the opening months of the period, aimed at promoting the new seamless collection, and partly to the effects of including Lepel in the scope of consolidation. These costs were therefore a good deal higher than they normally are in the first quarter.

Operating profit – The first quarter 2001 ended with an operating profit of 0.88 million euro, compared with an operating profit of the corresponding period of the previous year of 2.57 million euro.

Financial charges, net – Net financial charges of the period amounted to 1.0 million euro, up by 0.33 million euro to 2.3% of net sales compared with 1.9% in 1st quarter 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 31 March 2001, compared with the net financial position at 31 December 2000 and at 31 March 2000

The net debt at 31 March 2001 amounts to 65.63 million euro, compared with 67.26 million euro at 31 December 2000 and 57.49 million euro as of 31 March 2000. The financial position of the company is set out below (in millions of euro):

	31 March 2001	31 December 2000	31 March 2000
Short term bank borrowing	34.30	33.45	24.69
Current portion of medium-long term borrowing	15.90	12.11	14.95
Cash and banks	(2.68)	(2.01)	(3.21)
	----------	----------	----------
Net short term debt	47.52	43.55	36.43
Medium/long-term lending, net of the current portion	18.11	23.71	21.06
	---------	---------	---------
Total net debt	65.63	67.26	57.49
	=====	=====	=====

Net short term debt increased with respect to March last year mainly because of financing for the Lepel acquisition.

4. Analysis of the trend in net working capital and free cash flow for the quarter ended 31 March 2001

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

	31 March 2001	31 December 2000	31 March 2000
Trade receivables	68.14	66.87	56.40
Other receivables and accrued income and prepaid expenses	6.85	6.21	6.25
Inventories	46.56	46.17	38.70
	----------	----------	----------
	121.55	119.25	101.35
Trade payables	(42.48)	(40.03)	(35.17)
Other payables and accrued liabilities and deferred income	(10.59)	(9.96)	(7.02)
	----------	----------	----------
	(53.07)	(49.99)	(42.19)
	----------	----------	----------
Working capital	**68.48**	**69.26**	**59.16**
Net short-term debt	(47.52)	(43.55)	(36.43)
	----------	----------	----------
Net working capital	**20.96**	**25.71**	**22.73**
	=====	=====	=====

Net working capital at 31 March 2001 decreased compared with the corresponding period in the previous year and with the balance at 31 December 2000 essentially due to new short term borrowings.

Net equity

Net equity as of 31 March 2001 has not changed compared with 31 December 2000, apart from the current period’s result.