FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.
Via Piubega, 5/C - 46040 CERESARA (MN) - Italy
Share capital € 12,740,000 fully paid-in
Mantua Companies Register no. 00226290203

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CORPORATE BODIES

Board of Directors

Chairman and Managing Director	Francesco	BERTONI (*)
Managing Director	Enzo	BERTONI (*)
Managing Director	Maria Grazia	BERTONI (**)
Managing Director	Carlo	BERTONI (**)
Directors	Arturo	TEDOLDI
	Gianfranco	BOSSI (***)
	Renato	ROSSI

Board of Statutory Auditors

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

Independent Auditors

Deloitte & Touche S.p.A.

(*) 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

(**) Notes on exercising power: powers of ordinary administration

(***) Co-opted with the resolution of the Board of directors of 30.03.2004; the nomination was proposed to the ordinary shareholders' meeting of 30.04.2004

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

DIRECTORS' REPORT FOR THE YEAR 2003

The present report, dedicated to the comments on the results for the year 2003, will firstly illustrate the following matters:

- in 2003 the Group recorded a loss, of which we will outline the underlying reasons;
- following the negative results in the first half of 2003 a Three-Year Business Plan was prepared which includes a pre-tax break-even for 2004 and a return to a net profit in 2005;
- in the second half of 2003 there were some signs of recovery, with more immediate effects on the balance sheet than on the income statement, in which we will indicate and evaluate their importance and significance.

In order to provide a better representation of the activities of the Group, all of the comments refer to the reclassified management accounts included in the present report.
Consolidated sales for management purposes differ from consolidated sales reflected in the financial statements because the former excludes sales to subcontractors to raise capacity by outsourcing certain types of production (sales of hosiery yarn and production materials).

Summary of results for the year

The results for the year 2003, compared to the previous year, are summarised as follows:

- sales of 142.38 million Euro, a reduction of 10.7% compared to 159.52 million Euro in 2002;
- an EBITDA of 6.44 million Euro compared to 17.08 million Euro in 2002;
- an EBIT of (4.45) million Euro compared to 4.97 million Euro in 2002;
- an EBT of (8.77) million Euro compared to (1.32) million Euro in 2002.

Three-Year Business Plan

The negative results, which were already evident in the first half of the year, required the urgent preparation of a Plan to contain the losses in 2003, to achieve a pre-tax break-even in 2004 and a return to a net profit in 2005.
These objectives and the details of the Plan were communicated with the presentation of the figures for the first half of the year 2003.
The Plan was described in various corporate documents available on August 5, 2003 and thereafter in the form of quarterly reports, press releases and public presentations.
We will return to the principal elements of the Plan in the conclusion of this report, dedicated to the future prospects.

Recovery signs

In the second part of 2003 the first signs of recovery were seen, which is useful to recall, as this can be the basis for the realisation of the Three-Year Plan.
We already mentioned that signs of recovery were noted in relation to the balance sheet elements. This derives from the specific timing characteristics of the clothing market, where the collections commence almost one year before they reach the final customer. The time for reaction on the income statement is therefore conditioned to this operating basis. The time for reaction on the balance sheet is however shorter and consent results that are appreciated in a number of months.
The following table, that presents the first results achieved, therefore only contains balance sheet and organisational elements.

AREA	RESULT 2003 vs 2002
Inventory	- 10.9 million Euro
Working Capital	- 15.6 million Euro
Payables	- 14.1 million Euro to Banks
	- 5.3 million Euro to Suppliers
	19.4 million Euro total
Le Bourget Personnel	63 units less
Parent Company Personnel	50 staff less (43 Locally, 7 in Lepel)
SP Polska Personnel	25 units less
Cost of labour	- 1.8 million Euro

In addition the diversification in the underwear sector has reached 34% of sales and the new products, that is new products in 2003, comprised 1/4 of the total annual sales.

Group performance

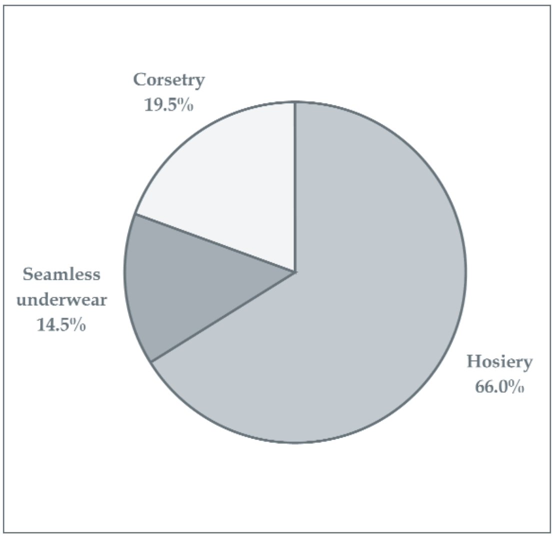
Summary statement of income

(in millions of Euro)	2003		2002	
	Value	%	Value	%
Net sales	142,38	100,0%	159,52	100,0%
Cost of sales	96,36	67,7%	99,71	62,5%
Gross profit	**46,02**	**32,3%**	**59,81**	**37,5%**
Selling, general and administrative costs	50,47	35,4%	54,84	34,4%
Operating profit (loss)	**(4,45)**	**-3,1%**	**4,97**	**3,1%**
Net financial charges	3,26	2,3%	3,96	2,5%
Other net (income) and charges	1,06	0,8%	2,33	1,4%
Profit (loss) before taxes	**(8,77)**	**-6,2%**	**(1,32)**	**-0,8%**
Income taxes	(1,52)	-1,1%	(2,81)	-1,8%
Net profit (loss) for the year	**(10,29)**	**-7,3%**	**(4,13)**	**-2,6%**
Minority interests	0,36	0,3%	0,09	0,0%
Net profit (loss) for the year attributable to the Group	**(9,93)**	**-7,0%**	**(4,22)**	**(2,6%)**

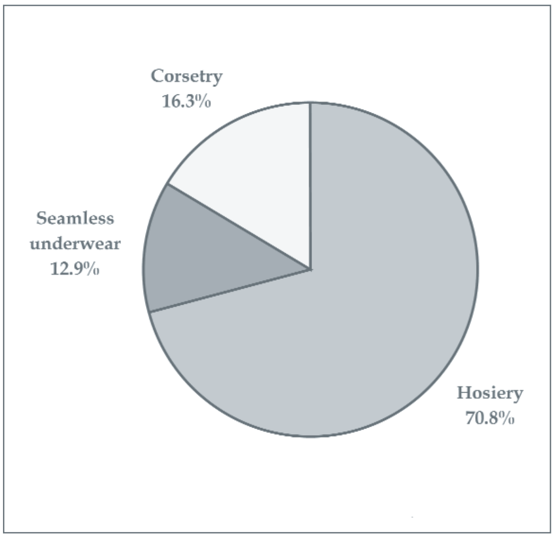
Net sales – Net sales in 2003 passed from 159.52 million Euro to 142.38 million Euro (– 10.7%). The result for the year is principally attributable to the decrease in sales in the Russian market and the wholesale market in Italy (hosiery in particular), strictly related to the Russian market by means of the "parallel sales", and decrease of sales in France.
It should be noted that the decline in the Russian market halted in August 2003.

The following graphs show the breakdown of sales by product sector, brand and geographical area for the period under review compared with 2002:

PRODUCTS: % of sales at 2003

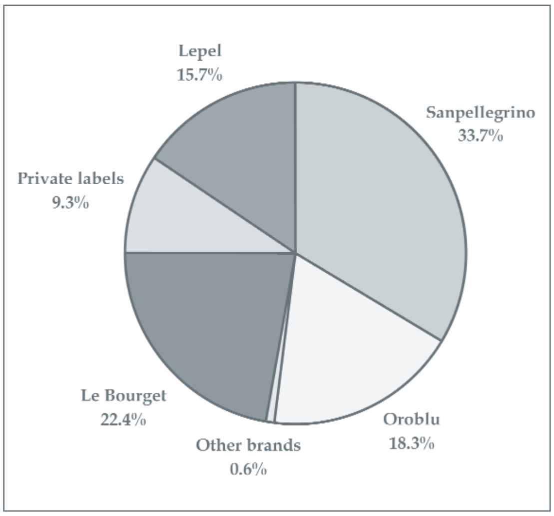


PRODUCTS: % of sales at 2002

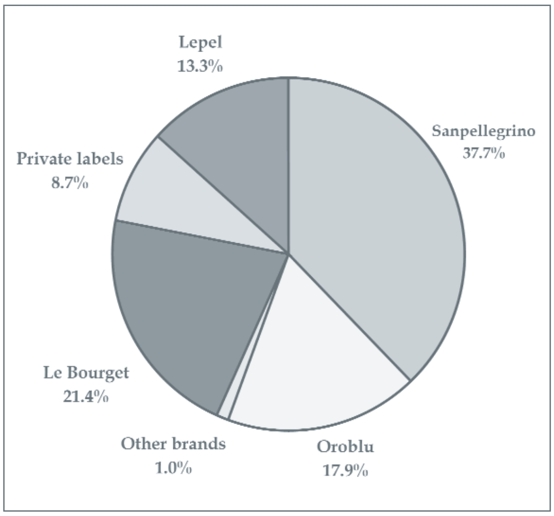


In the period under examination corsetry registered a positive result with a significant increase of 6.9% compared to 2002, while seamless confirmed the sales of the previous year; as a consequence corsetry/seamless together passed from 29.2% to 34.0% of total turnover, in line with the diversification policy undertaken by the Group.
Hosiery however confirmed the chronic recessionary trend registering a reduction of 16.8% compared to 2002.

BRANDS: % of sales at 2003

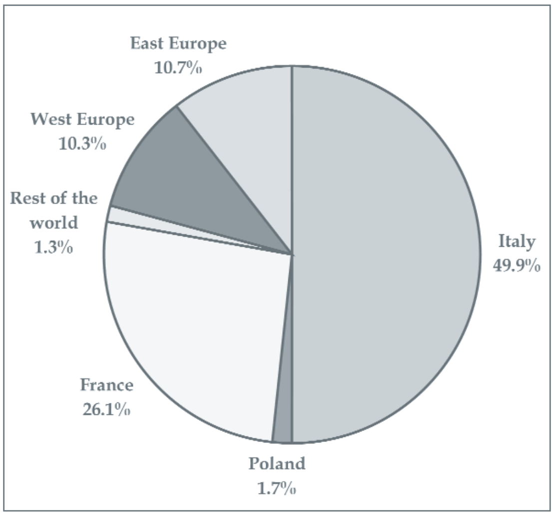


BRANDS: % of sales at 2002

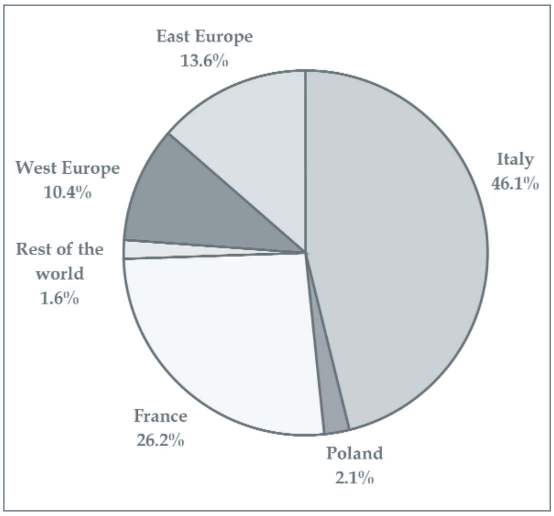


Sanpellegrino in the year registered a total loss of 20.2% being the brand largest affected by the negative decrease in hosiery sales in Russia and in the wholesale channel in Italy. It should however be noted that in the large distribution channel in Italy the brand obtained positive results both in hosiery (+ 5.9%) and in seamless (+ 12.4%).
Also Oroblù was penalised by the general decrease in the demand for hosiery, while it achieved good results in the corsetry and seamless collections with sales increasing respectively of 20.4% and 7.8% compared to 2002.
The decrease in consumption in the French market negatively influenced the sales of the Le Bourget brand which recorded a decrease of 6.6% compared to the previous year.
The Lepel brand achieved the most positive results in the period, increasing sales by 4.8% thanks in particular to the growth in the Claudia Lemes line and the consolidation of its position in the Italian large distribution channel.

AREAS: % of sales at 2003



AREAS: % of sales at 2002



As regards sales by geographical area, the trend of a decrease in sales in Eastern Europe was confirmed with a reduction of 6.50 million Euro (– 29.9%) and in France, which recorded a decrease of 4.59 million Euro (– 11.0%) principally due to the decision not to renew some contracts with private labels considered too costly.

In Italy, however, principal market of the Group, the overall decrease in sales was more contained (– 3.5%) as the afore-mentioned decrease in the wholesale market was compensated by the good results obtained in the large distribution and retail channels; it should also be noted that the sales of the Lepel division are principally made in Italy.

Gross margin – The percentage of the gross margin in the year decreased from 37.5% to 32.3%.
The reduction in the gross margin is principally attributable to the lower volume of sales leading to a lower absorption of fixed costs, as well as greater recourse to promotional activities to counter the negative market conditions.
In addition, with the objective of drastically reducing inventory, a significant quantity of obsolete and end of series products were disposed of, at a price equal to industrial cost; this contributed to the reaching of the objective of reducing inventory levels, but also had a negative effect on margins.

Selling, general and administrative costs – Selling, general and administrative costs, amounted to 50.47 million Euro (35.4%) compared to 54.84 million Euro (34.4%) in the previous year.
The decrease compared to 2002, equal to 4.37 million Euro, is principally due to the reduction of advertising (2.15 million Euro) which as a percentage on sales remained substantially in line with the previous year. The other variable expenses related to sales also reduced (principally commissions and selling costs) and labour costs in France.

Operating result – The operating result for the year was a loss of 4.45 million Euro compared to an operating profit of 4.97 million Euro in the previous year. This result is principally due to the above-mentioned reduction in the volume of sales and margins.

Financial charges, net – Net financial charges amount to 3.26 million Euro compared to 3.96 million Euro in the previous year, in line with the reduction in the average indebtedness.

Net other income and expenses – The account, equal to 1.06 million Euro compared to 2.33 million Euro in 2002, relates principally to the charges concerning the restructuring (Social Plan) at Le Bourget (0.96 million Euro).
The change compared to the previous year is principally attributable to the lower write-down of own shares held in portfolio (0.46 million Euro at December 31, 2003 compared to 2.23 million Euro at December 31, 2002), following the adjustment to market value (average in December 1.4056 Euro per share).

Income taxes – Income taxes amounted to 1.52 million Euro compared to 2.81 million Euro in the previous year.
The current income taxes amounted to 0.96 million Euro (principally IRAP on the Italian companies) and deferred taxes of 0.56 million Euro.

Summary balance sheet

The following table shows the reclassified balance sheet of the Group:

(in millions of Euro)	31 December 2003	31 December 2002
Current assets	106.57	127.78
Current liabilities	(37.81)	(43.39)
Net working capital	**68.76**	**84.39**
Equity investments (including own shares)	3.57	4.13
Tangible and intangible fixed assets	53.78	62.67
CAPITAL EMPLOYED	**126.11**	**151.19**
Other medium/long-term liabilities	(12.46)	(11.64)
NET CAPITAL EMPLOYED	**113.65**	**139.55**
Net financial debt	69.60	83.69
Shareholders' equity attributable to minority interests	0.94	1.53
Net equity	43.11	54.33
TOTAL	**113.65**	**139.55**

Working capital – Net working capital at December 31, 2003 amounted to 68.76 million Euro compared to 84.39 million Euro at the end of 2002. Current assets reduced by 21.21 million Euro principally due to the reductions in inventory (– 10.90 million Euro) following the implementation of the policy to contain inventory levels, and trade receivables (– 8.60 Euro) due to the decrease in sales.
Current liabilities reduced by 5.58 million Euro principally due to the reduction in trade payables (– 5.29 million Euro) following a programme of reduced production activity.

Capital employed – The capital employed decreased from 151.19 million Euro at December 31, 2002 to Euro 126.11 million, principally attributable to the above-mentioned reductions in working capital and reductions in fixed assets due to amortisation.

Net debt – The net debt, as shown in the table below, decreased by 14.09 million Euro principally in relation to the above-mentioned reductions in working capital.

The net financial position is comprised of:

(in millions of Euro)	31 December 2003	31 December 2002
Short-term bank borrowings	42.79	54.74
Current portion of medium/long-term debt	11.60	12.81
Cash and banks	(1.07)	(0.78)
Net short-term debt	**53.32**	**66.77**
Medium/long-term lending, net of the current portion	16.28	16.92
Net financial debt	**69.60**	**83.69**

Group performance company by company

A summary of the results of the Group companies is provided below with comments on the most significant aspects and events in the year.

<u>**Parent Company**</u>

The <u>**Sanpellegrino and Oroblù**</u> brands operated in the strong recession hit market of stockings/tights, where demand continued to decrease: in fact in the year to November 2003 the consumption of Italian families reduced by 11% in quantity and 13% in value, compared to the previous year (source GFK institute). The historical trend of the market is illustrated in the table below:

Year	Consumption in quantity vs. previous year	Source
1992	– 6.2%	Sita Nielsen
1993	– 10.7%	Sita Nielsen
1994	– 3.0%	Sita Nielsen
1995	– 2.0%	Sita Nielsen
1996	+ 0.4%	Sita Nielsen
1997	– 8.3%	Nielsen Hosiery Consumer Index
1998	– 4.5%	Nielsen Hosiery Consumer Index
1999	– 9.0%	Nielsen Hosiery Consumer Index
2000	– 10.3%	Nielsen Hosiery Consumer Index
2001	– 5.0%	GFK
2002	– 5.1%	GFK
2003	– 11.0%	GFK (year ended november)

The above figures relate to Italy. In relation to the three main geographical regions, the trend was even more negative in Japan and Europe and less negative in the USA. Compared to a consumer index of 100 in quantity terms in 1991, the current level of consumption shows indices of 50 in Italy, 60 in USA, 40 in Europe, 30 in Japan.
Among the positive elements we note:
- the favourable welcome given by the market to the Sanpellegrino BioComplex innovative tights, developed in collaboration with L'Angelica for a cosmetic positioning;
- the positive orders received for the Oroblù BioAction tights, developed in collaboration with Transvital, to provide tonic, close-fitting and slimming forms and the innovative Oroblù Futurity bra, which offers support without the assistance of the traditional metal (these orders will be translated into sales in 2004);
- the stabilisation of the Russian market, which in the final quarter of 2003 produced the same sales as in the same period in 2002.

The **Lepel division** increased by 6.1% in 2003 compared to sales in 2002, attributable to two principal factors:
- the growth of the Claudia Lemes collection in the large distribution channel;
- the launch of the new Revolution bra in the wholesale and large distribution channel.

In the market of classic corsetry Lepel is the number 1 brand for bras, ahead of notable national and international brands (source GFK institute).

Below are comments on the principal economic and financial results of the Parent Company in 2003 compared to the previous year; following the merger by incorporation of Lepel Srl effective as of January 1, 2003 and in order to render the accounts comparable, the values for 2002 refer to the aggregation of the results from the Parent Company and the incorporated company.

Overall the **sales** of the Parent Company decreased from 129.59 to 118.27 million Euro with a decrease of 8.7% principally due to the decrease in sales on the Russian market and in the Italian wholesale market.

The **gross margin** as a percentage on revenues decreased from 31.9% to 25.2% due to the lower volume of sales leading to a lower absorption of fixed costs, greater recourse to promotional activities and the disposal of end of series stocks at cost price.

The operating result for the year was a loss of 4.44 million Euro compared to a profit of 5.45 million Euro principally due to the above mentioned reduction in the volume of sales and margin, partially compensated by lower advertising investments (0.39 million Euro) and a reduction in selling expenses (0.88 million Euro).

The **pre-tax result** passed from a loss of 0.25 million Euro to a loss of 8.03 million Euro; the result for the year 2003 includes a write-down in the investment in the French company Le Bourget of 1.17 million Euro, while the previous year was penalized by a greater write-down in own shares held in portfolio of 1.77 million Euro as well as accelerated depreciation of 0.80 million Euro.
The net financial charges reduced by 0.59 million Euro (from 3.05 million Euro to 2.46 million Euro) principally due to the reduction in the average debt (12.11 million Euro) resulting from the reduction in net working capital.

The **net working capital** reduced by 13.24 million Euro following the reduction in inventory (12.31 million Euro) due to the policy of containment and rationalisation of the inventory.

Le Bourget

The subsidiary Le Bourget is the third brand, after Dim and Well, in the French market. In this market, the most important after Italy for the sale of tights, the reduction in overall consumption was 9% and 15% in the tights market, the principal market for Le Bourget (source Nielsen, Hyper and Super market channels).

The results for the year 2003 should be evaluated taking into account some factors:
- the sales decreased by 11.3% compared to 2002, in line with the reduction in consumption in the market;
- the net result was again negative, but the losses reduced from 1.46 million Euro in 2002 to 0.87 million Euro in 2003;

- without extraordinary charges, related to the Plan Social which reduced personnel numbers by 63, the result for the year would have been a profit of 0.09 million Euro.

Sanpellegrino Polska

The Polish company, held 50% by CSP International, in joint venture with an operator from Lodz, ended the year with a loss of 0.73 million Euro. The principal reasons are in the reduced opportunities of export to the Russian market and neighbouring countries of Eastern Europe, which significantly reduced the sources of business and in the lower production work from the Parent Company committed to a reduction in inventory. Actions are underway to reduce costs and for the development of the distribution channels.

Diversification

Within the Group the diversification in the corsetry/seamless sector has produced the following developments:

YEAR	AS PERCENTAGE OF TOTAL SALES
1999	0%
2000	16%
2001	23%
2002	29%
2003	34%

Research & development

The innovative vocation of the company, which is fundamental for the recovery of profitability, results in the Research & Development activity for new products. The principal innovative articles presented to the market in recent years are shown in the table below, noting in particular new articles in 2003 and at beginning of 2004.

YEAR	SANPELLEGRINO	OROBLÙ	LEPEL
1993	SLIM (slimming effect)	REPOS (Relax your legs and easy your life) SILHOUETTE (Form and beauty)	
1994	SUPPORT (support effect)	CARAT (High tech, Soft touch)	
1995	BRAZIL EFFECT (to highlight the form)	SHOCK UP (Up with Oroblù) REMEDE (Every day a relaxing day)	
1996	DAY (for daily elegance)	GEO (Natural colors, natural make up) EXCELL (Cellulite KO)	
1997	CELLU-LINE (anti-cellulite)	EXCELL LIGHT	
1997/98	PLANET 3DIMENSION	PROGRESS 3 DIMENSION vertical & horizontal elasticità)	
1998	BENEFIT (for legs in need of care)	LEG ON LINE (for slim legs)	
1999	COMODO (elegance and comfort together)	INTRIGO (ideal under trousers)	
2000	SEAMLESS UNDERWEAR COMODO	SEAMLESS UNDERWEAR DOLCE VITA SUN TIME (summer tights)	
2001	COLLEZ. METROPOLIS SEAMLESS MAN	COLLETION ON LINE SEAMLESS MAN	
2002	SEAMLESS IN COTTON	SEAMLESS IN COTTON	SIMMETRY Bra
2003	BIOCOMPLEX L'ANGELICA (Cosmetic tights)	BIOACTION TRANSVITAL FUTURITY BRA (Lifting evolution)	REVOLUTION Bra without metal
2004	POCKET TIGHTS	REFRESH (mint and eucalyptus)	PLAY LEPEL sports collection

Related party disclosures
No atypical or unusual transactions as defined by CONSOB were carried out during the year.

Relationships between Group companies mainly involved commercial transactions related to the companies' production activity and regulated at arm's-length conditions. The following table summarises the most significant transactions of the Parent Company with the subsidiary companies in 2003 (in million of Euro):

Subsidiary	Revenues 2003	Costs 2003	Receivables 31/12/2003	Payables 31/12/2003
Le Bourget	19.30	0.57	8.11	0.32
BO.MO S.r.l.	0.69	0.41	0.02	0.20
Sanpellegrino Polska	1.94	1.68	1.11	0.27

Investments held by directors, statutory auditors and general managers (art. 33, Decree 58 of 24 February 1998)
As required by CONSOB regulations, we attach the schedule on investments held by the individuals or entities stated in Resolution 11971/99.

Own shares
The shareholders' meeting of the Parent Company on April 30, 2003 authorised the purchase of own shares up to a maximum of 10% of share capital for a period of eighteen months.
During the course of the year the Parent Company did not purchase or sell own shares.
On 31 December 2003 the Parent Company held 2,358,850 of its own shares, representing 9.628% of share capital with a total value at par of 1,226,602 Euro. As of 31 December 2003, a write-down of 0.46 million was also made to adjust the value of the shares held in portfolio to market value, namely Euro 1.406 per share.

Information in relation to the treatment of personal data
In relation to the recent legislation on the treatment of personal data (Legislative Decree of June 30, 2003 no. 196) the Parent Company, in compliance with the obligations contained therein, is preparing the Programmed Security Document in relation to confidential information in electronic form, which will be completed within the required period (June 30, 2004).

Corporate Governance
The Company considers that the respecting of the principles of Corporate Governance is a fundamental component in relations with the market.
We recall the most recent events in relation to Corporate Governance:
- adherence to the Self-Governance Code;
- drawing up of Shareholders' Meeting regulations;
- drawing up of internal procedures, for the treatment of "price sensitive" information;
- adoption of a code of conduct in relation to "internal dealing" and "related party" operations;
- definition of the powers of the Managing Directors.

The next compliance will be the creation of a Control Committee consisting of two Independent Directors.

Principal events in the past decade
Before presenting a summary of the Three-Year Business Plan an outline of the principal events is the past decade is shown below.
1994 - Entry into the Russian market;
1995 - launch of Brazil Effect – Shock Up (19 million Euro of sales in first year);
1996 - Sanpellegrino advertising with Antonio Banderas and Valeria Mazza;
1997 - quotation on the Italian Stock Exchange;
1998 - incorporation of Sanpellegrino Polska, joint-venture (50%) with a local Polish partner;
1999 - acquisition of 100% of Le Bourget, third producer of tights in France;
- commencement of diversification in underwear, with the seamless technology;

2000 - acquisition of 55% of Lepel, first step in diversification in the corsetry market;
2001 - acquisition of the remaining 45% of Lepel;
- admission to the STAR segment of the Italian Stock Exchange;

2002 - approval of the merger by incorporation project of Lepel into CSP International;
2003 - launch of the innovative tights with a cosmetic positioning, with Sanpellegrino BioComplex L'Angelica and Oroblù BioAction Transvital;
2004 - activation of licenses in complementary markets, such as pullovers.

Dividends

The distribution of dividends in recent years is illustrated in the table below:

Year	Total dividends	Number of shares	Dividend per share
1995	1,032,914 Euro	22 million	0.05 Euro
1996	2,582,285 Euro	22 million	0.12 Euro
1997	3,871,877 Euro	24.5 million	0.16 Euro
1998	632,660 Euro	24.5 million	0.03 Euro
1999	1,237,018 Euro	24.5 million	0.05 Euro
2000	1,187,386 Euro	24.5 million	0.05 Euro
2001	1,108,071 Euro	24.5 million	0.05 Euro
2002	1,107,058 Euro	24.5 million	0.05 Euro

In consideration of the result for the year 2003 no dividend is proposed for the year.

Summary of the three-year plan and future prospects
The Group is implementing a Three-Year Business Plan, the salient points of which can be summarised as follows.

The principal **problems** that caused a cumulative loss of 15 million Euro in the last three years can be identified as follows:
1. The chronic consumer recession in the stockings/tights market, which has halved in the last decade;
2. the excess production capacity of the Group, over 1/3 of sales;
3. halving of the sales in the Russian market, the third most important market after Italy and France;
4. other operational factors;
5. extraordinary factors:
    - write-down of own shares of over 5 million Euro in three-years;
    - restructuring in Le Bourget of almost 2 million Euro in two years.

In addition, in a three-year period without profits, taxes were recorded of 6.6 million Euro.

The **solutions** were identified as follows:
1. the recession of the stocking/tights market to be confronted with diversification in the stocking/tights market and product innovation in the stocking/tights market;
2. the over production capacity will be overcome with reduction in personnel and stabilisation of the sales;
3. the halving of the sales in the Russian market will be confronted by a reorganisation of the Italy/Russian distribution system;
4. the operational factors will involve cost reductions, improvement in margins, reduction of working capital and debt;
5. the extraordinary factors are non-recurring.

The **objectives** are as follows:
- a stabilisation of sales, in the three-year period, of around 150 million Euro annually;
- a break-even pre-tax result in 2004;
- a net profit after taxes in 2005;
- profitability with EBITDA above 10% in the three-year period and EBIT greater than 5% from 2006.

The main **operating criteria** of the plan can be summarised as:
- diversification from stocking/tights to other complementary goods, from underwear to swim suits; the diversification will be carried out both through the direct management of the new products and through the activation of licences;

- innovation, as only innovation will consent an improvement in margins. And thus innovation
  - in stockings/tights
  - in fashion products
  - in the diversified products;

- communication, as diversification and innovation will be communicated to the market, to stimulate trial and repurchase;

- concentration of the promo-advertising investments:
  - at the sales point, that is the place and moment of truth;
  - in advertising, that is the instrument for developing the business and brands;

- differentiation of prices by product categories, in order to have more competitive prices and improved margins, with the following criteria:
  - strategic products, to maintain distribution channels and exploit the production capacity, with prices that will cover only direct costs;
  - classic products, which constitute the continuative products of the collections, with prices that cover direct and indirect costs, with limited margins;
  - innovative products, which stimulate consumption, with prices that cover direct, indirect costs and improved margins;

- stabilisation of sales through the diversification and innovation already mentioned and, in particular:
  - recovery of market share;
  - consolidation in the Russian market;
  - opening of Oroblù brand outlets;
  - activation of licenses.

The summarised **effects** of the three-year plan include:
- reduction of costs of over 8 million Euro;
- improvement in margins of almost 5 million Euro;

with a cumulative effect of 13 million Euro.

Significant events after the year end

Corporate events

The shareholders belonging to a shareholders agreement pact intend to adhere to a debenture loan with the following characteristics:
- the debenture has a value of 5 million Euro;
- it will be subscribed 100% by the shareholders of the Pact;
- the duration is five years, with a Bullet repayment (in one payment on expiry);
- the interest rate is equal to Euribor 6 months, plus 2 percentage points.

Operational events

From the beginning of 2004 the Parent Company is involved in the implementation of the new SAP information system adopted in January which is presently being optimised.
As noted, SAP consists of one of the most advanced and complete Information Technology systems at an international level. Its adoption however has resulted in a complete transformation of the business operations; due to the complexity of the changes, problems and delays have occurred, which have had an effect on sales in the first two months of the year, but are now being gradually overcome.
Once the initial difficulties are resolved, the new software will contribute to improve the integrity, speed and accuracy of the information, in a coherent and efficient environment.

Extraordinary events

In January 2004 a settlement was positively concluded relating to a dispute deriving from a previous acquisition made by CSP International resulting in a receipt of 1.4 million Euro; this income of an extraordinary nature will be reflected in the result of the first quarter of 2004.

New products

Numerous new products have been presented, the most notable of which are:

- Sanpellegrino Pocket Tights, original pocket tights, presented in an innovative plastic package (model deposited);
- the Sanpellegrino "no-sign" Invisible seamless, which offers new comfort to the skin, at competitive prices;
- the corsetry collection of Oroblù Sublime;
- the sportive underwear collection of Play Lepel;
- the Bourget Futurity Lifting Evolution bra, without metal supports;
- in relation to the cosmetic tights Sanpellegrino BioComplex, the product Rinfrescante, with natural extracts of mint and eucalyptol;
- in relation to the collection of Oroblù BioAction cosmetic tights, the product Refresh, with similar characteristics to the corresponding Sanpellegrino article;
- new fashion collections, for autumn/winter 2004, for all of the brands of the Group, for hosiery, corsetry and seamless.

The new products, fundamental for the improvement of margins, have provided the following first results in terms of sales.

BASIC PRODUCT	PRICE TO THE PUBLIC	SALES
Sanpellegrino Day	1.82 €	Best seller article
NEW PRODUCTS		
Sanpellegrino BioComplex L'Angelica	From 4.00 to 4.50 €	1.5 million pairs from end of 2003 to beginning of 2004
Oroblù BioAction Transvital Collection	From 7.00 to 9.50 €	Launch in course (over 700 clients acquired)
Sanpellegrino Pocket Tights	4.90 €	Launch in course (already received by the main large distribution chains)
Lepel Revolution Bra	19 €	Sales second half 2003 / beginning of 2004: 700,000 pieces
Oroblù Futurity Bra	29.50 €	Launch in course (over 500 clients acquired)

New licenses

In relation to the diversification, the Parent Company is activating new licenses, in complementary markets to present markets: we note that the current licenses, in 2003, produced over 0.5 million Euro in royalties. On March 1, 2004 the Oroblù PullLovers & Co. license was presented to the market which extends the presence of Oroblù in the pullover market. In the first month of activation the collection was sold to over 300 retail shops.

Results expected for 2004

As indicated in the Three-Year Business Plan, of which the salient characteristics have been provided, the result forecast for 2004 is break-even before taxes.

In relation to a year in which we confirm the objective of break-even, it may be possible that at least one quarter reports a negative result.

This will be due to two principal reasons:

- the typical seasonality of our market, historically negative in the second quarter of the year;
- the time required to implement the Plan that will be more favourable over the course of the year.

Deliberations for the Shareholders' Meeting:

Dear Shareholders, we invite you to deliberate on the following points:

a) approval of the financial statements presented to you

b) recording of the Reserve for accelerated depreciation

In accordance with the accounting principle no. 25 issued by the Italian Accounting Profession and the Company having accelerated depreciation for fiscal purposes of 1,059,390 Euro decreasing the fiscal assessable income, We invite you to deliberate on the recording in the "Reserve for accelerated depreciation" through the utilization of the "Reserve of undistributed profits" for a similar amount.

c) covering of losses for the year

Having taken act that the year 2003 closed with a loss in the Parent Company of 9,259 thousand Euro, We invite you to approval the financial statements for the year 2003 and deliberate on the covering of the losses through the utilization of reserves as illustrated below (values expressed in Euro):

Loss for the year:	*9.258.663*
Undistributed reserve	**5.210.871**
Reserve as per Law 696	**205.717**
Reserve for suspension of substitute tax	**423.653**
Revaluation reserve	**3.418.422**
Residual loss	*0*

The net equity after the above changes is summarised as follows (in Euro thousands):

Share capital	12.740
Share premium reserve	18.076
Legal reserve	1.359
Revaluation reserve	9.604
Reserve for own shares in portfolio	3.316
Reserve for accelerated depreciation	4.683
Net equity	**49.778**

Ceresara, March 30, 2004

Chairman of the Board of Directors
Mr. Francesco Bertoni

Attachments:
1. Reclassified income statement
2. Reclassified balance sheet
3. Schedule 3C – table 3

Attachment n. 1

Reclassified Consolidated Statement of Income
(in thousands of Euro)

	2003 CONSOLIDATED	2002 CONSOLIDATED
Net sales	141,840	158,917
Income from royalties	543	602
NET REVENUES	**142,383**	**159,519**
COST OF SALES		
Purchases	41,511	55,252
Labour cost	18,154	19,443
Services	13,195	14,516
Depreciation and amortisation	6,621	7,472
Other costs	6,681	7,299
(Increase) decrease in inventories	10,201	(4,277)
	96,363	**99,705**
GROSS PROFIT	**46,020**	**59,814**
SELLING, GENERAL AND ADMINISTRATIVE COSTS		
Labour cost	13,854	14,316
Advertising expenses	16,401	18,551
Commissions (*)	3,475	3,707
Depreciation and amortisation	4,269	4,642
Other expenses (*)	12,473	13,631
	50,472	**54,847**
OPERATING PROFIT (LOSS)	**(4,452)**	**4,967**
Financial charges (income), net	3,257	3,958
Other (income) and charges	(128)	1,864
	3,129	**5,822**
PROFIT (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	**(7,581)**	**(855)**
EXTRAORDINARY CHARGES AND (INCOME)	**1,191**	**466**
PROFIT (LOSS) BEFORE INCOME TAXES	**(8,772)**	**(1,321)**
Income taxes	(1,523)	(2,810)
NET PROFIT (LOSS) FOR THE YEAR	**(10,295)**	**(4,131)**
MINORITY INTERESTS	365	(88)
NET PROFIT (LOSS) FOR THE GROUP	**(9,930)**	**(4,219)**

(*) The figures at 31 December 2002 have been reclassified for an amount of 685,000 Euro in order to make them comparable to the figures at 31 December 2003

Attachment n. 2

Reclassified Consolidated Balance Sheet - Assets
(in thousands of Euro)

	31 December 2003 CONSOLIDATED	31 December 2002 CONSOLIDATED
CURRENT ASSETS		
Cash and banks	1,065	777
Trade receivables	55,131	63,727
Trade receivables due from subsidiary and associated companies	100	100
Other receivables	2,899	5,296
Inventories	47,141	58,038
Accrued income and prepaid expenses	1,297	615
Own shares	3,316	3,774
TOTAL CURRENT ASSETS	**110,949**	**132,327**
FIXED ASSETS		
Financial fixed assets:		
Financial receivables	241	332
Equity investments	11	11
Total financial fixed assets	**252**	**343**
Tangible fixed assets	38,792	45,740
Intangible fixed assets	14,988	16,942
TOTAL FIXED ASSETS	**54,032**	**63,025**
TOTAL ASSETS	**164,981**	**195,352**

Attachment n. 2

Reclassified Consolidated Balance Sheet - Liabilities and shareholders' equity (in thousands of Euro)

	31 December 2003 CONSOLIDATED	31 December 2002 CONSOLIDATED
CURRENT LIABILITIES		
Short-term bank borrowings	42,787	54,741
Current portion of medium/long term debt	11,604	12,805
Trade payables due to third parties	30,328	35,614
Trade payables due to subsidiary/associated companies	0	0
Taxes payable	2,071	2,161
Other payables	5,086	4,960
Accrued liabilities and deferred income	324	654
TOTAL CURRENT LIABILITIES	**92,200**	**110,935**
MEDIUM/LONG-TERM LIABILITIES		
Medium/long-term debt, net of the current portion	16,278	16,918
Severance indemnities	7,239	6,796
Other provisions	5,224	4,845
TOTAL MEDIUM/LONG-TERM LIABILITIES	**28,741**	**28,559**
TOTAL LIABILITIES	**120,941**	**139,494**
MINORITY INTERESTS IN CAPITAL AND RESERVES	935	1,528
SHAREHOLDERS' EQUITY		
Share capital	12,740	12,740
Legal reserve	1,359	1,365
Share premium reserve	18,076	18,076
Other reserves	20,860	26,368
Net profit (loss) for the year	(9,930)	(4,219)
TOTAL SHAREHOLDERS' EQUITY	**43,105**	**54,330**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**164,981**	**195,352**

Attachment n. 3 - Schedule 3C - table 3

SHARES HELD BY DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS IN 2003

NAME	COMPANY	NUMBER OF SHARES HELD AT THE END OF THE PRIOR YEAR	NUMBER OF SHARES PURCHASED	NUMBER OF SHARES SOLD	NUMBER OF SHARES HELD AT THE END OF THE CURRENT YEAR
BERTONI ENZO	CSP INTERN. IND. CALZE SpA	3,479,697			3,479,697
MESSEDAGLIA LAURA *	CSP INTERN. IND. CALZE SpA	74,750			74,750
BERTONI FRANCESCO **	CSP INTERN. IND. CALZE SpA	3,455,517			3,455,517
	LE BOURGET SA	1			1
BERTONI MARIA GRAZIA	CSP INTERN. IND. CALZE SpA	2,787,470			2,787,470
	LE BOURGET SA	1			1
BERTONI CARLO	CSP INTERN. IND. CALZE SpA	929,896			929,896
BARDINI VALTER ***	CSP INTERN. IND. CALZE SpA	351,910			351,910
TEDOLDI ARTURO	CSP INTERN. IND. CALZE SpA	118,950	69,875	70,725	118,100
	LE BOURGET SA	11			11

NOTE:
- * Messedaglia Laura, the wife of Bertoni Enzo
- ** Giuseppina Morè, the wife of Bertoni Francesco, is the beneficiary of 2,787,470 CSP shares
- *** Valter Bardini is the husband of Maria Grazia Bertoni

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31/12/2003

(amounts in Euro)

BALANCE SHEET - ASSETS				31/12/2003	31/12/2002
A)	RECEIVABLES FROM SHAREHOLDERS			0	0
B)	FIXED ASSETS				
	I.	IIntangible fixed assets:			
		1.	incorporation and expansion costs	144,909	0
		3.	industrial patents and intellectual property rights	124,782	381,433
		4.	concessions, licences, trade marks and similar rights	1,152,168	2,181,480
		5.	goodwill	98,527	147,791
		6.	intangibles in progress and advances	1,622,543	668,061
		7.	others	428,470	147,601
		8.	difference arising on consolidation	11,416,338	13,415,657
		Total I.		**14,987,737**	**16,942,023**
	II.	Tangible fixed assets:			
		1.	land and buildings	18,744,876	19,636,418
		2.	plant and machinery	17,698,471	22,898,042
		3.	industrial and commercial equipment	612,331	958,949
		4.	other fixed assets	1,651,713	2,079,544
		5.	construction in progress and advances	85,043	167,090
		Total II.		**38,792,434**	**45,740,043**
	III.	Financial fixed assets:			
		1.	Equity investments in:		
			d) other companies	11,361	11,362
		Total 1.		**11,361**	**11,362**
		2.	Receivables:		
			b) associated companies:		
			b.a. due within 12 months	31,243	32,377
			d) other receivables	130,588	223,640
		Total 2.		**161,831**	**256,017**
		Total III.		**173,192**	**267,379**
TOTAL FIXED ASSETS (B)				**53,953,363**	**62,949,445**

BALANCE SHEET - ASSETS				31/12/2003	31/12/2002
C)	CURRENT ASSETS				
	I.	Inventories:			
		1.	raw, ancillary and consumable materials	6,985,311	8,227,814
		2.	semi-finished products, work-in-progress	12,698,532	17,679,821
		4.	finished products and goods	27,457,632	32,130,507
	Total I.			**47,141,475**	**58,038,142**
	II.	Receivables:			
		1.	trade receivables:		
			1.a. due within 12 months	55,131,399	63,726,897
		3.	associated companies:		
			3.a. due within 12 months	99,945	99,945
		5.	others:		
			5.a. due within 12 months	2,897,763	5,296,326
			5.b. due beyond 12 months	79,564	75,562
	Total 5.			**2,977,327**	**5,371,888**
	Total II.			**58,208,671**	**69,198,730**
	III.	Current financial assets:			
		5.	own shares	3,315,550	3,774,160
	Total III.			**3,315,550**	**3,774,160**
	IV.	Liquid funds:			
		1.	cash at banks and post offices	885,021	570,709
		2.	cheques	98,507	131,144
		3.	cash and equivalents on hand	81,236	75,140
	Total IV.			**1,064,764**	**776,993**
	TOTAL CURRENT ASSETS (C)			**109,730,460**	**131,788,025**
D.	ACCRUED INCOME AND PREPAID EXPENSES			**1,297,197**	**614,916**
	TOTAL ASSETS			**164,981,020**	**195,352,386**

LIABILITIES AND SHAREHOLDERS' EQUITY				31/12/2003	31/12/2002
A)	SHAREHOLDERS' EQUITY				
	I.	Share capital		12,740,000	12,740,000
	II.	Share premium reserve		18,075,991	18,075,991
	III.	Revaluation reserves		13,023,279	13,023,279
	IV.	Legal reserve		1,358,524	1,363,768
	V.	Reserve for own shares in portfolio		3,315,550	3,774,160
	VI.	Statutory reserves		471,058	493,461
	VII.	Other reserves:			
		a.	undistributed profit	10,780,097	5,776,101
		b.	capital grants reserve	205,717	205,717
	Total VII.			**10,985,814**	**5,981,818**
	VIII.	Retained earnings		(6,934,723)	3,097,390
	IX.	Net profit (loss) for the year		(9,930,376)	(4,219,183)
	TOTAL SHAREHOLDERS' EQUITY (A)			**43,105,117**	**54,330,684**
		MINORITY INTERESTS		**935,385**	**1,528,475**
B)	ALLOWANCE FOR RISKS AND CHARGES				
	1.	pensions and similar commitments		625,040	625,040
	2.	taxation		3,071,168	2,561,767
	3.	other		1,527,740	1,657,480
	TOTAL ALLOWANCES FOR RISKS AND CHARGES (B)			**5,223,948**	**4.844,287**
C)	SEVERANCE INDEMNITIES			**7,239,072**	**6.796,088**
D)	PAYABLES				
	3.	banks:			
		a.	due within 12 months	54,391,218	67,545,787
		b.	due beyond 12 months	16,277,622	16,918,205
	Total 3.			**70,668,840**	**84,463,992**
	5.	advances:			
		a.	due within 12 months	379,692	41,275
	6.	trade accounts:			
		a.	due within 12 months	30,327,769	35,613,827
	11.	taxes authorities:			
		a.	due within 12 months	2,071,074	2,160,750
	Total 11.			**2,071,074**	**2,160,750**
	12.	social security institutions:			
		a.	due within 12 months	2,040,370	2,005,081
	13.	other payables:			
		a.	due within 12 months	2,665,741	2,913,382
	TOTAL PAYABLES (D)			**108,153,486**	**127,198,307**
E)	**ACCRUED LIABILITIES AND DEFERRED INCOME**			**324,012**	**654,545**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY				**164,981,020**	**195,352,386**

	31/12/2003	31/12/2002
- Risks		
- Mortgages on loans	17,500,000	0
- Sureties in favor of third parties	14,021,149	13,116,786
- Commitments		
- Commitments for the purchase of goods	440,400	602,204
- Commitments for the purchase of foreign currecy	673,225	0
- Other		
Third party assets	0	8,162
- Total	**32,634,774**	**13,727,152**

STATEMENT OF INCOME	2003	2002
A) PRODUCTION VALUE		
1. Revenues from sale of goods and services	144,386,018	162,668,757
2. Changes in inventories of work-in-progress, semi-finished and finished products	(8,838,982)	5,315,727
4. Additions to fixed assets by internal production	0	5,480
5. Other income:		
a. other income	2,004,428	1,427,428
TOTAL PRODUCTION VALUE (A)	**137,551,464**	**169,417,392**
B) PRODUCTION COSTS		
6. Raw, ancillary and consumable materials and goods	43,805,298	58,926,070
7. Services	50,313,723	54,953,357
8. Leases and rentals	802,899	859,297
9. Labour costs:		
a. wages and salaries	21,719,813	23,138,615
b. social security contributions	8,804,284	9,067,171
c. severance indemnities	1,240,016	1,293,065
e. other costs	15,664	23,968
Total 9.	**31,779,777**	**33,522,819**
10. Depreciation, amortisation and writedowns:		
a. amortisation of intangible fixed assets	3,559,238	3,816,494
b. depreciation of tangible fixed assets	7,332,486	8,298,221
c. other writedowns of fixed assets	35,304	39,449
d. writedown of receivables included in current assets and liquid funds	524,465	726,554
Total 10.	**11,451,493**	**12,880,718**
11. Changes in inventories of raw, ancillary and consumable materials and goods	1,362,462	1,037,748
12. Provisions for risks and charges	99,839	104,469
14. Other operating expenses	2,063,343	2,165,462
TOTAL PRODUCTION COSTS (B)	**141,678,834**	**164,449,940**
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS (A - B)	**(4,127,370)**	**4,967,452**
C) FINANCIAL INCOME AND CHARGES		
16. Other financial income:		
c. income from securities held as current assets not representing equity investments	0	30,610
d. income other than above:		
d. from third parties	121,861	329,492
Total 16.	**121,861**	**360,102**
17. Interest and other financial charges:		
d. third parties	(3,154,960)	(4,056,215)
TOTAL FINANCIAL INCOME AND (CHARGES) (C)	**(3,033,099)**	**(3,696,113)**

STATEMENT OF INCOME	2003	2002
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL FIXED ASSETS		
19. Writedowns:		
c. income from securities held as current assets not representing equity investments	(458,610)	(2,233,115)
Total 19.	**(458,610)**	**(2,233,115)**
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)	**(458,610)**	**(2,233,115)**
E) NON-RECURRING INCOME AND CHARGES		
20. Non-recurring income:		
b. other non-recurring income	116,892	455,145
Total 20.	**116,892**	**455,145**
21. Non-recurring charges:		
c. other non-recurring charges	(1,270,529)	(814,207)
Total 21.	**(1,270,529)**	**(814,207)**
TOTAL NON-RECURRING INCOME AND CHARGES (E)	**(1,153,637)**	**(359,062)**
PROFIT (LOSS) BEFORE TAXES (A-B+/-C+/-D+/-E)	**(8,772,716)**	**(1,320,838)**
22. Income taxes for the year	**(1,522,533)**	**(2,810,352)**
26. NET PROFIT (LOSS) FOR THE YEAR	**(10,295,249)**	**(4,131,190)**
MINORITY INTERESTS	**364,873**	**(87,993)**
NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE GROUP	**(9,930,376)**	**(4,219,183)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.12.2003

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 are accompanied by the Group's report on operations, in compliance with the rules governing consolidated financial statements (Legislative Decree 127/91). A cash flow statement is also attached to show movements in cash flows during the year.
The accounting reference date of the consolidated financial statements, 31 December 2003, 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 2003 prepared by the respective Boards of Directors for approval by the shareholders.
These financial statements have been adjusted, where necessary, in order to eliminate any adjustments made solely for fiscal purposes 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 Board (IASB), assimilated in Italy by CONSOB. Where applicable, the related deferred taxation has been provided on these adjustments.
Some of the accounts in the previous year, not of a significant value, were reclassified for comparison purposes with the year 2003.
A reconciliation between shareholders' equity and the net results as of 31 December 2003 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.
Furthermore, all the amounts in the explanatory notes are expressed in thousands of Euro.

SCOPE OF CONSOLIDATION

The consolidated financial statements as of 31 December 2003 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 SpA	Via Piubega, 5/c 46040 Ceresara (MN)	Euro 12,740,000	Parent Company	
Le Bourget S.A.	Rue J.P. Saltiel- 02230- Fresnoy Le Grand (F)	Euro 1,531,856	99.97%	99.97%
BO.MO. Srl (1)	Via San Martino 8/12 Fraz. Borgo Poncarale 25020 Poncarale (BS)	Euro 93,600	40%	100%
Sanpellegrino Polska Sp. z o.o.	Ul. Lodska, 27 95-050 Konstantynow (Lodz) (PL)	Zloty 9,006,400	50%	50%

(1) Owned by Le Bourget S.A. 60% and CSP International 40%

On 22 January 2003, the merger through incorporation of Lepel S.r.l., 100% wholly owned subsidiary, within CSP International Industria Calze S.p.A., was completed in accordance with art. 2504-quinquies of the Civil Code. The merger took effect for accounting and tax purposes retroactively from 1 January 2003.
In addition, the consolidation scope changed compared to 31 December 2002 as a consequence of the winding-up of Le Bourget Benelux, company owned by Le Bourget S.A.

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 "Difference arising on consolidation", if negative, among the equity accounts as the "Consolidation reserve". Difference arising on consolidation are amortised on a straight-line basis over a period of ten years, given that the Group does not expect any sudden changes in technologies or production processes in its sector, such as to change the market position achieved after being in business for several decades.

- Minority interests in shareholder's equity and the results for the year are reported separately as "Minority interests" in the consolidated balance sheet and as "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 belonging to the Euro-zone are translated into Euro at the year-end exchange rate for assets and liabilities and at the average exchange rate for the year for the statement of income. Any exchange differences arising on translation of the initial shareholders' equity at year-end exchange rates compared with those at the end of the previous year, and any exchange differences arising on translation of the net profit for the year at year-end rates (for the balance sheet) and at average rates (for the statement of income) are booked directly to a specific reserve in consolidated shareholders' equity.

The exchange rates used to translate the financial statements of the Polish subsidiary are as follows:

Currency	Average	Period-end
Zloty polacco	4.39958	4.70190

ACCOUNTING POLICIES

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

Intangible fixed assets — These are stated at purchase or production cost, including related charges, adjusted relating to the brand "Lepel" in application of the law on revaluation 342/2000. They are amortised on a straight-line basis over their estimated useful lives. The amortisation rates are shown in the relevant section in the notes.

Difference arising on consolidation is amortised on a straight-line basis over the expected useful life, which is estimated as ten 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 write-down no longer apply, the original value is reinstated, 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.

Financial fixed assets — Investments in subsidiaries and associated companies that are not consolidated line-by-line (usually companies of little significance) are carried 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 is reinstated, in the future, the bases for the write-down no longer apply; the resulting valuation is not materially different from applying the equity method.

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.

Own shares – Own shares, classified among current assets since they represent a temporary investment of liquidity, are stated at the lower of weighted average purchase cost and their corresponding market value. For the purposes of determining market value, reference is made to the average listed stock market price struck in the last month of the accounting period.

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.

Allowance for risks and charges — These allowance 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.

The French company of the Group is 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 allowance for risks and charges under 'pensions and similar commitments'.

Severance indemnities — The allowance for severance indemnities is provided to cover the liability maturing in respect of employees. It is accrued in accordance with Italian 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. Provision is also made for deferred taxes on temporary differences between the value attributed to an asset or liability using statutory criteria and the corresponding value for tax purposes, and where applicable on consolidation adjustments. Deferred tax assets are recorded, where applicable, if there is reasonable certainty that they will reverse in future accounting periods.

TRANSLATION OF FOREIGN CURRENCY BALANCES

Receivables and payables originally denominated in foreign currency (concerning countries not belonging to the Euro-zone) are translated into Euro 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 allowance.

If the translation of short and long term foreign currency receivables and payables at the period-end exchange rate results in a net loss, it is debited to the statement of income for the period and credited to the exchange fluctuation allowance.

OTHER INFORMATION

Information regarding the economic and financial trend in the various sectors in which the Group operates is provided in the report on operations, while the breakdown of sales by geographical area is shown in the notes to the statement of income. Planned changes to the information system should in future make it possible to have more information on Segment Reporting as recommended by CONSOB.

INTRODUCTION OF INTERNATIONAL ACCOUNTING PRINCIPLES

During 2003 the Group commenced the project for the conversion to international accounting principles (IAS, now IFRS – International Financial Reporting Standards), which must be adopted commencing from the consolidated financial statements and interim reporting periods in 2005 for European companies whose shares are traded on regulated markets, in accordance with European Regulation no. 1606 of July 2002. In order to achieve this objective, the Group is required to carry out a series of preliminary activities, first of all, for the preparation of a balance sheet as at 31 December 2003, prepared with criteria consistent with those that will be adopted in the following years, and which will be necessary for the preparation of the consolidated financial statements for the year in 2004 for comparative purposes.

In relation to this a chek-up phase was performed with the objective of identifying the principal impact on the administration processes, reporting and on the information systems deriving from the introduction of the international accounting principles; the principal differences between the current accounting principles adopted by the Group and international accounting principles were also identified. In the subsequent phase of the project all of the interventions will be identified and defined in detail on the accounting processes and information systems necessary for the passage to the new set of accounting principles, which will be implemented in the final conversion phase.

The main areas where differences could emerge on the conversion to international accounting principles relate to:

- Tangible assets: the international accounting principles permit the recording of tangible assets at historical cost or fair value; where the Group decides to adopt fair value, this method must be consistently applied each year. The international accounting principles allow for the conversion to IFRS the historical cost, including under certain conditions, the revaluations made in prior years. Finally, the IFRS require that the values of the tangible assets are divided in various components based on specific technical characteristics (component analysis) and that the various components are depreciated over the residual useful life; as a consequence, for example, land may be recorded at historical cost and no longer depreciated. Taking into account that in the past the Group made significant revaluations of assets and that land is depreciated, the application of IFRS could have an affect on the value of these accounts.

- Intangible assets: based on the international accounting principles the majority of set up and expansion costs, differing from the regulations in Italy, are charged to the income statement when incurred. The set up and expansion costs relating to share capital increases, financing transactions and similar must be deducted from the relative net equity reserves or loans issued.

- Severance indemnity: based on the international accounting principles, the severance indemnities provided for under Italian law are classified as a "post-employment benefit", being a "defined benefit plan". The consequence of this definition is that the amount matured must be discounted utilizing a method that provides for the projection of the future payments based on historical statistical analysis and the demographic curve and the financial discounting of these flows at a market interest rate. The international accounting principles therefore sanctioned the non-acceptability of the recording of the liability in accordance with Italian accounting practices, on the basis of which the amount of the severance indemnity is recorded assuming that all of the employees leave the company at the balance sheet date. Therefore at the transition date the value of the liability will be recalculated for each employee in accordance with the IFRS regulations. The Group will therefore need to avail of actuaries to determine the amount of this liability.

- Own shares: based on the international accounting principles own shares must be presented in the balance sheet as a deduction of share capital, and the profits or losses deriving from the trading of own shares should not be recorded in the income statement but as a variation in the shareholders' equity. The application of this principle could have significant effects on the shareholders' equity as well as on the income statement of the Group.

Explanation Added for English Translation

The Consolidated Financial Statements and related notes have been translated into English from the original version in Italian. They have been prepared in accordance with Italian law related to Financial Statements, interpreted and supplemented by the accounting principles established by Italian Accounting Profession, which may differ from the principles generally accepted in other Countries.

ANALYSIS OF THE CAPTIONS REPORTED IN THE FINANCIAL STATEMENTS
BALANCE SHEET

COMMENTS ON THE MAIN ASSET CAPTIONS

B. FIXED ASSETS

B.I- Intangible fixed assets_
Movements in intangible fixed assets during the period are set out below:

	Gross value			
	Balance 01/01/2003	Increases 2003	Other movements 2003	Balance 31/12/2003
Incorporation and expansion costs	0	198	0	198
Industrial patents and intellectual property rights	4,362	34	0	4,396
Concessions, licenses, trade marks & similar rights	10,368	0	0	10,368
Goodwill	246	0	0	246
Construction in progress and advances	668	955	0	1,623
Other	596	409	0	1,005
Difference arising on consolidation	19,950	0	9	19,959
Total	**36,190**	**1,596**	**9**	**37,795**

	Accumulated amortization				Net values
	Balance 01/01/2003	Amortisation 2003	Other movem. 2003	Balance 31/12/2003	Balance 31/12/2003
Incorporation and expansion costs	0	(53)	0	(53)	**145**
Industrial patents and intellectual property rights	(3,980)	(291)	0	(4,271)	**125**
Concessions, licenses, trade marks & similar rights	(8,187)	(1,029)	0	(9,216)	**1,152**
Goodwill	(98)	(49)	0	(147)	**99**
Construction in progress and advances	0	0	0	0	**1,623**
Other	(449)	(128)	0	(577)	**428**
Difference arising on consolidation	(6,534)	(2,009)	0	(8,543)	**11,416**
Total	**(19,248)**	**(3,559)**	**0**	**(22,807)**	**14,988**

Below are shown the intangible assets that have been revalued as permitted by law.

	Historical cost (Provision)	Revaluation Law 342/2000	Total (Provision)
Lepel Brand	4,855 (4,855)	5,165	**10,020** **(8,863)**

The amortisation rates applied in the period are as follows:

	Rate
- Incorporation and expansion costs	20% - 33.33%
- Software	33.33%
- Brand	10%-20%
- Goodwill	20%
- Leasehold improvements	Residual duration of the contract
- Deferred charges	20%
- Difference arising on consolidation	10%

The goodwill on acquisition relating to the commercial activity of outlets is amortised over five years.

The incorporation and expansion costs refer to the charges incurred in relation to the merger operation (amortised in five years) as well as the costs for the study and realisation of the new format of the retail outlets to be adopted in the brand shops of the Parent Company (amortised in three years).

The caption 'trademark' relates to the brand Lepel revalued in the past in accordance with law 342/2000.

The constructions in progress in intangible assets refer to costs incurred by the Parent Company relating to the implementation of the new integrated SAP software, which began in 2002 and will be operative in the first days of 2004.
The caption "others" principally relates to the costs incurred for the restructuring of three outlets rented by third parties, which directly sell products of the Parent Company.

The balance recorded under the caption 'Difference arising on consolidation' essentially relates to the acquisition of the Le Bourget Group (Euro 7,918 thousand) and Lepel (Euro 3,042 thousand). At the end of the year the recovery of the values were verified based on the techniques and practices normally utilised in valuations (cash flow method).

B.II- Tangible fixed assets
Additions and disposals and other movements in tangible fixed assets are given below.

	Gross value				
	Balance 01/01/2003	Increases 2003	Decreases 2003	Other movements 2003 [1]	Balance 31/12/2003
Land & buildings	30,669	21	(1)	(93)	30,596
Plant and machinery	61,706	541	(443)	(247)	61,557
Equipment	12,950	26	(2,956)	(26)	9,994
Other assets	7,999	484	(895)	(15)	7,573
Construction in progress and advances	167	4	(72)	(14)	85
Total	**113,491**	**1,076**	**(4,367)**	**(395)**	**109,805**

	Accumulated depreciation					Net value
	Balance 01/01/2003	Depreciation 2003	Utilisation 2003	Other movem. 2003 [1]	Balance 31/12/2003	Balance 31/12/2003
Land & buildings	(11,033)	(853)	4	31	(11,851)	**18,745**
Plant and machinery	(38,808)	(5,458)	336	71	(43,859)	**17,698**
Equipment	(11,991)	(356)	2,955	10	(9,382)	**612**
Other assets	(5,919)	(665)	658	5	(5,921)	**1,652**
Construction in progress and advances	0	0	0	0	0	**85**
Total	**(67,751)**	**(7,332)**	**3,953**	**117**	**(71,013)**	**38,792**

[1] the column comprises reclassifications, revaluations, write-downs and exchange differences arising on translation of financial statements in foreign currency

The columns 'decreases 2003' and 'utilisation 2003' also include the changes due to the exit from the consolidation area of the company Le Bourget Benelux placed in liquidation during the year. The increases in the year principally relate to the ordinary replacement of plant, equipment and vehicles for the normal activity of the Group.
Tangible fixed assets at 31 December 2003 include revaluations carried out in compliance with specific laws, as follows:

Land and buildings	2,550
Plant and machinery	15,282
Equipment	59
Other assets	80
Total	**17.971**

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% - 17,5%
- Industrial equipment	10% - 25%
- Office machines	15% - 33%
- Office furniture and fittings	10% - 33%
- Vehicles	20% - 25%

We would remind you that the Company took advantage of the possibility provided under Law no. 342 of 21 November 2000 to revalue its plant and machinery purchased between 1988 and 1999.
As indicated in the memorandum account, some buildings of the Parent Company have been mortgaged in favour of credit institutions.
The Company has lent assets free of charge to third parties, namely portable PCs and printers on loan to sales representatives for 228 thousand Euro as at 31 December 2003, display equipment to customers for 168 thousand Euro and machinery to subcontractors for 5 thousand Euro.

B.III- Financial fixed assets
Attachments 1a and 1b show movements in financial fixed assets (equity investments and loans), as well as the information required by article 38 of D.Lgs 127/91.

C. CURRENT ASSETS

C.I. Inventories
Inventories are made up as follows:

	31/12/2003	31/12/2002
Gross value	50,619	61,225
Allowance for obsolescence	(3,478)	(3,187)
Net value	**47,141**	**58,038**

The decrease in the value of inventories with respect to the previous year, Euro 10,897 thousand, is essentially due to the implementation of a policy of reduction and rationalisation of the inventory.

The allowance for obsolescence was determined on a specific basis and takes into account the possibility of utilisation of products on alternative markets or their re-processing.
At the year-end the Parent Company has goods on deposit with third parties for a total of Euro 4,565 thousand, which includes Euro 3,225 thousand (Euro 2,913 thousand at 31 December 2002) of goods sent to subcontractors for processing and Euro 1,340 thousand (Euro 1,508 thousand at 31 December 2002) of finished products stocked with distributors.

C.II. RECEIVABLES
The breakdown of receivables included in current assets, which do not include balances falling due beyond 5 years, is as follows:

C.II.1. Trade receivables

Trade receivables may be analysed as follows:

	31/12/2003	31/12/2002
Trade receivables - Italy	29,489	27,288
Trade receivables - France	7,567	8,775
Trade receivables - abroad	5,321	9,125
Bills subject to collection	17,592	22,460
Default interest receivable	291	80
Allowance for default interest receivable	(291)	(80)
Customers - invoices to be issued	653	571
Credit notes to be issued	(2,887)	(2,487)
Allowance for doubtful accounts	(2,604)	(2,005)
Total	**55,131**	**63,727**

The net decline in receivables (8,596 thousand Euro) with respect to the previous year is in line with the sales trend. 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 allowance for doubtful accounts reserve are as follows:

	01/01/2003	Utilisation	Provisions	31/12/2002
Allowance for doubtful accounts	**2.005**	(97)	696	**2.604**

During the year, the reserve was used to cover receivables deemed to be completely unrecoverable; it was increased on the basis of future forecast losses on receivables outstanding at the balance sheet date.

C.II.3. Due from associated companies

These refer to trade receivables due from Rozal S.a.r.l..

C.II.5. Other receivables

The balance includes various receivables comprised as follows:

	31/12/2003	31/12/2002
VAT credits	448	2,404
Advances on income taxes	944	1,039
Advances to suppliers	125	217
Deferred tax assets	1,212	1,014
Other current receivables	153	601
Foreign VAT credits	15	21
Totale other current receivables	**2,897**	**5,296**
Guarantee deposits	80	76
Totale other non-current receivables	**80**	**76**
Totale other receivables	**2,977**	**5,372**

The item ‘advances on income taxes’ mainly refers to tax advances and withholdings paid over by various companies, net of any related tax liabilities, where applicable.
The ‘deferred tax assets’ refer to the positive balance of deferred taxation arising on temporary differences between the accounting values of assets and liabilities (mainly allowance for doubtful accounts and allowance for obsolescence) and their corresponding value for tax purposes.
The guarantee deposits are due within 5 years.

C.III.5 Own shares

As of 31 December 2003, the Parent Company owned 2,358,850 of its own shares, with a par value of Euro 1,226.60 thousand, corresponding to 9.6% of the share capital.
In the year 2003 there were no sales or purchases of own shares.

As of 31 December 2003, a write-down of Euro 459 thousand was also made to adjust the value of the shares held in the portfolio to their market value, namely Euro 1.406 per share. The investment of liquidity in own shares was authorised by the ordinary shareholders' meeting held on 30 April 2003, involving a limit of 10% of the share capital. The above authorisation is valid for eighteen months and permits trading in shares between a price of Euro 0.30 and Euro 3.00. Own shares are offset by an undistributable equity reserve for the same amount.
Valuing own shares in portfolio at their market value at the date that this report was prepared would have resulted in a further write-down of around 200 thousand Euro.

C.IV. Liquid funds
These represent cash on hand and bank current accounts open at 31 December 2003.

D. ACCRUED INCOME AND PREPAYMENTS
This item is comprised as follows:

	31/12/2003	31/12/2002
Prepaid TV commercials	0	265
Prepaid substitute tax on merger	1,048	0
Accrued interest from customers	72	1
Other prepayments	177	349
Total	**1,297**	**615**

At 31 December 2003 this account principally relates to the substitute tax paid in order to permit the fiscal deduction of the difference arising on the merger through incorporation of Lepel Srl into the Parent Company, which will be charged to the income statement over the period of expected future benefit (in terms of the deductibility of the amortisation on the greater value).
The prepayments over five years amount to 242 thousand Euro.

COMMENTS ON THE MAIN LIABILITY CAPTIONS

A. SHAREHOLDERS' EQUITY

A.I. Share capital

The share capital at 31 December 2003, consists of n. 24,500,000 ordinary shares with a par value of 0.52 Euro each, fully subscribed and paid-in.

A.II. Share premium reserve

The share premium reserve refers to the increase in share capital carried out in 1997 when the Parent Company went public on the Italian Stock Exchange.

A.III. Revaluation reserves

These reserves are broken down as follows:

	31/12/2003	31/12/2002
Revaluation Law 596/75	32	32
Revaluation Law 72/83	192	192
Revaluation Law 413/91	393	393
Revaluation Law 342/00	12,406	12,406
Total	**13,023**	**13,023**

Reconciliation between statutory and consolidated balances

A reconciliation between the net results and shareholders' equity reported in the financial statements of CSP International Industria Calze S.p.A. and the consolidated amounts is as follows (in thousands of Euro):

Description	Net profit (loss) 2003	Shareholder s'equity at 31/12/2003	Net profit (loss) 2002	Shareholder s'equity at 31/12/2002
As per the Parent Company's financial statements	(9,259)	49,778	(1,854)	56,520
Increase (Decrease)				
Difference between the equity of consolidated subsidiaries carried at cost in the Parent Company's financial statements and the respective book values of the investments, net of amortisation of the consolidation differences	(1,457)	(3,947)	(2,767)	(5,156)
Elimination of the excess of the difference arising on consolidation on the merger of Lepel	381	(2,475)	0	0
Elimination of adjustments of a fiscal nature, net of the related tax effect	292	573	724	3,904
Other consolidation adjustments, net of the related tax effect	113	(824)	(322)	(937)
As per the consolidated financial statements	**(9,930)**	**43,105**	**(4,219)**	**54,331**

The principal changes compared to the previous year are essentially due to the merger through incorporation of Lepel as well as the change to the application of the treatment recommended by Italian accounting principle no. 25 for accelerated depreciation of the Parent Company.

B. ALLOWANCE FOR RISKS AND CHARGES

Changes in this item are set out below:

	01/01/2003	Provisions	Utilisation	31/12/2003
Allowance for pensions and similar commitments	**625**	0	0	**625**
Taxation	**2,562**	559	(50)	**3,071**
Others:				
- Exchange fluctuation allowance	8	0	(8)	0
- Allowance for future contingencies	223	23	(17)	229
- Returns allowance	393	214	(393)	214
- Rehabilitation provision	119	47	(35)	131
- Agents' supplementary indemnity provision	914	172	(132)	954
Total others	**1,657**	456	(585)	**1,528**
Total	**4,844**	1,015	(635)	**5,224**

The allowance for pensions and similar commitments includes the liability estimated in relation to indemnities which the French Group company is 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 Euro 826 thousand gross of the related tax effect. The directors believe the reserve reflected in the financial statements to be adequate.
Taxation relates to deferred taxes mainly referring to the accelerated depreciation deducted by the Parent Company solely for tax purposes as a deduction in the taxable income and gains on the disposal of assets which benefit from a deferred tax treatment.
The agents' supplementary provision has been accrued in accordance with current legislation and the collective labour contract.

C. SEVERANCE INDEMNITIES

Movements during the year have been as follows:

	01/01/2003	Utilisation	Provisions	31/12/2003
Severance indemnity	**6,796**	(754)	1,197	**7,239**

Utilisations include Euro 582 thousand paid to leavers and advances of Euro 172 thousand granted to employees.

D. PAYABLES

D.3. Bank borrowings

Bank borrowings amount to Euro 70,669 thousand, with a total decrease of Euro 13,795 thousand compared with 31 December 2002 principally due to the reductions in working capital following the above mentioned decrease in inventory.
The overall trend of changes in financial flows is analysed in the cash flow statement, attached to these explanatory notes.
With the exception of loans, all amounts due to banks are repayable within one year.

The due dates of the loans are set out below:

	Within 1 year	Within 5 years	Beyond 5 years	Total
Loans	11,602	15,278	1,000	**27,880**

During the year 2003 the Parent Company took out a mortgage loan of 10 million Euro at market conditions, with repayments twice yearly from 30 September, 2004 until 31 March 2009.
In 2002 the Parent Company re-negotiated, taking advantage of particularly favourable interest rates, a coverage operation on the existing loans: the nominal amount of the operation was 15,494 thousand Euro with expiry date

of 6 February, 2007. The fair value valuation of these financial instruments at the end of the year would have resulted in the recording of a charge of 114 thousand Euro.

D.6 Trade payables

This item has decreased by Euro 5,286 thousand compared to 2002 as a result of variations in the timing of purchases and the programmed slow down in the production activities. Trade payables are all due within 12 months.

D.11 Taxes authorities

These are broken down as follows:

	31/12/2003	31/12/2002
Tax liability	1,273	1,342
Withholding taxes on payments to consultants/agents	190	132
Withholding on wages and salaries	608	687
Total	**2,071**	**2,161**

Tax liability within 12 months prevalently relates to the substitute tax on the difference arising on Lepel merger; the amount in the previous year related to the last instalment of the substitute tax on revaluation as per law 342/2002.

D.12. Social security institutions

These include the following items:

	31/12/2003	31/12/2002
Social security institutions	1,976	1,940
Agents' social security (Enasarco)	19	22
Agents' social security (F.I.R.R.)	45	43
Total	**2,040**	**2,005**

D.13 Other payables

These comprise:

	31/12/2003	31/12/2002
Payable to employees	1,844	2,236
Other payables	822	677
Total	**2,666**	**2,913**

E. ACCRUED LIABILITIES AND DEFERRED INCOME

This item is comprised as follows:

	31/12/2003	31/12/2002
Accrued loan interest payable	31	319
Accrued staff bonuses	213	221
Other accruals	80	115
Total	**324**	**655**

MEMORANDUM ACCOUNTS

Mortgage loan – This relates to the mortgage on the assets of the company as guarantee for the loan received in the current year, the residual amount of which is 10,000 thousand Euro.
Guarantees given to third parties – This relates to guarantees given to banks for loans and credit lines received.
Purchasing commitments – At 31 December 2003, there are commitments based on signed contracts for the purchase of fixed assets amounting to Euro 440 thousand. These commitments refer mainly to new software.
Commitments to purchase foreign currencies – At 31 December 2003 the company has 6 forward contracts for the purchase of US Dollars for a nominal value of 800,000 Dollars with expiry date within 30 June 2004 and an average exchange rate of approximately 1.19 Dollar/Euro.

COMMENTS ON THE MAIN STATEMENT OF INCOME CAPTIONS

For a more detailed analysis of the Group's activities, the statement of income, the events which have influenced the performance of operations during the year and significant subsequent events, reference should be made to the comments included in the report on operations which supplement those contained in these explanatory notes.

A. PRODUCTION VALUE

A.1. Revenues from sales of goods and services

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

	2003	2002
- Italy:		
- stockings	30,233	37,414
- seamless underwear	14,167	11,169
- corsetry	26,078	24,453
- raw materials/other	1,945	2,574
- France:		
- stockings	35,254	40,347
- seamless underwear	1,942	1,445
- raw materials/other	301	254
- Western Europe		
- stockings	12,694	12,697
- seamless underwear	1,481	2,685
- corsetry	433	1,184
- raw materials/other	201	212
- Eastern Europe		
- stockings	13,741	19,729
- seamless underwear	2,841	4,988
- corsetry	1,068	260
- raw materials/other	70	676
- Non-European Countries		
- stockings	1,531	2,206
- seamless underwear	217	277
- corsetry	160	63
- raw materials/other	29	36
Total	**144,386**	**162,669**

Net sales of stockings went from 112,393 thousand Euro to 93,453, a decrease of 18,940 thousand Euro on the previous year, due to the continuing decline in demand for women's stockings all over the world.
Net sales of *seamless* underwear went from 20,564 thousand Euro to 20,648 thousand Euro.
Sales of corsetry rose from 25,960 thousand Euro to 27,739, with an increase of 1,779 thousand Euro compared with the previous year.
In relation to the sales of finished products by geographic area, the most significant decrease was recorded in Eastern European countries (7,327 thousand Euro), particularly in Russia.
Revenues are shown net of returns, discounts and allowances.

A.2. Change in inventory of finished products and work in progress

The significant decrease in inventory, equal to 8,839 thousand Euro, is due to the already mentioned policy of inventory reduction.

A.5.a. Other income

This item is comprised as follows:

	2003	2002
Freight and processing charges billed to customers	265	120
Advertising contributions	233	276
Expenses reinvoiced to customers	45	54
Royalty income	543	602
Gains on disposal of assets	140	90
Out-of-period income for taxes	450	283
Other income	328	2
Total	**2,004**	**1,427**

The most significant items are royalty income on outstanding contracts with licensees of Group brands. Contributions towards advertising costs are amounts recognised by suppliers for Group campaigns combining their brand with ours.
The account other income includes the compensation from administration, commercial and logistic services performed on behalf of licensees of the Sanpellegrino men's socks sold in the large distribution channel in Italy.

B. PRODUCTION COSTS

B.6. Per materie prime, sussidiarie, di consumo e di merci

This item is comprised as follows:

	2003	2002
Raw materials	36,150	47,865
Packaging and consumable materials	7,655	11,061
Total	**43,805**	**58,926**

The overall decrease of Euro 15,121 thousand compared with 2002 is partly explained by the lower volume of sales, but above all by the inventory reduction policy applied during the course of the year that resulted in the reduction in inventory of Euro 10,897 thousand.

B.7. Services

This item is comprised as follows:

	2003	2002
- Outside contractors	12,974	14,074
- Advertising	16,909	19,017
- Independent sale agents and merchandising	5,314	6,199
- Transport	4,132	3,795
- Power and heating	3,750	3,984
- Directors' emoluments	623	628
- Statutory Auditors' emoluments	40	64
- Maintenance	2,033	2,252
- Insurance	536	567
- General and commercial consulting	1,225	1,288
- Travel	896	1,034
- Postage	420	442
- Other transport costs	231	224
- Legal	59	107
- Commercial information and communications costs	174	246
- Bank charges	265	283
- Other	733	749
Total	**50,314**	**54,953**

This caption has decreased by Euro 4,639 thousand compared with the previous year.

The most significant changes during the year concern:

- advertising (decrease of 2,108 thousand Euro), which as a percentage on sales remained unchanged compared with the previous year;
- outside contractors (decrease of 1,100 thousand Euro), following the already mentioned slow down in production activity;
- independent sale agent's costs and merchandising (decrease of 885 thousand Euro), especially for the Parent Company, in relation to the reduction of sales in the wholesale channel in Italy and the reduced costs due to the structure of sales to the large distribution channel;
- transport costs (increase of 337 thousand Euro) mainly in relation to a change in the organisation of sales to some regions in the large distribution stores in Italy.

In compliance with the provisions of article 38.1 letter o) of Decree Law 127/91, the total amount of compensation of Directors and statutory auditors of the Parent Company in relation to offices held in all the consolidated companies, amount to Euro 594 thousand and Euro 40 thousand respectively. In addition, the information required by the Consob Resolution no. 11971/99 is attached to the present notes.

B.9. Labour costs

This caption includes all the costs incurred on an on-going basis which directly concern employees in 2003. The detail of this caption is set out on the face of the statement of income. The decrease with respect to the previous year (1,743 thousand Euro) is due to the reduction in the number of employees.
Movements in staff numbers during the year are set out below:

	01/01/2003	New recruits	Leavers	31/12/2003	Average
- Managers	15	0	(3)	12	14
- Supervisors	51	1	0	52	52
- Office staff	359	33	(70)	322	341
- Workers	934	60	(141)	853	893
Total	**1,359**	**94**	**(214)**	**1,239**	**1,300**

The new recruits and leavers categories also include internal promotions.

B.10. Depreciation, amortisation and write downs

These comprise:

a. Amortisation of intangible fixed assets

	2003	2002
- Incorporation and expansion costs	53	0
- Software	291	644
- Brands	1,029	1,032
- Goodwill	49	49
- Deferred charges	56	54
- Difference arising on consolidation	2,009	2,014
- Other	72	23
Total	**3,559**	**3,816**

b. Amortisation of tangible fixed assets

	2003	2002
- Buildings	852	841
- Light constructions	1	1
- Plant and machinery	5,458	6,286
- Equipment	356	438
- Furniture, office machines	172	209
- Electronic office machines	289	281
- Cars	124	134
- Vehicles	49	66
- Assets with a unit value of less than 516 Euro	31	42
Totale	**7,332**	**8,298**

■ **d. Write-down of receivables included in current assets and of liquid funds**
The caption "Write-down of receivables 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 utilization of the allowance for doubtful accounts.

■ **B.12. Provisions for risks and charges**
This caption mainly relates to the provision for risks and charges for the agents' supplementary indemnity maturing in the year.

■ **B.14. Other operating expenses**
This item is comprised as follows:

	2003	2002
- Entertaining	112	155
- Membership fees	139	194
- Stationery and other materials	269	266
- Non deductible VAT on gifts	31	43
- Taxes and duties	1,041	1,160
- Losses on the sale of assets	146	86
- General expenses	147	113
- Other charges	178	148
Total	**2,063**	**2,165**

■ **C. FINANCIAL INCOME AND CHARGES**

■ **C.16.d.d. Other financial income from third parties**
This caption is analysed as follows:

	2003	2002
- Interest receivable on current accounts	5	19
- Interest receivable from customers	7	19
- Exchange gains	68	134
- Other interest receivable	42	157
Total	**122**	**329**

The caption 'other interest receivable' includes (211 thousand Euro) default interest on trade receivables due at 31 December 2003 (D.Lgs. no. 231 of 9 October 2002) and the corresponding write-down for the same amount.

■ **C.17.d Interest and other financial charges from third parties**
This caption is analysed as follows:

	2003	2002
- Interest payable on current accounts	656	705
- Interest payable on borrowings	882	1,082
- Interest payable on loans	957	1,381
- Other interest and charges payable	511	707
- Provision to the exchange fluctuation reserve	0	8
- Exchange losses	149	173
Total	**3,155**	**4,056**

The decrease in financial charges is mainly due to a decrease in the average debt in the year.

■ **D. ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS**

■ **D.19.c Write downs of securities held as current assets not representing equity investments**
This caption comprises the write-down of own shares held in portfolio, adjusting them to market value, as specified in the comment on item 'C III 5.' on the assets side of the balance sheet.

E. NON-RECURRING INCOME AND CHARGES

E.20.b Other non-recurring income
This caption mainly includes income deriving from the positive outcome of disputes that arose in prior years in France.

E.21.c Other non-recurring charges
This account principally includes the restructuring costs (*Social Plan*) made by the French subsidiary Le Bourget resulting in the reduction in the work force of 63 employees.

E.22 Income taxes for the year
Income taxes amount to 1,523 thousand Euro, of which current taxes (963 thousand Euro) and deferred taxes (560 thousand Euro).
The company Le Bourget suffered significant losses during the current and prior years, which have resulted in a considerable amount of accumulated losses for tax purposes. No deferred tax assets for a total amount of 4,056 thousand Euro, of which 3,860 thousand Euro relating to losses which can be carried forward for an unlimited period of time, have been provided for prudential reason on the above mentioned accumulated losses. The fiscal losses in the Parent Company in the years 2002 and 2003, carried forward for the following 5 years amount to 9,292 thousand Euro; prudentially will only be recorded at the moment of the relative utilisation.

Ceresara, March 30, 2004

Chairman of the Board of Directors
Mr. Francesco Bertoni

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. - 1 a) Schedule of movements in financial fixed assets for the year ended 31 December 2003 - 1b) List of equity investments in accordance with article 38 of D.Lgs 127/91
2. - Schedule of changes in shareholders' equity for the year ended 31 December 2003
3. - Cash flow statement for the year ended 31 December 2003
4. - Schedule of remuneration paid to the Directors, Statutory Auditors and General Managers for the year ended 31 December 2003

Attachment n. 1a

SCHEDULE OF MOVEMENTS IN FINANCIAL FIXED ASSETS FOR THE YEAR ENDED 31 DECEMBER 2003

(IN THOUSANDS OF EURO)

	OPENING BALANCE				MOVEMENTS DURING THE YEAR					CLOSING BALANCE	
DESCRIPTION	HISTORICAL COST	REVALUATION	WRITEDOWN	BALANCE 31/12/2002	INCREASE	RECLASSIFICATION	DECREASE	REVALUATION	WRITEDOWN	BALANCE 31/12/2003	OF WHICH REVALUED
EQUITY INVESTMENTS											
ASSOCIATED COMPANIES											
ROZAL SARL - PARIS (F) Rue Turbigo, 30	9		(9)	0						0	
TOTAL ASSOCIATED COMPANIES	**9**	**0**	**(9)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
OTHER COMPANIES	14		(3)	11						11	
TOTAL OTHER EQUITY INVESTMENTS	**14**	**0**	**(3)**	**11**	**0**	**0**	**0**	**0**	**0**	**11**	**0**
TOTAL EQUITY INVESTMENTS	**23**	**0**	**(12)**	**11**	**0**	**0**	**0**	**0**	**0**	**11**	**0**
RECEIVABLES											
SUBSIDIARY COMPANIES											
BENETTON LEGS LOAN				1			(1)			0	
TOTAL RECEIVABLES FROM SUBSIDIARY COMPANIES	**0**	**0**	**0**	**1**	**0**	**0**	**(1)**	**0**	**0**	**0**	**0**
ASSOCIATED COMPANIES											
ROZAL SARL LOAN				31						31	
TOTAL RECEIVABLES FROM SUBSIDIARY COMPANIES	**0**	**0**	**0**	**31**	**0**	**0**	**0**	**0**	**0**	**31**	**0**
OTHER RECEIVABLES											
Advance tax on severance indemnities	224			224			(93)			131	
TOTAL RECEIVABLES FROM ASSOCIATED COMPANIES	**224**	**0**	**0**	**224**	**0**	**0**	**(93)**	**0**	**0**	**131**	**0**
TOTAL RECEIVABLES	**224**	**0**	**0**	**256**	**0**	**0**	**(94)**	**0**	**0**	**162**	**0**

Attachment n. 1b

LIST OF EQUITY INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES AT 31 DECEMBER 2003 (ART. 2427 paragraph 5 of the Civil Code)
(IN THOUSANDS OF EURO)

NAME	SHARE CAPITAL IN LOCAL CURRENCY	SHAREHOLDERS' EQUITY Euro/mgl	PROFIT OR LOSS	STAKE-HOLDING %	INTEREST IN SHAREHOLDERS' EQUITY Euro/mgl	INTEREST IN PROFIT/LOSS Euro/mgl	BOOK VALUE	DIFFERENCE BETWEEN BOOK VALUE AND INTEREST IN SHAREHOLDERS' EQUITY
EQUITY INVESTMENTS								
ASSOCIATED COMPANIES								
ROZAL SARL - PARIS (F) Rue Turbigo, 30	F.F 300,000	* (100)	(179)	20	(20)	(36)	–	(20)

NOTES: * as per the financial statements at 30 June 2000.

Attachment n. 2 (IN THOUSANDS OF EURO)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2003

Description	Share capital	Share premium	Reserve for own shares	Revaluation reserves	Legal reserve	Other reserves	Net profit (loss) for the year	Total shareholders' equity
Balances at 1 January 2003	**12,740**	**18,076**	**3,774**	**13,023**	**1,364**	**9,573**	**(4,219)**	**54,331**
Coverage of 2002 loss								
- Allocation to 'Reserve for undistributed profits'						(4,219)	4,219	–
- Dividends						(1,107)		(1,107)
Decrease in reserve for own shares			(459)			459		–
Exchange differences						(197)		(197)
Other changes					(5)	13		8
Net profit (loss) for the year							(9,930)	(9,930)
Balances at 31 December 2003	**12,740**	**18,076**	**3,315**	**13,023**	**1,359**	**4,522**	**(9,930)**	**43,105**

Attachment n. 3 (IN THOUSANDS OF EURO)

STATEMENT OF CONSOLIDATED CASH FLOW
for the years 2003 and 2002

		2003	2002
A.	**OPENING NET FINANCIAL POSITION**	**(66,769)**	**(57,771)**
B.	**CASH FLOWS FROM (FOR) OPERATING ACTIVITIES**		
	Net profit (loss) for the year	(9,930)	(4,219)
	Depreciation, amortization and writedowns	10,892	12,114
	Net change in severance indemnities for employees and agents	483	773
	Net change in allowances for risks and charges	340	421
	Cash flows from operating activities before changes in working capital	**1,785**	**9,089**
	(Increase) decrease in trade receivables	8,596	2,218
	(Increase) decrease in inventories	10,897	(3,772)
	Increase (decrease) in trade and other payables	(5,580)	(3,803)
	Increase (decrease) in own shares	458	1,605
	Changes in other working capital items	1,712	(1,088)
	Total changes in working capital	**16,083**	**(4,840)**
		17,867	**4,249**
C.	**CASH FLOWS FROM (FOR) INVESTMENT ACTIVITIES**		
	(Purchase) disposal of fixed assets:		
	Intangible	(1,605)	(1,043)
	Tangible	(385)	(4,437)
	Financial	94	203
		(1,896)	**(5,277)**
D.	**CASH FLOWS FROM (FOR) FINANCING ACTIVITIES**		
	New loans net of the current portion of loans transferred to current payables	(640)	(6,439)
	Dividends paid	(1,107)	(1,108)
	Other changes in shareholders' equity, and changes in minority interests	(782)	(423)
		(2,529)	**(7,970)**
E.	**TOTAL CASH FLOWS FOR THE YEAR (B+C+D)**	**13,442**	**(8,998)**
F.	**CLOSING NET FINANCIAL POSITION (A+E)**	**(53,327)**	**(66,769)**

Attachment n. 4

Attachment 3C - table 1

(IN THOUSANDS OF EURO)

SCHEDULE OF REMUNERATION PAID TO THE DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS FOR THE YEAR ENDED 31 DECEMBER 2003

PERSON	DESCRIPTION OF OFFICE		REMUNERATION				
NAME	OFFICE HELD	TERM OF OFFICE	COMPENSATION		FRINGE BENEFITS	BONUSES AND OTHER INCENTIVES	OTHER REMUNERATION
			IN PARENT COMPANY	IN SUBSIDIARIES			
BERTONI FRANCESCO	Chairman of the Board and Managing dir.	30.04.03 for 3 years	315		use of cell phone		
BERTONI ENZO	Managing Director	30.04.03 for 3 years	253		use of cell phone		
BERTONI MARIA GRAZIA	Managing Director	30.04.03 for 3 years			use of cell phone		80**
BERTONI CARLO	Managing Director	30.04.03 for 3 years			use of cell phone		77**
TEDOLDI ARTURO	Director	30.04.03 for 3 years			use of cell phone		144**
BOSSI GIANFRANCO	Director **	27.04.00 for 3 years	4				
ARMANINI MASSIMO	Director	30.04.03 for 3 years	13				
ROSSI STEFANO	Director	30.04.03 for 3 years	9				
STRACCIARI VANNA	Chairman of Statutory Auditors	30.04.03 for 3 years	17				
MONTESANO MARCO	Statutory Auditors	30.04.03 for 3 years	11				
SAVOIA LUCA	Statutory Auditors	30.04.03 for 3 years	11				
BOSSI GIANFRANCO	General Manager	starting from 14.07.03	139		use of cell phone		
RETTA MASSIMILIANO	General Manager	resign. on 11.07.03					376**

* salary
** until 30 April 2003

REPORT OF THE BOARD OF STATUTORY AUDITORS

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP AT 31 DECEMBER 2003

Dear Shareholders

the consolidated financial statements of the Group have been prepared in accordance with current legislation.
The Directors' Report illustrates the operations concerning the Group which satisfy the legal reporting requirements on consolidated financial statements.
The accounting principles adopted in the preparation of the consolidated financial statements are shown in the notes thereto including the scope and financial statements included in the consolidation.
The Board agree with the accounting principles indicated in the notes utilised for the determination of the consolidation scope and for the valuation of the various accounts in the consolidated financial statements and CERTIFY therefore the correct application of the consolidated financial statements and that they reflect the underlying accounting entries of the parent company and the information received from the companies included in the consolidation scope.
The consolidated financial statements were audited by Deloitte & Touche S.p.A. who confirm that the financial statements were prepared with clarity and represent in a true and fair manner the balance sheet, financial position and result of the Company and its subsidiary companies.

Ceresara, 8 April, 2004

The Statutory Auditors

Vanna Stracciari	Chairman
Marco Montesano	Standing Member
Luca Savoia	Standing Member

REPORT OF THE INDEPENDENT AUDITORS

Deloitte.

Deloitte & Touche S.p.A.
Via Albere, 19
37138 Verona
Italia

Tel: +39 045 8167411
Fax: +39 045 573336
www.deloitte.it

REPORT OF THE INDEPENDENT AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 156 OF LEGISLATIVE DECREE N° 58 OF FEBRUARY 24, 1998

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

1. We have audited the consolidated financial statements of CSP International Industria Calze S.p.A. and subsidiaries as of and for the year ended December 31, 2003. These 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.

2. 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 audit works on the financial statements of certain subsidiaries, representing respectively 21.3% and 29.6% of consolidated assets and revenues, are the responsibility of other auditing firms.

   For the opinion on the prior year's consolidated financial statements, which are presented for comparative purposes as required by law, reference should be made to the auditors' report issued by Deloitte & Touche Italia S.p.A. on March 31, 2003.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Verona Vicenza

Sede Legale: Palazzo Carducci - Via Olona, 2 - 20123 Milano
Capitale Sociale: versato Euro 6.720.406,00 - sottoscritto Euro 10.327.590,00 - deliberato Euro 10.850.000,00
Partita IVA/Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239

Member of
Deloitte Touche Tohmatsu

3. In our opinion, the consolidated financial statements of CSP International Industria Calze S.p.A. and its subsidiaries as of and for the year ended December 31, 2003, comply with the Italian statutory provisions related to financial statements; therefore they give a true and fair view of the financial position and results of operations of the Company and its subsidiaries.

DELOITTE & TOUCHE S.p.A.

Signed by
Giancarlo De Marchi
Partner

Verona, Italy,
March 31, 2004

This report has been translated into English from the original issued in Italian solely for the convenience of international readers.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

CSP INTERNATIONAL INDUSTRIA CALZE S.P.A.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31/12/2003 (amounts in Euro)

BALANCE SHEET	31/12/2003	31/12/2002
ASSETS:		
A) RECEIVABLES FROM SHAREHOLDERS	0	0
B) FIXED ASSETS		
I. Intangible fixed assets:		
1. incorporation and expansion costs	144,909	0
3. industrial patents and intellectual property rights	112,317	357,893
4. concessions, licences, trade marks and similar rights	1,156,863	0
5. goodwill	5,616,009	147,791
6. intangible in progress and advances	1,622,543	668,061
7. others	428,470	147,601
Total I.	**9,081,111**	**1,321,346**
II. Tangible fixed assets		
1. land and buildings	17,679,580	15,782,479
2. plant and machinery	16,865,810	17,416,849
3. industrial and commercial equipment	256,053	248,872
4. other fixed assets	1,237,379	810,454
5. construction in progress and advances	68,276	68,276
Total II.	**36,107,098**	**34,326,930**
III. Financial fixed assets:		
1. Equity investments in:		
a) subsidiary companies	13,263,178	35,455,534
d) other companies	3,815	3,720
Total 1.	**13,266,993**	**35,459,254**
2. Receivables:		
b) associated companies:		
b.a. due within 12 months	31,243	32,377
d) other receivables	130,588	148,607
Total 2.	**161,831**	**180,984**
Total III.	**13,428,824**	**35,640,238**
TOTAL FIXED ASSETS (B)	**58,617,033**	**71,288,514**

BALANCE SHEET				31/12/2003	31/12/2002
C)	CURRENT ASSETS				
	I.	Inventories:			
		1.	raw, ancillary and consumable materials	6,222,369	4,962,254
		2.	semi-finished products, work-in-progress	9,802,900	13,830,795
		4.	finished products and goods	16,690,467	17,899,907
		Total I.		**32,715,736**	**36,692,956**
	II.	Receivables:			
		1.	trade accounts:		
			1.a. due within 12 months	37,618,729	32,214,721
		2.	subsidiary companies:		
			2.a. due within 12 months	9,237,483	8,915,574
		3.	associated companies:		
			3.a. due within 12 months	99,945	99,945
		5.	others:		
			5.a. due within 12 months	2,333,692	3,040,926
			5.b. due beyond 12 months	15,822	6,487
			Total 5.	**2,349,514**	**3,047,413**
		Total II.		**49,305,671**	**44,277,653**
	III.	Current financial assets:			
		5.	own shares	3,315,550	3,774,160
		Total III.		**3,315,550**	**3,774,160**
	IV.	Liquid funds:			
		1.	cash at banks and post offices	690,924	255,512
		3.	cash and equivalents on hand	38,990	24,373
		Total IV.		**729,914**	**279,885**
	TOTAL CURRENT ASSETS (C)			**86,066,871**	**85,024,654**
D.	ACCRUED INCOME AND PREPAID EXPENSES			**1,099,640**	**295,976**
TOTAL ASSETS				**145,783,544**	**156,609,144**

				31/12/2003	31/12/2002
LIABILITIES AND SHAREHOLDERS' EQUITY:					
A)	SHAREHOLDERS' EQUITY:				
	I.	Share capital		12,740,000	12,740,000
	II.	Share premium reserve		18,075,991	18,075,991
	III.	Revaluation reserves		13,023,279	13,023,279
	IV.	Legal reserve		1,358,524	1,358,524
	V.	Reserve for own shares in portfolio		3,315,550	3,774,160
	VI.	Statutory reserves		0	0
	VII.	Other reserves:			
		a.	undistributed profit	6,693,915	9,196,593
		b.	capital grants reserve	205,717	205,717
		c.	reserve for accelerated depreciation	3,623,500	0
	Total VII.			**10,523,132**	**9,402,310**
	VIII.	Retained earnings		0	0
	IX.	Net profit (loss) for the year		(9,258,663)	(1,854,231)
	TOTAL SHAREHOLDERS' EQUITY (A)			**49,777,813**	**56,520,033**
B)	ALLOWANCE FOR RISKS AND CHARGES:				
	2.	taxation		2,765,499	253,118
	3.	other		979,478	693,876
	TOTAL ALLOWANCE FOR RISKS AND CHARGES (B)			**3,744,977**	**946,994**
C)	SEVERANCE INDEMNITIES			7,058,936	5,252,862
D)	PAYABLES:				
	3.	banks:			
		a.	due within 12 months	39,920,222	49,683,001
		b.	idue beyond 12 months	14,131,655	13,581,949
		Total 3.		**54,051,877**	**63,264,950**
	5.	advances:			
		a.	due within 12 months	201,304	0
	6.	trade accounts:			
		a.	due within 12 months	26,186,351	24,737,977
	8.	subsidiary companies:			
		a.	due within 12 months	786,191	2,246,874

			31/12/2003	31/12/2002
	11.	taxes authorities:		
		a. due within 12 months	2,007,751	1,731,645
		Total 11.	**2,007,751**	**1,731,645**
	12.	social security institutions:		
		a. due within 12 months	853,924	720,590
	13.	other payables:		
		a. due within 12 months	870,850	647,910
	TOTAL PAYABLES (D)		**84,958,248**	**93,349,946**
E)	ACCRUED LIABILITIES AND DEFERRED INCOME		**243,570**	**539,309**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**145,783,544**	**156,609,144**

MEMORANDUM ACCOUNTS	31/12/2003	31/12/2002
- Risks		
- Mortgages on loans	17,500,000	0
- Sureties in favor of third parties	546,149	406,786
- Sureties in favor of controlled companies	13,475,000	12,710,000
- Commitments		
- Commitments for the purchase of goods	440,400	602,204
- Commitments for the purchase of ferign currency	673,225	0
- Other		
- Third party assets	0	8,162
- Total	**32,634,774**	**13,727,152**

STATEMENT OF INCOME				2003	2002
A)	PRODUCTION VALUE:				
	1.	Revenues from sale of goods and services		122,886,635	114,277,012
	2.	Changes in inventories of work-in-progress, semi-finished and finished products		(11,172,262)	2,230,418
	5.	Other income:			
		a.	other income	1,826,330	1,595,072
	TOTAL PRODUCTION VALUE (A)			**113,540,703**	**118,102,502**
B)	PRODUCTION COSTS:				
	6.	Raw, ancillary and consumable materials and goods		42,528,071	50,438,984
	7.	Services		42,272,612	33,752,253
	8.	Leases and rentals		211,127	66,053
	9.	Labour costs:			
		a.	wages and salaries	15,056,477	12,394,424
		b.	social security contributions	4,912,086	4,089,026
		c.	severance indemnities	1,260,275	1,042,819
		e.	other costs	15,664	19,963
		Total 9.		**21,244,502**	**17,546,232**
	10.	Depreciation, amortisation and writedowns:			
		a.	amortisation of intangible fixed assets	2,356,109	738,823
		b.	depreciation of tangible fixed assets	6,548,474	7,864,689
		d.	writedown of receivables included in current assets and of liquid funds	432,746	593,667
		Total 10.		**9,337,329**	**9,197,179**
	11.	Changes in inventories of raw, ancillary and consumable materials and goods		1,138,964	1,724,786
	12.	Provisions for risks and charges		99,839	82,445
	14.	Other operating expenses		789,796	667,899
	TOTAL PRODUCTION COSTS (B)			**117,622,240**	**113,475,831**
	DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS (A - B)			**(4,081,537)**	**4,626,671**
C)	FINANCIAL INCOME AND (CHARGES):				
	16.	Other financial income:			
		c.	income from securities held as current assets, not representing equity investments	0	30,610
		d.	other than above:		
			d. from third parties	59,856	40,640
		Total 16.		**59,856**	**71,250**

				2003	2002
	17.	Interest and other financial charges:			
		d.	from third parties	(2,377,652)	(2,902,752)
	TOTAL FINANCIAL INCOME AND (CHARGES) (C)			**(2,317,796)**	**(2,831,502)**
D)	ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS:				
	19.	Writedowns:			
		a.	equity investments	(1,173,000)	0
		c.	income from securities held as current assets, not representing equity investments	(458,610)	(2,233,115)
		Total 19.		**(1,631,610)**	**(2,233,115)**
	TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)			**(1,631,610)**	**(2,233,115)**
E)	NON-RECURRING INCOME AND (CHARGES):				
	20.	Non-recurring income:			
		b.	other non-recurring income	1,762	1,667
		Total 20.		**1,762**	**1,667**
	TOTAL NON-RECURRING INCOME AND (CHARGES) (E)			**1,762**	**1,667**
	PROFIT (LOSS) BEFORE TAXES (A-B+/-C+/-D+/-E)			**(8,029,181)**	**(436,279)**
	22.	Income taxes for the year		**(1,229,482)**	**(1,417,952)**
	26.	**NET PROFIT (LOSS) FOR THE YEAR**		**(9,258,663)**	**(1,854,231)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.12.2003

The administrative and registered offices of CSP INTERNATIONAL INDUSTRIA CALZE S.p.A. are in Via Piubega, 5c - Ceresara (Mantua). Production is carried out in five plants: two in Ceresara and one in Rivarolo Del Re (Cremona), one in Carpi (MO) and one in Poggio Rusco (MN).

FORM AND CONTENT OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the Italian Civil Code. They comprise the balance sheet, prepared using the format set out in articles 2424 and 2424bis of the Italian Civil Code, the statement of income, prepared using the format set out in articles 2425 and 2425bis, and these explanatory notes. These notes include the information required by article 2427 and other disclosures relating to financial statements required by the Italian Civil Code and by other prior legislation. In the interests of providing a true and fair view, additional information is also provided, even where this is not required by specific legislation.
For the sake of greater clarity, items in the balance sheet and statement of income formats indicated with Arabic numbers, have been omitted where the value is zero in both accounting periods, as permitted by article 2423ter of the Italian Civil Code.
Some of the accounts in the previous year, not of a significant value, were reclassified for comparison purposes with the year 2003.
Furthermore, all the amounts in the explanatory notes are expressed in thousands of Euro.

The financial statements at 31 December 2003 include the balances resulting from the merger through incorporation of Lepel S.r.l. (100% subsidiary) effective as of 1 January 2003 for accounting and fiscal purposes. This operation resulted in the recording of goodwill in the financial statements (merger deficit) of 6,366 thousand Euro. For comparison purposes the pro-forma income statement and balance sheet were prepared (attachment no. 6). The pro-forma figures were prepared aggregating the financial statements of the two companies at 31 December 2003 as follows: for the balance sheet the carrying value of the investment in Lepel S.r.l. was eliminated against the corresponding net equity, and at the same time goodwill was recorded of 6,366 thousand Euro; the receivables and payables between the two merged companies were also eliminated. For the income statement, in addition to the elimination of the revenues and costs, goodwill amortization was recorded for the year taking into consideration the relative fiscal effects. In order to achieve the above-mentioned objectives, the comments in the present notes relate to the pro-forma figures.

ACCOUNTING POLICIES

Pursuant to article 2426 of the Italian Civil Code, the more important accounting policies adopted for the preparation of the financial statements as of 31 December 2003 are explained below. Except where expressly indicated, they have been applied consistently with the previous year:
Intangible fixed assets – These are recorded at purchase or production cost, including related charges, adjusted relating to the brand "Lepel" in application on the law on revaluation 342/2000. They are amortised on a straight-line basis over their estimated useful lives. The amortisation rates are shown in the relevant section in the notes.
Tangible fixed assets – These are stated 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 charged, there is a permanent loss in value, the asset's value is written down accordingly; if, in the future, the bases for the write-down no longer apply, the original value is reinstated 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.
Equity investments held as fixed assets – Equity investments are stated at cost as described in the relevant part of the notes.
The value at which they are recorded in the financial statements is based on purchase or subscription price or on the value attributed to conferred assets. The cost is written down where there is a permanent loss in value and when there is no prospect of future profits by the company in question, which would absorb the losses. The original value is reinstated 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, using the L.I.F.O method, 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.
Own shares – Own shares, classified among current assets since they represent a temporary investment of liquidity, are stated at the lower of weighted average purchase cost and their corresponding market value. For the purposes of determining market value, reference is made to the average listed stock market price struck in the last month of the accounting period.
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.
Allowance for risks and charges – These allowance 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. The agents' supplementary indemnity provision is included in these allowance. This amount is paid by the company when agents terminate their service.
Severance indemnities – The allowance 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.
Payables – Payables are stated at their nominal value.
Capital grants reserve – Capital grants, received in prior years, are recorded under the caption "Other reserves" of shareholders' equity in order to benefit from the favourable tax treatment permitted by prevailing legislation.
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 they are incurred.
Income taxes for the year – The provision for income tax is based on estimated taxable income, which is calculated in accordance with current fiscal regulations. Provision is also made for deferred taxes on temporary differences between the value attributed to an asset or liability using statutory criteria and the corresponding value for tax purposes. Deferred tax assets are recorded, where applicable, if there is reasonable certainty that they will reverse in future accounting periods.
Adjustments and provisions recorded solely for fiscal purposes – Adjustments and provisions recorded solely for fiscal purposes comprise accelerated depreciation, which is recorded in line B.10 of the statement of income. As allowed by article 2426.2 of the Italian Civil Code, its contra-entry is to the accumulated depreciation reserve, which is deducted directly from tangible fixed assets recorded on the assets side of the balance sheet.

TRANSLATION OF FOREIGN CURRENCY BALANCES

Receivables and payables originally denominated in foreign currency are translated into Euro 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 allowance.
Foreign currency receivables and payables are translated using the average exchange rate for 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 allowance. Any net gains are not recognised, as prescribed by the law.

OTHER INFORMATION

Preparation of consolidated financial statements – In accordance with Decree 127/1991, the Company has prepared consolidated financial statements, since the applicable circumstances exist.
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 and the last section of article 2423 bis, last paragraph, of the Italian Civil Code.
Change in the accounting of accelerated depreciation – Up until the financial statements ended as at 31 December 2002 the Company accounted for accelerated depreciation applying Accounting Principle no. 25 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri - CNDCR) under the

“allowed treatment”, that consists in the charging to the income statement accelerated depreciation in addition to ordinary depreciation, with the consequent reduction of tangible assets. In the notes the Company indicated the values of the tangible assets, depreciation, net equity and result for the year that would been recorded in the financial statements if the accelerated depreciated had not been accounted for.
In the current year, anticipating the company law reform, the Company changed to the “recommended treatment” contained in Accounting Principle no. 25 of the CNDCR, whereby the accelerated depreciation is not accounted for in the income statement but is indicated for fiscal purposes as a reduction in the taxable income and recorded as a reserve in net equity. In application of the accruals principle, the deferred taxes on the accelerated depreciation, deducted solely for fiscal purposes, are accounted for in the income statement with a balancing entry in the taxation provision of the balance sheet. In accordance with this accounting principle, the accumulated accelerated depreciation at the beginning of the year was reclassified in a net equity reserve “Reserve for accelerated depreciation” and at the same time a provision was made for the deferred taxes; availing of the benefits granted under paragraph 7 of article 6 of law 388/2000 the deferred tax provision was created debiting the “reserve for accelerated depreciation”.
The change in the application of the “recommended treatment” in the accounting of accelerated depreciation has resulted in an increase in the net equity of the Company at 1 January 2003 of 3,624 thousand Euro.

Explanation Added for English Translation

The Financial Statements and related notes have been translated into English from the original version in Italian. They have been prepared in accordance with Italian law related to Financial Statements, interpreted and supplemented by the accounting principles established by Italian Accounting Profession, which may differ from the principles generally accepted in other Countries.

ANALYSIS OF THE CAPTIONS REPORTED IN THE FINANCIAL STATEMENTS

BALANCE SHEET

COMMENTS ON THE MAIN ASSET CAPTIONS

B. FIXED ASSETS

B.I- Intangible fixed assets

Movements in intangible fixed assets are set out below.

	Gross value			
	Balance 01/01/2003	Incorporation Lepel	Increases 2003	Balance 31/12/2003
Incorporation and expansion costs	0	0	198	198
Industrial patents and intellectual property rights	3,737	73	26	3,836
Concessions, licenses, trade marks & similar rights	39	10,020	0	10,059
Goodwill	246	0	6,366	6,612
Construction in progress and advances	668	0	955	1,623
Other	568	0	409	977
Total	**5,258**	**10,093**	**7,954**	**23,305**

	Accumulatated amortization				Net value
	Balance 01/01/2003	Incorporation Lepel	Amortization 2003	Balance 31/12/2003	Balance 31/12/2003
Incorporation and expansion costs	0	0	(53)	(53)	**145**
Industrial patents and intellectual property rights	(3,379)	(70)	(275)	(3,724)	**112**
Concessions, licenses, trade marks & similar rights	(39)	(7,861)	(1,002)	(8,902)	**1,157**
Goodwill	(98)	0	(898)	(996)	**5,616**
Construction in progress and advances	0	0	0	0	**1,623**
Other	(421)	0	(128)	(549)	**428**
Total	**(3,937)**	**(7,931)**	**(2,356)**	**(14,224)**	**9,081**

Below are shown the intangible assets that have been revalued as permitted by law.

	Historical cost (Provision)	Revaluation Law 342/2000	Total (Provision)
Lepel Brand	4,855 (4,855)	5,165	**10,020** **(8,863)**

The amortization rates applied in the period are as follows:

	Rate
- Incorporation and expansion costs	20% - 33.33%
- Software	33.33%
- Brands	10%-20%
- Goodwill	13.33% - 20%
- Leasehold improvements	Residual duration of the contract
- Deferred charges	20%

The goodwill on acquisition relating to the commercial activity of outlets is amortized over five years.

The incorporation and expansion costs refer to the charges incurred in relation to the merger operation (amortized in five years) as well as the costs for the study and realization of the new format of the retail outlets to be adopted in the brand shops of the Company (amortized in three years).

The caption 'trademark' relates to the brand Lepel accounted for following the above-mentioned merger and which was revalued in the past in accordance with law 342/2000.

As already commented upon in the description of the merger operation, the goodwill refers for 5,517 thousand Euro (net of amortization) to the difference arising on the incorporation of Lepel; this difference was allocated to goodwill in that it is considered representative of the greater value of the incorporated compared to the current value of its assets and liabilities, value recognized at the moment of the acquisition and still considered present. This goodwill, in line with the treatment followed in the consolidated financial statements in relation to the amortization of the difference arising consolidation accounted for as a consequence of the acquisition of the investment in Lepel (amortized within 30 June 2010), is amortized over a period of 7.5 years. The residual part of the goodwill refers to the purchase of the retail outlet in the 'Orio Center' complex at Orio al Serio (Bergamo), amortized over five years.
The intangible in progress refer to costs incurred relating to the implementation of the new integrated SAP software, which began in 2002 and will be operative in the first days of 2004.
The caption "others" principally relates to the costs incurred for the restructuring of three outlets rented by third parties, which directly sell products of the Company.

■ B.II- Tangible fixed assets

Movements in intangible fixed assets are set out below.

	Gross value					
	Balance 01/01/2003	Incorp. Lepel	Increases 2003	Decreases 2003	Oher movem. [1]	Balance 31/12/03
Land & buildings	21,589	3,852	19	0	0	25,460
Plant and machinery	51,599	3,309	460	(412)	0	54,956
Equipment	1,230	158	21	(7)	0	1,402
Other assets	5,761	614	467	(411)	0	6,431
Construction in progress and advances	68	0	0	0	0	68
Total	**80,247**	**7,933**	**967**	**(830)**	**0**	**88,317**

	Accumulated amortization						
	Balance 01/01/2003	Incorp. Lepel	Deprec. 2003	Utilizations 2003	Other movem. [1]	Balance 31/12/2003	Net values at 31/12/2003
Land & buildings	(5,806)	(2,353)	(700)	0	1,079	(7,780)	**17,680**
Plant and machinery	(34,182)	(2,952)	(5,244)	290	3,998	(38,090)	**16,866**
Equipment	(981)	(148)	(158)	7	134	(1,146)	**256**
Other assets	(4,951)	(573)	(446)	330	446	(5,194)	**1,237**
Construction in progress and advances	0	0	0	0	0	0	**68**
Total	**(45,920)**	**(6,026)**	**(6,548)**	**627**	**5,657**	**(52,210)**	**36,107**

[1] the column includes reclassifications, revaluations and write downs and for the year 2003 refers principally to the reversal of the accelerated depreciation up to 31 December 2002.

Tangible fixed assets at 31 December 2003 include total revaluations, gross of the related depreciation, carried out in compliance with specific laws, as follows:

Land & buildings	2,550
Plant and machinery	15,282
Equipment	59
Other assets	80
Total	**17,971**

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	3.0%
- Plant and machinery	12.5%
- Industrial equipment	25.0%
- Electronic office machines	20.0%
- Office furniture and fittings	12.0%
- Cars	25.0%
- Vehicles	20.0%

As already commented upon, from the year 2003 the accelerated depreciation is no longer accounted for in the income statement and consequently deducted from the historical cost of the assets, but indicated for fiscal purposes as a reduction in the taxable income. The elimination of the accumulated accelerated depreciation provision at the beginning of the year resulted in an increase in the value of tangible fixed assets at 1 January 2003 of 5,775 thousand Euro.

As indicated in the memorandum account, some buildings of the Company have been mortgaged in favour of credit institutions.

The Company has lent assets free of charge to third parties, namely portable PCs and printers on loan to sales representatives for 228 thousand Euro as at 31 December 2003, display equipment to customers for 168 thousand Euro and machinery to subsidiaries and subcontractors for 207 thousand Euro.

■ B.III- Financial fixed assets

Attachments 1a and 1b 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 subsidiary and associated company.

In consideration of the negative results of the subsidiary Le Bourget, the recovability of the values of the investment recorded in the financial statements were verified based on the techniques and practices normally utilized in business valuations, in particular on the basis of the cash flow method. On the basis of this analysis the investment in Le Bourget was written down by 1,173 thousand Euro; the residual value of the investment is higjer than the value deriving from the application of the net equity method and is considered representative of the greater value of the assets recognized at the moment of the acquisition and still considered present. In November 2003 the Company acquired the remaining 40% of the investment in Bo.Mo. S.r.l., already held 60% by Le Bourget, for a value substantially in line with the corresponding portion of net equity. In 2004 Bo.Mo. sold the business unit relating to the packaging of socks and underwear; as a consequence the company will be winded-up, from which no potential liabilities should arise for the shareholder.

The Company also holds a 50% interest in Sanpellegrino Polska, owned jointly with a local distributor; this company is destined to manufacture and market socks and stockings on the local market and throughout Eastern Europe. The book value of the investment, 1,163 thousand Euro, is 313 thousand Euro higher than the value deriving from the application of the net equity method; management is of the opinion that this difference does not constitute a permanent loss in value, in consideration of the fact that the difference has been determined largely from the negative result in 2003 and that the actions taken should permit in the medium term an improvement in the results of the Polish subsidiary.

Given that CSP has important controlling interests in other companies, it has prepared consolidated financial statements at the same date to accompany its statutory financial statements. The consolidated financial statements show results in line with those that would be obtained using the equity method to value equity investments. The consolidated shareholders' equity and net result differ from those shown in the financial statements of CSP International S.p.A. because of the entries typically made on consolidation and the elimination of adjustments and provisions made solely for tax purposes, as well as adjustments to bring subsidiaries' accounts into line with Group accounting principles.

C. CURRENT ASSETS

C.I. Inventories

Inventories are made up as follows:

	31/12/2003	Pro-forma 2002	31/12/2002
Gross value	33,468	45,795	37,369
Allowance for obsolescence	(752)	(768)	(676)
Net value	**32,716**	**45,027**	**36,693**

The significant decrease in the value of inventories with respect to the previous year is essentially due to the implementation of a policy of reduction and rationalization of the inventory.
The cost of raw, ancillary and consumable materials and of finished goods and products has been determined using the L.I.F.O. method of valuation, using the valuation at 31 December 1995 as the first layer.
If inventories valued at L.I.F.O. had been valued at average cost at 31 December 2003, their value would have been about Euro 913 thousand Euro higher (518 thousand Euro at 31 December 2002). Consequently, the net profit for the year would have been 248 thousand Euro higher, while shareholders' equity would have been 573 thousand Euro higher, net of tax.
The allowance for obsolescence was determined on a specific basis and takes into account the possibility of utilization of products on alternative markets or their re-processing.
At the year-end the Company has goods on deposit with third parties for a total of Euro 4,565 thousand, which includes Euro 3,225 thousand (Euro 2,913 thousand at 31 December 2002) of goods sent to subcontractors for processing and Euro 1,340 thousand (Euro 1,508 thousand at 31 December 2002) of finished products stocked with distributors.

C.II. RECEIVABLES

The breakdown of receivables included in current assets, which do not include balances falling due beyond 5 years, is as follows:

C.II.1. Trade receivables

Trade receivables may be analyzed as follows:

	31/12/2003	Pro-forma 2002	31/12/2002
Trade receivables - Italy	29,494	27,276	21,527
Trade receivables - abroad	3,814	7,484	6,974
Bills subject to collection	7,805	10,614	5,925
Default interest receivable	291	80	48
Allowancefor default interest receivable	(291)	(80)	(48)
Customers - invoices to be issued	285	295	216
Credit notes to be issued	(1,503)	(941)	(841)
Allowance for doubtful accounts	(2,276)	(1,889)	(1,586)
Total	**37,619**	**42,839**	**32,215**

The decrease in receivables (5,220 thousand Euro) with respect to the previous year is in line with the sales trend. 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 allowance for doubtful accounts reserve are as follows:

	01/01/2003	Incorp. Lepel	Utilization	Provisions	31/12/2003
Article 71 of the TUIR	214	60	(46)	18	246
Additional taxed reserve	1,372	243	0	415	2,030
Total	**1,586**	**303**	**(46)**	**433**	**2,276**

During the year, the reserve was used to cover receivables deemed to be completely unrecoverable; it was increased on the basis of future forecast losses on receivables outstanding at the balance sheet date..

C.II.2. Due from subsidiary companies
This caption refers to trade receivables due from Le Bourget, Euro 8,109 thousand, from Bo.Mo, Euro 15 thousand and from Sanpellegrino Polska, Euro 1,113 thousand.
Other information on intercompany transactions is provided in the report on operations.

C.II.3. Due from associated companies
These refer to trade receivables due from Rozal S.a.r.l..

C.II.5. Other receivables
The balance includes various receivables comprised as follows:

	31/12/2003	Pro-forma 2002	31/12/2002
VAT credits	110	1,905	833
Advances on income taxes	827	776	776
Advances to suppliers	97	207	207
Deferred tax assets	1,212	1,014	1,014
Other current receivables	73	429	190
Foreign VAT credits	15	21	21
Total other current	**2,334**	**4,352**	**3,041**
Guarantee deposits	16	13	6
Total other non-current receivables	**16**	**13**	**6**
Total other receivables	**2,350**	**4,365**	**3,047**

"Advances on income taxes" are the sum of the residual tax credit for corporate income tax - IRPEG - (amounting to 592 thousand Euro), and the regional tax on business activities - IRAP - (206 thousand euro at 31 December 2003) net of the utilization for 2003 IRAP (734 thousand Euro).
The 'deferred tax assets' refer to the positive balance of deferred taxation arising on temporary differences between the accounting values of assets and liabilities (mainly allowance for doubtful accounts and allowance for obsolescence) and their corresponding value for tax purposes (37.25%).
The guarantee deposits are due within 5 years.

C.III.5 Own shares
As of 31 December 2003, the Company owned 2,358,850 of its own shares, with a par value of Euro 1,226.60 thousand, corresponding to 9.6% of the share capital.
In the year 2003 there were no sales or purchases of own shares.
As of 31 December 2003, a write-down of Euro 459 thousand was also made to adjust the value of the shares held in the portfolio to their market value, namely Euro 1.406 per share. The investment of liquidity in own shares was authorized by the ordinary shareholders' meeting held on 30 April 2003, involving a limit of 10% of the share capital. The above authorization is valid for eighteen months and permits a price range between Euro 0.30 and Euro 3.00. Own shares are offset by an undistributable equity reserve for the same amount.
Valuing own shares in portfolio at their market value at the date that this report was prepared would have resulted in a further write-down of around 200 thousand Euro.

C.IV. Liquid funds
These represent cash on hand and bank current accounts open at 31 December 2003.

D. ACCRUED INCOME AND PREPAYMENTS
This item is comprised as follows:

	31/12/2003	Pro-forma 2002	31/12/2002
Prepaid TV commercials	0	265	265
Prepaid substitute tax on merger	1,048	0	0
Accrued interest from customers	0	1	1
Prepayments	52	59	30
Total	**1,100**	**325**	**296**

At 31 December 2003 this account principally relates to the substitute tax paid in order to permit the fiscal recognition of the above-mentioned merger deficit, which will be charged to the income statement over the period of expected future benefit (in terms of the deductibility of the amortization on the greater value).
The prepayments over five years amount to 242 thousand Euro.

COMMENTS ON THE PRINCIPAL LIABILITY CAPTIONS

A. SHAREHOLDERS' EQUITY

Movements in shareholders' equity during the year are detailed in Attachment 2.

A.I. Share capital

The share capital at 31 December 2003, consist of n. 24,500,000 ordinary shares with a par value of 0.52 Euro each, fully subscribed and paid-in.

A.II. Share premium reserve

The share premium reserve refers to the increase in share capital carried out in 1997 when the Parent Company went public on Italian Stock Exchange.

A.III. Revaluation reserve

These reserves are broken down as follows:

	31/12/2003	Pro-forma 2002	31/12/2002
Revaluation Law 596/75	32	32	32
Revaluation Law 72/83	192	192	192
Revaluation Law 413/91	393	393	393
Revaluation Law 342/00	12,406	12,406	12,406
Total	**13,023**	**13,023**	**13,023**

The revaluation reserve ex Law 342 of 21.11.2000 refers to the revaluation of plant and machinery carried out by the Company in 2000. The revaluation resulted in the booking of a revaluation reserve of 12,406 thousand Euro (net of substitute tax of 2,910 thousand Euro) as part of shareholders' equity. No provision has been made for taxation on this revaluation reserve, which is not subject to equalization tax, since the Company does not intend to distribute dividends or carry out any other transactions which would result in its taxation.

A.IV. Legal reserve

At 31 December 2003 this reserve is the same as a year earlier.

A.VII. Other reserves

These decreased by 1,854 thousand Euro as a result of the coverage of last year's losses, and by 1,107 thousand Euro due to the dividend distribution resolved by the Shareholders' meeting of 30 April 2003, while they have increased by 459 thousand Euro in respect of the adjustment to the reserve for own shares in portfolio.
The other reserves also increased by 3,624 thousand Euro due to the above-mentioned accounting of the reserve for accelerated depreciation.
On the covering of the loss for the year, an amount of 1,059 thousand Euro (subject to equalization tax) must be accounted for in the accelerated depreciation reserve, corresponding to the accelerated depreciation in the year and indicated for tax purposes as a reduction in the taxable income.

In relation to the changes introduced by the Legislative Decree of 12 December 2003, no. 344 (IRES – Income taxes for companies) which has also abolished the tax credit on dividends from January 2004, no information is given on the amount of the taxes effectively paid by the company as well as unpaid taxes for the purposes of calculating the ordinary tax credit and the limited tax credit.

B. ALLOWANCE FOR RISKS AND CHARGES

Changes in this item are set out below:

	01/01/2003	Incorporation Lepel	Provisions	Utilization	31/12/2003
Taxation	**253**	7	2,555	(50)	**2,765**
Others:					
- Exchange fluctuation allowance	8	0	0	(8)	0
- Allowance for future contingencies	103	103	0	0	206
- Returns allowance	0	0	50	0	50
- Agents' supplementary indemnity provision	583	159	100	(118)	724
Total others	**694**	**262**	**150**	**(126)**	**980**
Total	**947**	**269**	**2,705**	**(176)**	**3,745**

Taxation includes deferred tax liabilities in respect of gains on the disposal of assets which benefit from a deferred tax regime. The increase in the year is principally due to the effect of the deferred tax on accelerated depreciation no longer accounted for in the income statement from 2003, but indicated for fiscal purposes as a reduction in taxable income; the provision refers for 2,151 thousand Euro to the deferred tax on accelerated depreciation at the beginning of the year and Euro 395 thousand Euro for accelerated depreciation in 2003.
The returns allowance was made against the normal returns that are statistically verified in the following period.
The agents' supplementary indemnity provision has been accrued in accordance with current legislation and the collective labour contract.

C. SEVERANCE INDEMNITIES

Movements during the year have been as follows:

	01/01/2003	Incorporation Lepel	Provisions	Utilization	31/12/2003
Severance indemnity	**5,253**	1,343	1,164	(701)	**7,059**

Utilizations include Euro 529 thousand paid to leavers and advances of Euro 172 thousand granted to employees. The provision differs from the amount booked to the statement of income under labour cost as it does not include amounts accrued during the year for payments to supplementary pension funds.

D. PAYABLES

D.3. Bank borrowings

Bank borrowings decreased by 11,694 thousand Euro from 65,746 thousand Euro to 54,052 thousand Euro principally due to the reductions in working capital following the above mentioned decrease in inventory.
This caption includes Euro 39,920 thousand of advances subject to collection, export advances and the current portion of medium/long-term loans and Euro 14,132 thousand of medium/long-term loans and other borrowings.

The breakdown of amounts due to banks by repayment deadline is the following:

	31/12/2003	Pro-forma 2002	31/12/2002
Current payables	30,475	41,969	39,488
Loans:			
- due within 1 year	9,445	10,195	10,195
- due from 1 to 5 years	13,132	13,582	13,582
- due beyond 5 years	1,000	0	0
Total	**54,052**	**65,746**	**63,265**

During the year 2003 the Company took out a mortgage loan of 10 million Euro at market conditions, with repayments twice yearly from 30 September, 2004 until 31 March 2009.
In 2002 the Company re-negotiated, taking advantage of particularly favourable interest rates, a hedging contract on the existing loans. The nominal amount of the contract was 15,494 thousand Euro with expiry date of 6 February, 2007. The fair value valuation of these financial instruments at the end of the year would have resulted in the accountig of a charge of 114 thousand Euro.
The overall trend of changes in financial flows is analyzed in the cash flow statement, attached to these explanatory notes.

D.6. Trade payables
This item has decreased by Euro 3,961 thousand compared to 2002 as a result of variations in the timing of purchases and the programmed slow down in the production activities. Trade payables are all due within 12 months.

D.8. Payables to subsidiary companies
This caption refers to trade payables to Le Bourget, Euro 317 thousand, to Bo.Mo, Euro 202 thousand and to Sanpellegrino Polska, Euro 267 thousand.

D.11. Taxes authorities
Taxes payable are made up as follows:

	31/12/2003	Pro-forma 2002	31/12/2002
Tax liability	1,210	1,200	1,055
Withholding taxes on payments to consultants/agents	190	132	128
Withholding on wages and salaries	608	687	549
Total within 12 months	**2,008**	**2,019**	**1,732**
Tax liability beyond 12 months	0	0	0
Total	**2,008**	**2,019**	**1,732**

For the purposes of direct taxation and VAT the tax years are still open for 1999 onwards.
As regards the 2004 Budget Law, the Company will take advantage also for the tax year 2002 of the provision that makes it possible to maintain the prescription period for assessments to the fourth year after the date on which the tax return was filed, avoiding the two-year extension foreseen in art. 10 of the law.
Tax liability within 12 months relates to the substitute tax on the difference arising on the Lepel merger; the amount in the previous year related to the last instalment of the substitute tax on revaluation as per law 342/2002.

D.12. Social security institutions
These include the following items:

	31/12/2003	Pro-forma 2002	31/12/2002
Employees social security/industrial accident insurance (INPS/INAIL)	790	884	666
Agents' social security (Enasarco)	19	22	12
Agents' social security (F.I.R.R.)	45	43	43
Total	**854**	**949**	**721**

D.13. Other payables
These comprise:

	31/12/2003	Pro-forma 2002	31/12/2002
Payable to employees	837	961	632
Other payables	34	39	16
Total	**871**	**1,000**	**648**

Payables to employees include holiday pay of Euro 611 thousand at 31 December 2003. Other payables are all due within 12 months.

E. ACCRUED LIABILITIES AND DEFERRED INCOME

This item is comprised as follows:

	31/12/2003	Pro-forma 2002	31/12/2002
Accrued loan interest payable	31	318	318
Accrued staff bonuses	213	221	221
Total	**244**	**539**	**539**

The account principally relates to premiums to employees that mature from 1 July 2003 to 30 June 2004; the decrease in the year is mainly due to the decrease in accrued loan interest.

MEMORANDUM ACCOUNTS

Mortgage loan – This relates to the mortgage on the assets of the company as guarantee for the loan received in the current year, the residual amount of which is 10,000 thousand Euro.

Guarantees – This relates to guarantees given to banks in favour of the French subsidiary for loans and credit lines granted to that company.

Purchasing commitments – At 31 December 2003, there are commitments based on signed contracts for the purchase of fixed assets amounting to Euro 440 thousand. These commitments refer mainly to new software.

Commitments to purchase foreign currencies – At 31 December 2003 the company has 6 forward contracts for the purchase of US Dollars for a nominal value of 800,000 Dollars with expiry date within 30 June 2004 and an average exchange rate of approximately 1.19 Dollar/Euro.

STATEMENT OF INCOME

COMMENTS ON THE MAIN STATEMENT OF INCOME CAPTIONS

For a more detailed analysis of the Company's activities, the statement of income, the events which have influenced the performance of operations during the year and significant subsequent events, reference should be made to the comments included in the report on operations which supplement those contained in these explanatory notes.

A. PRODUCTION VALUE

A.1. Revenues from sales of goods and services

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

	2003	Pro-forma 2002	2002
- Italy:			
- stockings	31,002	36,771	36,921
- seamless underwear	14,167	12,160	12,160
- corsetry	25,956	24,296	868
- raw materials/other	1,345	2,713	2,744
- Western Europe			
- stockings	26,796	27,775	27,775
- seamless underwear	3,069	2,685	2,685
- corsetry	440	1,184	341
- raw materials/other	1,760	3,503	3,503
- Eastern Europe			
- stockings	11,896	16,739	16,739
- seamless underwear	2,174	4,149	4,149
- corsetry	1,173	785	159
- raw materials/other	1,380	3,842	3,842
- Non-European Countries			
- stockings	1,323	2,015	2,015
- seamless underwear	217	277	277
- corsetry	160	63	63
- raw materials/other	29	36	36
Total	**122,887**	**138,993**	**114,277**

Net sales of stockings went from 83,300 thousand Euro to 71,017, a decrease of 12,283 thousand Euro on the previous year, due to the continuing decline in demand for women's stockings all over the world. However, they include sales to subsidiaries for 16,668 thousand Euro, compared to 16,999 thousand Euro of the previous year. Sales of *seamless underwear* pass from 19,271 thousand euro to 19,627 thousand euro, an increase of 1.8% compared with last year while corsetry passed from 26,328 thousand Euro to 27,729 thousand Euro, an increase of 5.3%, in line with the diversification policy undertaken by the Company.
As for the breakdown of sales by geographical area, the key point worth emphasizing is the deterioration of sales in Eastern Europe, especially in Russia, which is the second largest market in volume terms after Italy. This decrease, which began in the second half of 2002 and continued into the current year, appears to have halted in the final quarter of the year that recorded sales in line with the same period in 2002. Sales in Russia are normally paid in advance by customers.
Revenues are shown net of returns, discounts and allowances.

A.2. Change in inventory of finished products and work in progress

The significant decrease in inventory, equal to 11,172 thousand Euro, is due to the already mentioned policy of inventory reduction implemented by the Company.

A.5.a. Other revenues and income

This item is comprised as follows:

	2003	Pro-forma 2002	2002
Freight and processing charges billed to customers	175	109	213
Advertising contributions	233	276	276
Expenses reinvoiced to customers	45	54	54
Royalty income	550	643	639
Gains on disposal of assets	45	85	84
Out-of-period income for taxes	450	283	283
Other income	328	2	46
Total	**1,826**	**1,452**	**1,595**

The most significant items are royalty income on outstanding contracts with licensees of Company brands. Contributions towards advertising costs are amounts recognized by suppliers for campaigns combining their brand with ours. The account other income includes the compensation from administration, commercial and logistic services performed on behalf of licensees of the Sanpellegrino men's socks sold in the large chain stores in Italy.

B. PRODUCTION COSTS

B.6. Purchases in raw, ancillary and consumable materials and goods

The balance of Euro 42,528 thousand consists of Euro 35,783 thousand for purchases of raw materials for manufacturing (Euro 54,344 thousand in 2002) and Euro 6,745 thousand for packaging and consumable materials (Euro 8,267 thousand in 2002).

The overall decrease of Euro 20,083 thousand compared with 2002 is partly explained by the lower volume of sales, but above all by the inventory reduction policy applied during the course of the year that resulted in the reduction in inventory of Euro 12,311 thousand.

B.7. Services

This item is comprised as follows:

	2003	Pro-forma 2002	2002
- Outside contractors	12,793	13,504	9,831
- Advertising	13,666	14,017	10,202
- Independent sale agents and merchandising	4,917	5,669	4,649
- Transport	2,724	2,273	1,717
- Power and heating	3,110	3,191	3,089
- Directors' emoluments	594	594	594
- Statutory Auditors' emoluments	40	64	42
- Maintenance	1,581	1,553	1,437
- Insurance	338	324	293
- General and commercial advice	889	874	448
- Travel	274	293	213
- Postage	213	184	148
- Postage	219	216	176
- Legal	59	107	107
- Commercial information and communications costs	135	192	192
- Bank charges	183	186	159
- Other	538	487	455
Total	**42,273**	**43,728**	**33,752**

This caption has decreased by Euro 1,455 thousand compared with the previous year.

The most significant changes during the year concern:
- independent sale agent's costs and merchandising (decrease of 752 thousand Euro), in relation to the reduction of sales in the wholesale channel in Italy and the reduced costs due to the structure of sales to the large distribution channel;
- outside contractors (decrease of 711 thousand Euro), following the already mentioned slow down in production activity;
- transport costs (increase of 451 thousand Euro) prevalently in relation to a change in the organization of sales to some regions in the large distribution stores in Italy;
- advertising (decrease of 351 thousand Euro), which as a percentage on sales passes from 10.1% to 11.1%.

Attachment 4 gives further details on the emoluments of the directors and statutory auditors.

B.9. Labour costs

This caption includes all the costs incurred on an on-going basis which directly concern employees in 2003. The detail of this caption is set out on the face of the statement of income. These costs decreased with respect to the previous year (178 thousand Euro).
Movements in staff numbers during the year are set out below:

	01/01/2003	Incorporation Lepel	New recruits	Leavers	31/12/2003	Average 2003
- Managers	11	1	0	(2)	10	11
- Supervisors	29	1	0	0	30	30
- Office staff	113	20	16	(20)	129	121
- Workers	457	130	11	(57)	541	499
Total	**610**	**152**	**27**	**(79)**	**710**	**661**

The new recruits and leavers categories also include internal promotions.

B.10. Depreciation, amortization and write downs

These comprise:

a. Amortization of intangible fixed assets

	2003	Pro-forma 2002	2002
- Set up and expansion costs	53	0	0
- Software	275	622	612
- Brands	1,002	1,002	0
- Goodwill	49	49	49
- Difference arising on merger	849	849	0
- Deferred charges	56	54	54
- Leasehold improvements	51	0	0
- Other	21	24	24
Total	**2,356**	**2,600**	**739**

b. Depreciation of tangible fixed assets

	2003	Pro-forma 2002	2002
- Buildings	699	694	585
- Light constructions	1	1	1
- Plant and machinery	5,244	6,783	6,612
- Equipment	158	144	139
- Furniture, electrical equipment	53	59	53
- Electronic office machines	202	243	228
- Cars	111	174	163
- Vehicles	49	42	42
- Assets with a unit value of less than 516 Euro	31	42	42
Total	**6,548**	**8,182**	**7,865**

Tangible fixed assets purchased in 2003 have been depreciated at 50% of the normal rate.
The decrease in depreciation is attributable to the change in the method of recording the accelerated depreciation as previously commented upon. The accelerated depreciation in the year 2003, included as a reduction in the taxable income, amounts to 1,059 thousand Euro (gross of reversals of 181 thousand Euro), while in the previous year, the amount recorded was 1,062 thousand Euro (gross of reversals of 261 thousand Euro).

d. Write-down of doubtful accounts included in current assets and of liquid funds

The caption "Write-down 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 realizable value. Losses for the year have been debited to the doubtful accounts reserve.

B.12. Provisions for risks and charges

This caption mainly relates to the provision for risks and charges for the agents' supplementary indemnity maturing in the year.

B.14. Other operating expenses

This item is comprised as follows:

	2003	Pro-forma 2002	2002
- Entertaining	111	154	116
- Membership fees	60	91	70
- Stationery and other materials	183	159	133
- Non deductible VAT on gifts	29	39	39
- Taxes and duties	188	194	156
- Loss on the sale of assets	146	86	85
- General expenses	32	24	16
- Other charges	41	91	53
Total	**790**	**838**	**668**

C. FINANCIAL INCOME AND CHARGES

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

This caption is analyzed as follows:

	2003	Pro-forma 2002	2002
- Interest receivable on current accounts	5	18	5
- Interest receivable from customers	7	17	17
- Exchange gains	34	61	14
- Other interest receivable	14	6	5
Total	**60**	**102**	**41**

The caption 'other interest receivable' includes (211 thousand Euro) default interest on trade receivables due at 31 December 2003 (D.Lgs. no. 231 of 9 October 2002) and the corresponding write-down for the same amount.

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

This caption is analyzed as follows:

	2003	Pro-forma 2002	2002
- Interest payable on current accounts	647	674	581
- Interest payable on borrowings	882	1,082	1,082
- Interest payable on loans	741	1,064	1,064
- Other interest and charges payable	69	169	168
- Provision to the exchange fluctuation reserve	0	8	8
- Exchange losses	39	17	0
Total	**2,378**	**3,014**	**2,903**

The decrease in financial charges is mainly due to a decrease in the average debt in the year.

D. ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

D.19.c Write downs of equity investments
The write-down of 1,173 thousand Euro relates to the investment in Le Bourget, commented upon in the section on financial assets to which reference should be made.

D.19.c Write downs of securities booked under current assets not representing equity investments
This caption comprises the write-down of own shares held in portfolio, adjusting them to market value, as specified in the comment on item ‘C III 5.’ on the assets side of the balance sheet.

E.22 Income taxes for the year
Income taxes for the year have been calculated using current tax rates and after making the necessary adjustments to increase or decrease the statutory profit. The tax charge amounts to Euro 1,229 thousand. Current taxes include IRAP for 734 thousand Euro and substitute taxes of 161 thousand Euro while deferred taxes amount to 334 thousand Euro relating mainly to the provision for taxes on accelerated depreciation.
The tax losses for 2002 and 2003, which can be carried forward for 5 years, amounts to 9,292 thousand Euro; for prudence sake, the related tax benefit will be accounted for when used.

Ceresara, March 30, 2004

Chairman of the Board of Directors
Mr. Francesco Bertoni

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. - 1 a) Schedule of movements in financial fixed assets for the year ended 31 December 2003 - 1b) List of equity investments in accordance with article 2427 of D.Lgs 5/91
2. - Schedule of changes in shareholders' equity for the year ended 31 December 2003
3. - Cash flow statement for the year ended 31 December 2003 and 2002
4. - Schedule of remuneration paid to the Directors, Statutory Auditors and General Managers for the year ended 31 December 2003
5. - List of significant investments held as of 31 December 2003
6. - Financial statements at 31 December 2003 compared to the pro-forma figures at 31 December 2002

Attachment n. 1a

SCHEDULE OF MOVEMENTS IN FINANCIAL FIXED ASSETS FOR THE YEAR ENDED 31 DECEMBER 2003 (IN THOUSANDS OF EURO)

	OPENING BALANCE				MOVEMENTS DURING THE YEAR					CLOSING BALANCE	
DESCRIPTION	HISTORICAL COST	REVALUATION	WRITEDOWN	BALANCE 31/12/2002	INCREASE	RECLASSIFICATION	DECREASE	REVALUATION	WRITEDOWN	BALANCE 31/12/2003	OF WHICH REVALUED
EQUITY INVESTMENTS											
SUBSIDIARY COMPANIES											
LEPEL SRL - CARPI (MO) Via Nuova Ponente, 25/b	21,031			21,031			(21,031)			0	
LE BOURGET S.A FRESNOY LE GRAND (F)	16,269		(3,007)	13,261					(1,173)	12,089	
BO.MO. SRL - PONCARALE (BS) Via San Martino 8/12	0	0	0	0	12					12	
SANPELLEGRINO POLSKA Sp.Z.o.o. Ul.Lodzka, 27-KONSTANTYNOW (LODZ) (PL)	1,163			1,163						1,163	
TOTAL SUBSIDIARY COMPANIES	**38,463**	**0**	**(3,007)**	**35,455**	**12**	**0**	**(21,031)**	**0**	**(1,173)**	**13,264**	**0**
ASSOCIATED COMPANIES											
ROZAL SARL - PARIS (F) Rue Turbigo, 30	9		(9)	0						0	
TOTAL ASSOCIAED COMPANIES	**9**	**0**	**(9)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
OTHER COMPANIES											
CASSA RUR. ED ART. CASTELGOFFREDO (MN) Via Giotto, 2	**0**			0						0	
FONDO PENSIONE PREVIMODA - MILANO Viale Sarca, 223	2			2						2	
CONAI - ROMA Viale dell'Astronomia, 30	2			2						2	
TOTAL OTHER EQUITY INVESTMENTS	**4**	**0**	**0**	**4**	**0**	**0**	**0**	**0**	**0**	**4**	**0**
TOTAL EQUITY INVESTMENTS	**38,476**	**0**	**(3,016)**	**35,459**	**12**	**0**	**(21,031)**	**0**	**(1,173)**	**13,268**	**0**
RECEIVABLES											
SUBSIDIARY COMPANIES											
BENETTON LEGS LOAN	1			1			(1)			0	
TOTAL RECEIVABLES FROM SUB COS	**1**	**0**	**0**	**1**	**0**	**0**	**(1)**	**0**	**0**	**0**	**0**
ASSOCIATED COMPANIES											
ROZAL SARL LOAN	31			31						31	
TOTAL RECEIVABLES FROM ASSOC COS	**31**	**0**	**0**	**31**	**0**	**0**	**0**	**0**	**0**	**31**	**0**
OTHER RECEIVABLES											
Advance tax on severance indemnities	149			149			(18)			131	
TOTAL RECEIVABLES	**149**	**0**	**0**	**149**	**0**	**0**	**(18)**	**0**	**0**	**131**	**0**
TOTAL RECEIVABLES	**181**	**0**	**0**	**181**	**0**	**0**	**(19)**	**0**	**0**	**162**	**0**

Attachment n. 1b

LIST OF EQUITY INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES AT 31 DECEMBRE 2003 (ART. 2427 OF THE CIVIL CODE)

IN THOUSANDS OF EURO

NAME	SHARE CAPITAL IN LOCAL CURRENCY	SHAREHOLDERS' EQUITY	PROFIT OR LOSS	HOLDING %	BOOK VALUE	VALUE EX ART. 2426 N. 4 C.C. (NET EQUITY)	DIFFERENCE BETWEEN BOOK VALUE AND SHAREHOLDERS' EQUITY
EQUITY INVESTMENTS							
SUBSIDIARY COMPANIES							
LE BOURGET S.A FRESNOY LE GRAND (F)	Euro 1.545,170	*** 1,034	(933)	99.97	12,089	7,680	(4,409)
SANPELLEGRINO POLSKA Sp.Z.o.o. Ul.Lodzka, 27- KONSTANTYNOW (LODZ) (PL)	Zloty 9,006,400	** 1,871	(730)	50	1,163	850	(313)
BO.MO. SRL - PONCARALE (BS) Via San Martino 8/12	Euro 93,600	*** 76	29	40	12	30	18
ASSOCIATED COMPANIES							
ROZAL SARL - PARIS (F) Rue Turbigo, 30	F.F 300,000	* (100)	(179)	20	-	(20)	(20)

NOTES:

* as per the financial statements at 30 June 2000 (or the latest available)

** as per financial stetements at 31 December 2003, translated at exchange rates of the end of 2003

*** as per the statutory financial statements at 31 December 2003

Attachment n. 2 (in thousands of Euro)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2003

Description	Share Capital	Share premium	Riserve for own shares	Revaluation reserves	Legal reserve	Other reserves	Net profit (loss) for the year	Total shareholders' equity
Balances at 1 January 2003	**12,740**	**18,076**	**3,774**	**13,023**	**1,359**	**9,402**	**(1,854)**	**56,520**
Coverage of 2002 loss (General meeting of 30 April 2003)								
- Allocation to 'Reserve for undistributed profits'						(1,854)	1,854	-
- Dividends						(1,107)		(1,107)
Decrease in reserve for own shares			(459)			(459)		-
Creation of the reserve for accelerated depreciation						3,624		3,624
Net profit (loss) for the year							(9,259)	(9,259)
Balance at 31 December 2003	**12,740**	**18,076**	**3,315**	**13,023**	**1,359**	**10,524**	**(9,259)**	**49,778**

Attachment n. 3 (IN THOUSANDS OF EURO)

CASH FLOW STATEMENT
for the years 2003 and 2002

		2003	2002
A.	**OPENING NET FINANCIAL POSITION**	**(49,403)**	**(47,157)**
B.	**CASH FLOWS FROM (FOR) OPERATING ACTIVITIES**		
	Net profit/(loss) for the year	(9,259)	(1,854)
	Depreciation, amortization and writedowns	8,904	8,604
	Losses on and writedowns of financial fixed assets	1,173	0
	Net change in severance indemnities for employees and agents	445	437
	Net change in allowance for risks and charges	396	(187)
	Cash flows from operating activities before changes in working capital	**1,659**	**7,000**
	(Increase) decrease in trade receivables	5,833	5,251
	(Increase) decrease in inventories	12,311	(506)
	Increase (decrease) in trade and other payables	7,188	(4,255)
	Increase (decrease) in own shares	458	1,605
	Changes in other working capital items	1,240	(813)
	Effect of Lepel merger on changes of working capital items	(13,325)	0
	Total changes in working capital	**13,705**	**1,282**
		15,364	**8,282**
C.	**CASH FLOWS FROM (FOR) INVESTMENT ACTIVITIES**		
	(Purchase) disposal of fixed assets:		
	Intangible	(1,588)	(1,045)
	Tangible	(646)	(3,268)
	Financial	82	92
		(2,152)	**(4,221)**
D.	**CASH FLOWS FROM (FOR) FINANCING ACTIVITIES**		
	New loans net of the current portion of loans transferred to current payables	550	(5,199)
	Dividends paid	(1,107)	(1,108)
		(557)	**(6,307)**
E.	**TOTAL CASH FLOWS FOR THE YEAR B+C+D)**	**12,655**	**(2,246)**
F.	**Net liquidity (debt) of Lepel at merger date**	(2,442)	0
G.	**CLOSING NET FINANCIAL POSITION (A+E+F)**	**(39,190)**	**(49,403)**

Attachment n. 4

Attachment 3C - table 1

(IN THOUSANDS OF EURO)

SCHEDULE OF REMUNERATION PAID TO THE DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS FOR THE YEAR ENDED 31 DECEMBER 2003

PERSON	DESCRIPTION OF OFFICE		REMUNERATION				
NAME	OFFICE HELD	TERM OF OFFICE	COMPENSATION		FRINGE BENEFITS	BONUSES AND OTHER INCENTIVES	OTHER REMUNERATION
			IN PARENT COMPANY	IN SUBSIDIARIES			
BERTONI FRANCESCO	Chairman of the Board and Managing dir.	30.04.03 for 3 years	315		use of cell phone		
BERTONI ENZO	Managing Director	30.04.03 for 3 years	253		use of cell phone		
BERTONI MARIA GRAZIA	Managing Director	30.04.03 for 3 years			use of cell phone		80**
BERTONI CARLO	Managing Director	30.04.03 for 3 years			use of cell phone		77**
TEDOLDI ARTURO	Director	30.04.03 for 3 years			use of cell phone		144**
BOSSI GIANFRANCO	Director **	30.04.00 for 3 years	4				
ARMANINI MASSIMO	Director	30.04.03 for 3 years	13				
ROSSI STEFANO	Director	30.04.03 for 3 years	9				
STRACCIARI VANNA	Chairman of Statutory Auditors	30.04.03 for 3 years	17				
MONTESANO MARCO	Statutory Auditors	30.04.03 for 3 years	11				
SAVOIA LUCA	Statutory Auditors	30.04.03 for 3 years	11				
BOSSI GIANFRANCO	General Manager	starting from 14.07.03	139		use of cell phone		
RETTA MASSIMILIANO	General Manager	resign. on 11.07.03					376**

* salary
** until 30 April 2003

Attachment n. 5

List of significant investments held as of 31 December 2003
(article 125 of CONSOB Resolution No. 11971 dated 14 May 1999; CONSOB clarification dated 14 July 2000)

Company	Number of shares or quotas held	% of share capital	Currency	Nominal value	Type of control	Nature of relationship	Ownership
Le Bourget S.A. 02230 Fresnoy Le Grand Francia	1,544,766	99.97	Euro	1	By right	Direct	Owned
BO.MO. SrL Via San Martino, 8/10 25020 Poncarale Bs	37,440	40 (*)	Euro	1	By right	Direct	Owned
San Pellegrino-Polska Sp.z.o.o. ZPCHr. ul. Lodska, 95050 Konstantynow - Lodz Polonia	90,064	50	Zloty	50	By appointment and revocation of the Directors	Direct	Owned
Rozal SARL 30 Rue de Turbigo 75003 Paris Francia	600	20	Euro	91.46	By right	Direct	Owned

Note: the share capital comprises ordinary shares or quotas with voting rights only.

(*) The remaining 60% is owned indirectly through the controlled company Le Bourget S.A.

Attachment n. 6

CSP INTERNATIONAL INDUSTRIA CALZE S.P.A.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31/12/2003

BALANCE SHEET					31/12/2003	PRO-FORMA 31/12/2002
ASSETS:						
A)	RECEIVABLES FROM SHAREHOLDERS				0	0
B)	FIXED ASSETS					
	I.	Intangible fixed assets:				
		1.	incorporation and expansion costs		144,909	0
		3.	industrial patents and intellectual property rights		112,317	360,647
		4.	concessions, licences, trade marks and similar rights		1,156,863	2,158,790
		5.	goodwill		5,616,009	6,514,116
		6.	intangible in progress and advances		1,622,543	668,061
		7.	others		428,470	147,601
		Total I.			**9,081,111**	**9,849,215**
	II.	Tangible fixed assets:				
		1.	land and buildings		17,679,580	17,281,387
		2.	plant and machinery		16,865,810	17,774,523
		3.	industrial and commercial equipment		256,053	258,776
		4.	other fixed assets		1,237,379	851,293
		5.	construction in progress and advances		68,276	68,276
		Total II.			**36,107,098**	**36,234,255**
	III.	Financial fixed assets:				
		1.	Equity investments in:			
			a)	subsidiary companies	13,263,178	14,424,676
			d)	other companies	3,815	3,815
			Total 1.		**13,266,993**	**14,428,491**
		2.	Receivables:			
			b)	associated companies:		
				b.a. due within 12 months	31,243	32,377
			d)	other receivables	130,588	223,640
			Total 2.		**161,831**	**256,017**
		Total III.			**13,428,824**	**14,684,508**
	TOTAL FIXED ASSETS (B)				**58,617,033**	**60,767,978**

BALANCE SHEET				31/12/2003	PRO-FORMA 31/12/2002
C)	CURRENT ASSETS				
	I.	Inventories:			
		1.	raw, ancillary and consumable materials	6,222,369	7,229,687
		2.	semi-finished products, work-in-progress	9,802,900	14,810,727
		4.	finished products and goods	16,690,467	22,986,548
		Total I.		**32,715,736**	**45,026,962**
	II.	Receivables:			
		1.	trade accounts:		
			1.a. due within 12 months	37,618,729	42,838,993
		2.	subsidiary companies:		
			2.a. due within 12 months	9,237,483	8,529,354
		3.	associated companies:		
			3.a. due within 12 months	99,945	99,945
		5.	others:		
			5.a. due within 12 months	2,333,692	4,351,676
			5.b. due beyond 12 months	15,822	13,571
			Total 5.	**2,349,514**	**4,365,247**
		Total II.		**49,305,671**	**55,833,539**
	III.	Current financial assets:			
		5.	own shares	3,315,550	3,774,160
		Total III.		**3,315,550**	**3,774,160**
	IV.	Liquid funds:			
		1.	cash at banks and post offices	690,924	287,057
		3.	cash and equivalents on hand	38,990	31,565
		Total IV.		**729,914**	**318,622**
	TOTAL CURRENT ASSETS (C)			**86,066,871**	**104,953,283**
D.	ACCRUED INCOME AND PREPAID EXPENSES			**1,099,640**	**324,620**
TOTAL ASSETS				**145,783,544**	**166,045,881**

				31/12/2003	PRO-FORMA 31/12/2002
LIABILITIES AND SHAREHOLDERS' EQUITY:					
A)	SHAREHOLDERS' EQUITY:				
	I.	Share capital		12,740,000	12,740,000
	II.	Share premium reserve		18,075,991	18,075,991
	III.	Revaluation reserves		13,023,279	13,023,279
	IV.	Legal reserve		1,358,524	1,358,524
	V.	Reserve for own shares in portfolio		3,315,550	3,774,160
	VI.	Statutory reserves		0	0
	VII.	Other reserves:			
		a.	undistributed profit	6,693,915	9,196,593
		b.	capital grants reserve	205,717	205,717
		c.	reserve for accelerated depreciation	3,623,500	0
	Total VII.			**10,523,132**	**9,402,310**
	VIII.	Retained earnings		0	0
	IX.	Net profit (loss) for the year		(9,258,663)	(1,854,231)
	TOTAL SHAREHOLDERS' EQUITY (A)			**49,777,813**	**56,520,033**
B)	ALLOWANCE FOR RISKS AND CHARGES:				
	2.	taxation		2,765,499	260,280
	3.	other		979,478	956,535
	TOTAL ALLOWANCE FOR RISKS AND CHARGES (B)			**3,744,977**	**1,216,815**
C)	SEVERANCE INDEMNITIES			7,058,936	6,595,693
D)	PAYABLES:				
	3.	banks:			
		a.	due within 12 months	39,920,222	52,164,313
		b.	due beyond 12 months	14,131,655	13,581,949
		Total 3.		**54.051.877**	**65,746,262**
	5.	advances:			
		a.	due within 12 months	201,304	0
	6.	trade accounts:			
		a.	due within 12 months	26,186,351	30,147,308
	8.	subsidiary companies:			
		a.	due within 12 months	786,191	1,312,922
	11.	taxes authorities:			
		a.	due within 12 months	2,007,751	2,018,563
		Total 11.		**2,007,751**	**2,018,563**

				31/12/2003	PRO-FORMA 31/12/2002
	12.	social security institutions:			
		a.	due within 12 months	853,924	948,710
	13.	other payables:			
		a.	due within 12 months	870,850	1,000,266
	TOTAL PAYABLES (D)			**84,958,248**	**101,174,031**
E)	ACCRUED LIABILITIES AND DEFERRED INCOME			**243,570**	**539,309**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY				**145,783,544**	**166,045,881**

MEMORANDUM ACCOUNTS		31/12/2003	PRO-FORMA 31/12/2002
- Risks			
	- Mortgages on loans	17,500,000	0
	- Sureties in favor of third parties	546,149	406,786
	- Sureties in favor of controlled companies	13,475,000	12,710,000
- Commitments			
	- Commitments for the purchase of goods	440,400	602,204
	- Commitments for the purchase of ferign currency	673,225	0
- Other			
	- Third party assets	0	8,162
- Total		**32,634,774**	**13,727,152**

STATEMENT OF INCOME					2003	PRO-FORMA 2002
A)	PRODUCTION VALUE:					
	1.	Revenues from sale of goods and services			122,886,635	138,992,850
	2.	Changes in inventories of work-in-progress, semi-finished and finished products			(11,172,262)	5,767,736
	5.	Other income:				
		a.	other income		1,826,330	1,452,076
	TOTAL PRODUCTION VALUE (A)				**113,540,703**	**146,212,662**
B)	PRODUCTION COSTS:					
	6.	Raw, ancillary and consumable materials and goods			42,528,071	62,611,072
	7.	Services			42,272,612	43,728,426
	8.	Leases and rentals			211,127	207,259
	9.	Labour costs:				
		a.	wages and salaries		15,056,477	15,211,730
		b.	social security contributions		4,912,086	4,926,030
		c.	severance indemnities		1,260,275	1,261,588
		e.	other costs		15,664	23,507
		Total 9.			**21,244,502**	**21,422,855**
	10.	Depreciation, amortisation and writedowns:				
		a.	amortisation of intangible fixed assets		2,356,109	2,600,097
		b.	depreciation of tangible fixed assets		6,548,474	8,181,503
		d.	writedown of receivables included in current assets and liquid funds		432,746	739,219
		Total 10.			**9,337,329**	**11,520,819**
	11.	Changes in inventories of raw, ancillary and consumable materials and goods			1,138,964	979,972
	12.	Provisions for risks and charges			99,839	104,469
	14.	Other operating expenses			789,796	838,420
	TOTAL PRODUCTION COSTS (B)				**117,622,240**	**141,413,292**
	DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS (A - B)				**(4,081,537)**	**4,799,370**
C)	FINANCIAL INCOME AND (CHARGES):					
	16.	Other financial income:				
		c.	income from securities held as current assets, not representing equity investments		0	30,610
		d.	other than above:			
			d.	from third parties	59,856	101,922
		Total 16.			**59,856**	**132,532**

				2003	PRO-FORMA 2002
	17.	Interest and other financial charges:			
		d.	from third parties	(2,377,652)	(3,013,663)
	TOTAL FINANCIAL INCOME AND (CHARGES) (C)			**(2,317,796)**	**(2,881,131)**
D)	ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS:				
	19.	Writedowns:			
		a.	equity investments	(1,173,000)	0
		c.	income from securities held as current assets, not representing equity investments	(458,610)	(2,233,115)
		Total 19.		**(1,631,610)**	**(2,233,115)**
	TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)			**(1,631,610)**	**(2,233,115)**
E)	NON-RECURRING INCOME AND (CHARGES):				
	20.	Non-recurring income:			
		b.	other non-recurring income	1,762	67,487
		Total 20.		**1,762**	**67,487**
	21.	Non-recurring charges:			
		c.	other non-recurring charges	0	(4,229)
		Total 21.		**0**	**(4,229)**
	TOTAL NON-RECURRING INCOME AND (CHARGES) (E)			**1,762**	**63,258**
	PROFIT (LOSS) BEFORE TAXES (A-B+/-C+/-D+/-E)			**(8,029,181)**	**(251,618)**
	22.	Income taxes for the year		**(1,229,482)**	**(2,138,106)**
	26.	**NET PROFIT (LOSS) FOR THE YEAR**		**(9,258,663)**	**(2,389,724)**

REPORT OF THE BOARD OF STATUTORY AUDITORS

STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING IN ACCORDANCE WITH ARTICLE 153 OF THE LEGISLATIVE DECREE 58 OF 1998 AND ARTICLE 2429 OF THE CIVIL CODE

To the shareholders' meeting of C.S.P. International Industria Calze S.p.A.

For the year ended 31 December, 2003 we have performed controls and verifications in compliance with the requirements of law and in accordance with the principles of conduct for Statutory Auditors as recommended by the Italian Accounting Profession (Consigli nazionali dei dottori commercialisti e dei ragionieri).
In particular, and also in accordance with the instructions issued by Consob in the communication of 6 April 2001, we performed the following:
We have observed correct application in accordance with law and the statutes of the company.
We have received from the directors, on a quarterly basis, information relating to the activities carried out and on the most significant economic, financial and equity transactions made by the company (and by its subsidiaries) and we can reasonably assert that the actions taken and deliberated upon are in compliance with law and the statutes of the company and there have been no cases of imprudence, risks, potential conflict of interest or contrary to the deliberations taken in shareholders meetings or that would compromise the integrity of the assets of the company.
We have obtained information and verified, in relation to the extent of our responsibility, the adequacy of the organisation structure of the company, compliance with correct administrative principles and the adequacy of the company's instructions to its subsidiaries in accordance with article 114, paragraph 2 of the Legislative Decree 58 of 1998, through the obtaining of information from the persons responsible for various departments and meetings with the auditing firm for the reciprocal exchange of relevant figures and information from which no matters arose on which to report on.
We have evaluated and verified the internal control and administration/accounting systems and the reliability of this latter to correctly represent the business operations, through the obtaining of information from the persons responsible for the different departments, the examination of company documents and the analysis of the results of the work performed by the audit firm, reviewing the activity of the person responsible for the internal control department and no matters arose on which to report on.
We have held meetings with personnel from the auditing firm in accordance with article 150, paragraph 2 of the Legislative Decree 58 of 1998 and no significant information or facts arose that should be reported upon in the present report.
During the year 2003 there were no untypical and/or unusual transactions.
The Audit Firm performed its work in accordance with generally accepted auditing standards and did not report any exceptions. The Audit firm did draw attention to the adjustment of depreciation exclusively in application of fiscal deductions. No other assignments or opinions were conferred to the Audit Firm or parties connected to the audit firm.
The request brought by a shareholder in accordance with article 2408 of the civil code was examined and adequate responses were provided on the correct conduct of the Company.
We have noted the adherence of the company to the Self-Governance Code prepared by the Corporate Governance Committee for quoted companies.
The above-mentioned activities were carried out through 6 meetings of the Board (also through individual interventions) and the attendance at the Board of Directors meetings in accordance with article 149, paragraph 2 of the Legislative Decree 58, 1998, which met 7 times.
We propose to the shareholders' meeting the approval of the financial statements for the year ended 31/12/2003 and the covering of the losses through the allocation to reserves.

Ceresara, 8 April, 2004

The Statutory Auditors

Vanna Stracciari	Chairman
Marco Montesano	Standing Member
Luca Savoia	Standing Member

REPORT OF THE INDEPENDENT AUDITORS

Deloitte.

Deloitte & Touche S.p.A.
Via Albere, 19
37138 Verona
Italia

Tel: +39 045 8167411
Fax: +39 045 573336
www.deloitte.it

REPORT OF THE INDEPENDENT AUDITORS PURSUANT TO ART. 156 OF LEGISLATIVE DECREE N° 58 OF FEBRUARY 24, 1998

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

1. We have audited the financial statements of CSP International Industria Calze S.p.A. as of and for the year ended December 31, 2003. These 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.

2. 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 audit works on the financial statements of certain subsidiaries, representing respectively 100% and 9.1% of total equity investments and total assets, are the responsibility of other auditing firms.

   For the opinion on the prior year's financial statements, which are presented for comparative purposes as required by law, reference should be made to the auditors' report issued by Deloitte & Touche Italia S.p.A. on March 31, 2003.

3. In our opinion, the financial statements of CSP International Industria Calze S.p.A. as of and for the year ended December 31, 2003, comply with the Italian statutory provisions related to financial statements; therefore they give a true and fair view of the financial position and results of operations of the Company.

4. For a better understanding of the financial statements, we wish to draw the attention on the fact that, as described in more detail in the notes to the financial statements, in the current year the Company changed the accounting treatment for accelerated depreciation, which in previous years was directly accounted for in the statement of income. In accordance with the accounting treatment recommended by the Accounting Principle n. 25 issued by the Italian Accounting Profession, the Company deducts accelerated depreciation solely for tax purposes as a reduction in the taxable income; in addition the Company accounts for related deferred taxes in the relevant provision of the balance sheet. In accordance with the above mentioned Accounting Principle, the accumulated accelerated depreciation at the beginning of the year was reclassified as a reserve in Shareholders' equity, "Reserve for accelerated depreciation", with the corresponding deferred taxes accounted for by debiting the same reserve. Such accounting treatment is allowed by paragraph 7 of article 6 of Law n.388/2000 as alternative to debiting retained earnings, as required by accounting principles. The adoption of the new accounting principle relating to accelerated depreciation resulted in an increase in Shareholders' equity as of January 1, 2003, of Euro 3,624 thousand.

DELOITTE & TOUCHE S.p.A.

Signed by
Giancarlo De Marchi
Partner

Verona, Italy,
March 31, 2004

This report has been translated into English from the original issued in Italian solely for the convenience of international readers.

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