CSP INTERNATIONAL

CONSOLIDATED HALF YEAR REPORT

30 JUNE 2004

CSP GROUP

CORPORATE BODIES

Board of Directors

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

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.

DIRECTORS' REPORT ON GROUP OPERATIONS

The result for the first half of 2004 was a pre-tax loss of Euro 0.8 million. The losses have significantly reduced compared to the loss of Euro 7.4 million recorded in the first six months of 2003.

The losses in the first six months of 2004 were entirely recorded in the second quarter, which recorded a loss of Euro 2.4 million in the quarter compared to a loss of Euro 5.9 million in the previous year. As the second half of the year is traditionally negative due to seasonal factors, the result is in line with the business plan that provides for a pre-tax break-even for the current year.

Main results in the half year

A summary of the results for the first half of 2004, expressed in value and percentage terms on sales and compared to the same period in the previous year is shown below:

- the net consolidated sales amounted to Euro 60.4 million compared to Euro 65.0 million in the same period in the previous year, with a decrease of 7.1% (the decrease in the second quarter was contained to 1.6%);
- the gross margin (difference between net revenues and cost of sales) increased from Euro 21.6 million to Euro 22.5 million in absolute terms and approximately 4 percentage points, from 33.3% to 37.2%;
- the EBITDA doubled in both absolute and percentage terms: increasing from Euro 1.9 million to Euro 4.4 million and from 2.9% to 7.4%;
- the pre-tax result was a loss of Euro 0.8 million, compared to a loss of Euro 7.4 million in the first half of 2003. In percentage terms the loss decreased from -11.5% to -1.3%.

Progress in the Three-Year Business Plan

During the first half of 2004, as for the second part of 2003, there were some positive signs of recovery, in line with the objectives of the business plan.

The most significant results are shown in the table below.

AREA	RESULTS 1H 2004 VS. 1H 2003
Inventory	Reduction of Euro 1.1 million
Working Capital	Reduction of Euro 8.0 million
Debt	Reduction of Euro 13.1 million
Financial charges	Reduction of Euro 0.7 million
Cost of labour	Reduction of Euro 0.5 million

Further significant results are as follows.

A. Diversification: diversified products, that in the first half of the previous year accounted for 38.5% of sales, in the first half of the current year reached 39.1%.

B. The innovative products, which provide an improvement in margins, have reached the following values (the data refers only to the brands Sanpellegrino and Oroblù):
   - in quantity: 10.9%
   - in value: 26.0%

   This data indicates that a significant quota of the business derives from new products in the period 2003/2004, with prices two and a half times higher than the average. They relate to products with innovative characteristics, on which there is greater pricing freedom, as they are not directly comparable with competitor products.

C. Personnel: the employee numbers of the Group reduced from 1,301 (June 2003) to 1,159 (June 2004), with a reduction of 142 units, of which 91 in Le Bourget, 28 in the Parent Company and 23 in Sanpellegrino Polska.

D. The gross margin:
   - increased by approximately 4 percentage points in the first six months, from 33.3% to 37.2%;
   - increased by over 7 percentage points in the second quarter, from 28.9% to 36.4%;

- increased by approximately 5 percentage points compared to the previous year from 32.3% for the year 2003 to 37.2% in the first half of 2004.

Group performance

Summary statement of income

(in millions of Euro)	Period at 30 June 2004		Period at 30 June 2003		Full Year 2003	
	value	**%**	**value**	**%**	**value**	**%**
Net sales	60.37	100.0%	64.99	100.0%	142.38	100.0%
Cost of Sales	37.92	62.8%	43.36	66.7%	96.36	67.7%
Gross profit	**22.45**	**37.2%**	**21.63**	**33.3%**	**46.02**	**32.3%**
Selling, general and administrative costs	23.43	38.8%	25.34	39.0%	50.47	35.4%
Operating profit	**(0.98)**	**-1.6%**	**(3.71)**	**-5.7%**	**(4.45)**	**-3.1%**
Net financial charges	1.19	2.0%	1.90	2.9%	3.26	2.3%
Net other (income) and charges	0.04	0.1%	0.69	1.1%	(0.13)	0.0%
Extraordinary charges and (income)	(1.40)	-2.3%	1.14	1.8%	1.19	0.8%
Profit (loss) before taxes	**(0.81)**	**-1.3%**	**(7.44)**	**-11.5%**	**(8.77)**	**-6.2%**
Income taxes	0.00	0.0%	0.00	0.0%	(1.52)	-1.1%
Net profit (loss) for the period	**(0.81)**	**-1.3%**	**(7.44)**	**-11.5%**	**(10.29)**	**-7.3%**
Minority interests	(0.03)	-0.1%	0.05	0.1%	0.36	0.3%
Net profit (loss) for the Group	**(0.84)**	**-1.4%**	**(7.39)**	**-11.4%**	**(9.93)**	**-7.0%**

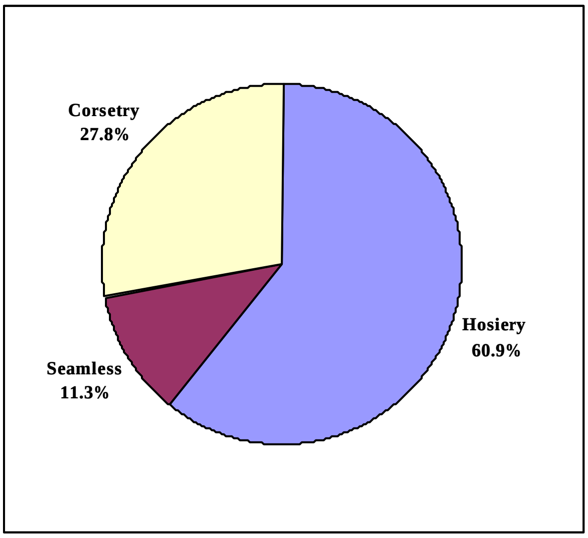
(*) The figures at 30 June do not include income taxes

Consolidated sales in the reclassified income statement analized in this Director's Report differ from the sales shown in the consolidated half-year financial statements (commented on in the following section of the Notes) because the former excludes sales to subcontractors to raise capacity by outsourcing certain types of production (sales of hosiery yarn and production materials) and the sales of men's socks for whom only the invoicing service is performed to the customer on behalf of the licensee. In order to provide a better representation of the activities of the Group, all of the comments refer to the reclassified income statement and balance sheet included in the present Director's Report.

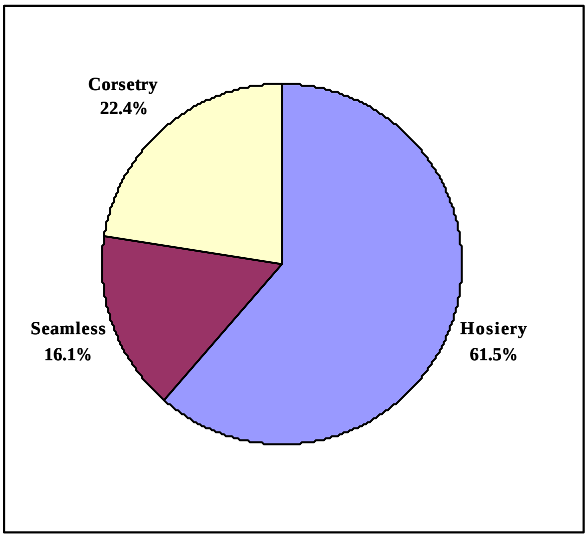
Net sales – Net sales in the first half of the year decreased from Euro 65.0 million to Euro 60.4 million, with a decrease of 7.1%.The result for the first half year was influenced by the continuing decrease in consumption especially in the hosiery market and operating problems in the first months of the year following the implementation of the new IT system. The revenues in the second quarter are substantially in line with the same period in the previous year due to the increases in corsetry and hosiery against a reduction in *seamless*.

The following graphs show the breakdown of sales by product sector, brand and geographical area for the period under review compared with those of the same period of 2003:

PRODUCTS: % of sales at 30.06.04

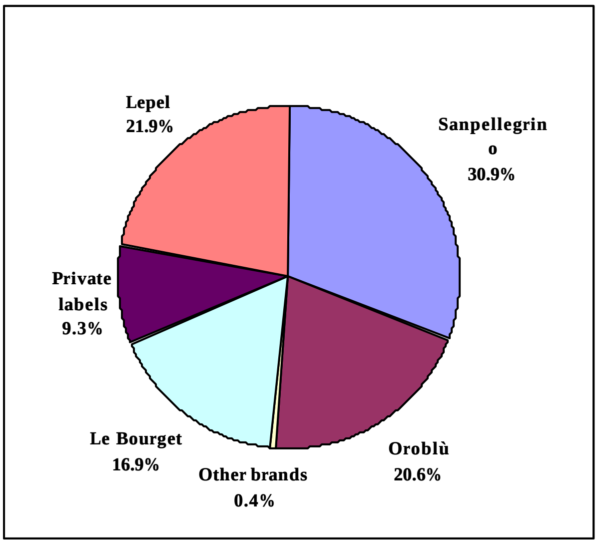


PRODUCTS: % of sales at 30.06.03

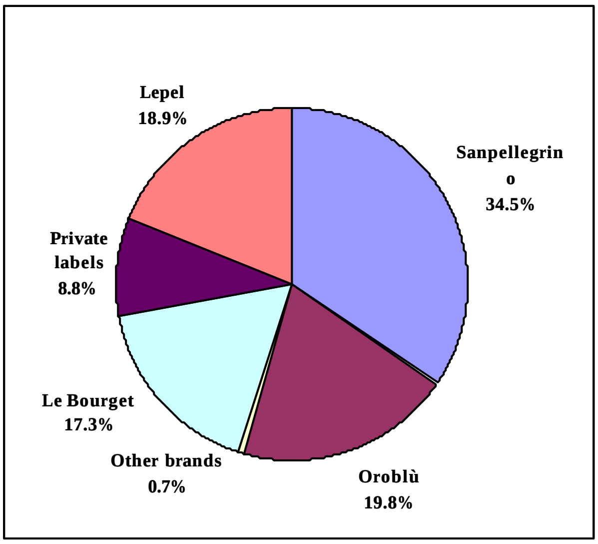


In the first six months of 2004 sales of hosiery declined by 8.0% compared to the same period in the previous year, following the chronic recessionary trend for these products. It should be noted that this decrease slowed down compared to the first half of 2003 (-21.1%) and the full year 2003 (-16.8%).
Corsetry recorded an increase of 15.1% in the first half of the year due to the introduction of new product lines added to the traditional Lepel articles.
In relation to seamless, sales decreased from Euro 10.5 million to Euro 6.8 million (-34.7%), principally due to the saturation of the market and reduced promotional activity of products in the wholesale channel.
As a result of the above factors the combined seamless/corsetry increased from 38.8% to 39.1% of total turnover, which in value terms is a decrease of Euro 25.0 million to Euro 23.6 million.

BRANDS: % of sales at 30.06.04

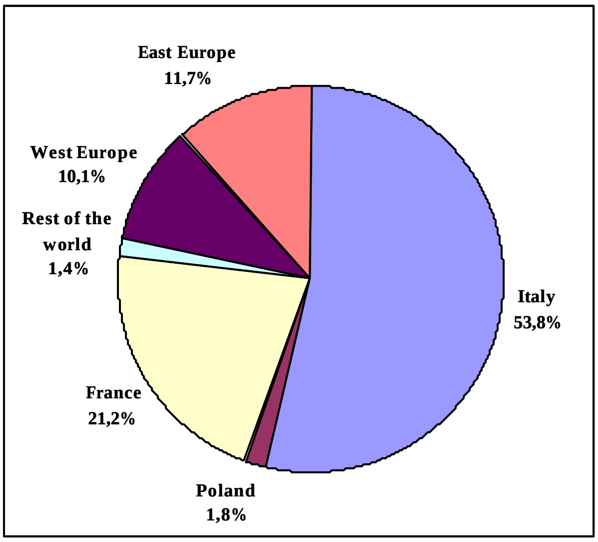


BRANDS: % of sales at 30.06.03

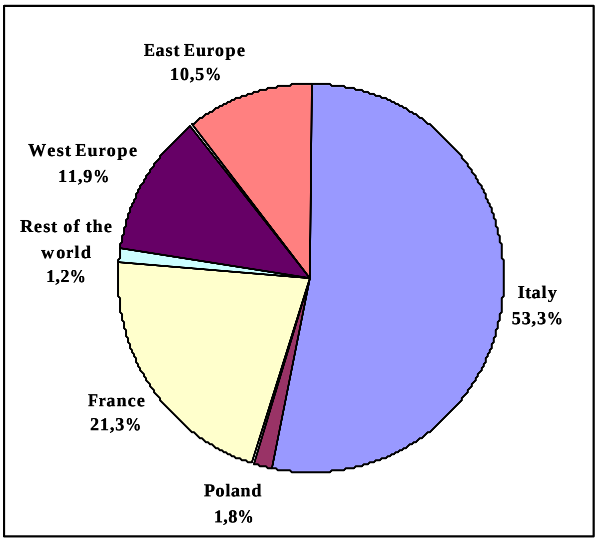


In the first six months of 2004, Sanpellegrino suffered from the negative effects of the previous mentioned drop in hosiery consumption, while Oroblù, thanks to diversification in corsetry products, maintained sales levels substantially in line with the same period in 2003.
Le Bourget recorded a decrease of 9.1% compared to the first half of 2003, particularly affected by the decline in consumption in the French market.
Lepel confirmed the growth already recorded in previous quarters, registering an increase of 7.4% compared to the first half of 2003.

AREAS: % of sales at 30.06.04



AREAS: % of sales at 30.06.03



In relation to sales by geographic area, the two principal markets, Italy and France, recorded decreases of respectively 6.0% and 7.5%, principally attributable to the previously mentioned decrease in consumption.
The third most important market, Russia, recorded an increase of 13.2% due to the reorder given to the Italy-Russia distribution system and thus confirms the signs of recovery already shown in the second part of 2003.
The Eastern European market recorded a positive result, with an overall increase of 3.0% compared to the first half of the previous year.
Sales in Western Europe recorded a decrease of Euro 1.7 million, principally due to the general decrease in consumption and organisational problems that impacted on the sales in the first two months of the year. Once these problems were overcome, the sales in the second quarter increased by Euro 0.5 million compared to the same period in 2003.

Gross profit – The gross profit margin for the first half-year was 37.2% compared to 33.3% in the same period in the previous year.
The improvement in the margin is principally due to the change in the sales mix in favour of products with higher margins and the containment of costs in part related to the restructuring plan implemented in the previous year.

Selling, general and administrative costs – Selling, general and administrative costs, equal to 38.8% of net sales in the period and in line with the same period in the previous year, reduced by Euro 1.9 million.
This reduction is substantially due to reduced advertising investments, that represent 10.7% compared to 12.9% in the first half of 2003, and principally arises from scheduling changes in the advertising campaigns of the different brands of the Group. These costs for the full year are expected in line with the costs in previous years.

Operating result – The operating result in the first half of 2004 is a loss of Euro 1.0 million, with an improvement of Euro 2.7 million compared to the same period in the previous year. Such result is mainly due to the above mentioned improvement in product margins and the reduction in advertising investments.

Financial charges, net – Net financial charges in the first half of 2004 reduced by Euro 0.7 million compared to the same period in the previous year, following the improvement in the net financial position.

Other income and charges – The decrease in the other charges compared to the first half of 2003 (Euro 0.7 million) is due to the fact that 2003 included the write-down iof the own shares held in portfolio adjusted to market value at the end of the period.

This valuation, for the period under review, did not result in the recording of significant values. At June 30, 2004 the Parent Company held own shares equal to 9.63% of the total with a carrying value of Euro 1.3334 per share.

Extraordinary income and charges – This caption, equal to Euro 1.40 million, refers to income received from a settlement made relating to a previous acquisition of equity investment.

Pre-tax result - The pre-tax result was a loss of Euro 0.8 million, compared to a loss of Euro 7.4 million in the first half of 2003.

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

Summary balance sheet

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

(in millions of Euro)	30 June 2004	31 December 2003	30 June 2003
Current assets	111.45	106.57	106.58
Current liabilities	(51.64)	(37.81)	(38.79)
Net working capital	**59.81**	**68.76**	**67.79**
Equity investments (including own shares)	3.48	3.57	3.31
Tangible and intangible fixed assets	49.04	53.78	58.05
Capital employed	**112.33**	**126.11**	**129.15**
Other medium/long-term liabilities	(12.37)	(12.46)	(12.43)
Net capital employed	**99.96**	**113.65**	**116.72**
Net debt	56.64	69.60	69.73
Shareholders' equity attributable to minority interests	1.01	0.94	1.30
Net equity	42.31	43.11	45.69
Total	**99.96**	**113.65**	**116.72**

(*) the quarterly results and as at June 30 are pre-tax

Working capital – The net working capital at June 30, 2004 amounting to Euro 59.8 million, decreased by Euro 8.0 million compared to the same period in 2003. This decrease is principally attributable to the increase in trade payables (Euro 13.3 million), due to the increase in purchases and variations in payment terms, partially compensated by an increase in trade receivables, principally due to the new distribution procedures of men’s stockings under licence.
The inventory, equal to Euro 59.9 million, reduced by Euro 1.1 million compared to June 30, 2003, while increased by Euro 12.7 million compared to December 31, 2003 due to the seasonality of the business.

Capital employed – The capital employed decreased from Euro 129.2 million at June 30, 2003 to Euro 112.3 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 approximately Euro 13.0 million compared to June 30, 2003 and December 31, 2003, principally due to the above-mentioned reductions in working capital.

The net financial position is comprised of:

	30 June 2004	31 December 2003	30 June 2003
Short-term bank borrowings	36.60	42.79	45.47
Current portion of medium/long-term debt	7.39	11.60	15.04
Cash and banks	(1.47)	(1.07)	(1.39)
Net short-term borrowings	**42.52**	**53.32**	**59.12**
Medium/long-term lending, net of the current portion	14.12	16.28	10.61
Net debt	**56.64**	**69.60**	**69.73**

It should be noted that the medium/long term financing includes the bond loan of Euro 5 million underwritten by a shareholder pact agreement dated April 30, 2004.

Group performance company by company

In relation to the results of the individual companies, the most significant aspects and events in the first half of the year are noted below.

Parent Company
The Parent Company includes the brands Sanpellegrino, Oroblù, Lepel and also makes intercompany sales to the subsidiaries Le Bourget and Sanpellegrino Polska. Overall, the Parent Company recorded a net result of Euro 2.8 million in the first half of the year, equal to 5.5%. The Ebitda was equal to 13.4%.

Sanpellegrino / Oroblù Division
We recall that sales of the two brands Sanpellegrino and Oroblù decreased, in the first two months of the year, due to the implementation of the new SAP system that, resulting in a compete update of the company organisation procedures, slowed down operations at the beginning of the year.
The following months, although operations returned to normal levels, did not recover the handicap at the beginning of the year. As a consequence, the first half year recorded a reduction in net sales of 11.5% compared to the previous year.

Lepel Division
The Lepel brand was not affected by the operating problems connected to the adoption of SAP, which was only adopted by the division at the beginning of the second half of the year, having benefited from the experience in the previous months by Sanpellegrino and Oroblù. The net sales in the first half of the year increased by 3.1% compared to the previous year.

New products of the Parent Company
The collection of Sanpellegrino and Oroblù cosmetic tights were further enriched by new articles, presented to the market in the first half of the year;

- Sanpellegrino BioComplex, developed in collaboration with the Herbal Institute Angelica, now includes a Rinfrescante article, with extracts of mint and eucalyptol, Cell-Control, assists in anti-cellulite and Epil-Control, that controls the development of piliferous for legs;
- Oroblù BioAction, developed in collaboration with the Swiss institute Transvital, now includes the new products Refresh, Cellu-Light and Epil-Retard, with similar characteristics to the corresponding Sanpellegrino articles.

The Sanpellegrino BioComplex and Oroblù BioAction collections from their launch up to-date, that is the second half of 2003 and the period January/August 2004, have achieved total sales of Euro 3.8 million.

In addition, two new Sanpellegrino products were presented:
- Sanpellegrino Pocket Tights, compact pocket tights, presented in an innovative plastic package;
- the Sanpellegrino "Invisible no-sign" seamless that does not leave outline marks on the skin.

Also in relation to the Sanpellegrino brand, the classic Support article was re-launched, under the name Support Tripla Azione, which provides gradable compression, retention bodice and aromatizer.

Finally, the Lepel brand presented the sportive underwear collection of Play Lepel.

<u>Advertising activity of the Parent Company</u>

The new products presented in recent months were supported by important advertising campaigns, in the following chronological order:
- in January/February Lepel Revolution TV campaign;
- in March/April Sanpellegrino BioComplex press campaign; Oroblù Futurity press campaign and Lepel Belseno billboard advertising with Natalia Estrada.

The Le Bourget Group

The subsidiary Le Bourget operates in the French market, which is the most important after Italy for the Group. The sales in the half year decreased by 6.5% compared to the same period in the previous year which is in line with the reduction in consumption in the market. After the result of substantial break-even in the first quarter of 2004, the second quarter reduced the losses compared to the same period in the previous year, which decreased from Euro 3.0 million to Euro 2.4 million. It is forecast that the second half of the year, which in the previous year produced a profit of Euro 2 million, can provide an overall break-even result for the year.

Sanpellegrino Polska

The Polish company is held 50% by CSP International, in a joint venture with an operator from Lodz. The sales in the first half of 2004 reduced by 5.8%, principally due to the reduced opportunities in the other Eastern European countries. Sanpellegrino Polska, after recording a profit in the first quarter of the year, again recorded a small profit. Overall, the net result for the first half of 2004 was Euro 65,000 compared to a loss of Euro 141,000 in the first half of 2003.

<u>Licences</u>

We recall that the current licenses produced sales of over Euro 13 million in 2003, providing royalties of Euro 0.5 million. In the first half of 2004 royalties were recorded of Euro 220,000. The half year results do not include the royalties from Lepel, as illustrated below. In addition, the results do not include the royalties relating to the pullovers of Oroblù Pul-Lovers & Co., which mature in the second half of the year.

Meanwhile, three new licences have commenced in the swim wear market, respectively with the brands
- Oroblù Mare for the Retail channel;
- Sanpellegrino Beach Time for the Wholesale channel;
- Sanpellegrino Beach Time for the Large Retail Chain Stores channel.

The royalties for these three collections will mature in 2005.
Finally, further licences, currently in the finalisation phase, will be signed by the end of 2004, for Oroblù, Sanpellegrino and Lepel, relating to complementary merchandise and in cohesion with the respective brand images.

Transactions with Group companies and related parties

During the first half-year of 2004 there were no unusual operations or matters relating to communications issued by Consob.
The transactions between Group companies principally relate to production and commercial transactions, regulated at normal market conditions.

Subsequent events to June 30, 2004

Medium-term loan
At the beginning of the second half of the year a medium-term loan was received, with a duration of 8 years, for a value of Euro 18 million. The loan does not result from the necessity for an increase in debt, which is in reduction, but rather the objective of rationalising the debt, through increasing the level of medium-term debt compared to short-term debt. Currently, after the above-mentioned operation, the debt of the Parent Company is divided approximately equally between medium-term and short-term.

Brand shops
At the end of September the fourth Oroblù store in Italy was opened at Lingotto, Turin (there are presently 16 in Poland and 3 in Russia).

Licenses
A new license commenced with the company Samar, in the leisure clothing market: the new collection is called Oroblù Your Time.

Lepel in the UK and Canada
The licence agreement with Sherwood Group, currently in force relating to the Lepel brand in UK and Canada, was transformed into a sale of the brand, limited to the territory covered by the licence: CSP International received a payment of Euro 1.5 million that will be recorded in the income statement in the third quarter. The agreement provided that royalties would no longer be paid as of January 1, 2004.

Extraordinary items
The presence of extraordinary items in the income statement warrants the following observations:
- firstly, it can be considered as positive that there are no negative extraordinary items in a restructuring phase;
- secondly, the positive extraordinary items result from specific initiatives undertaken by the Group;
- thirdly, if the break-even objective in 2004 is achieved with the assistance of some extraordinary items, this does not modify out forecast for a return to profit in 2005.

Sale of own shares
The Parent Company sold own shares, amounting to 4.9% of the total share capital, to primary institutional investors. The operation was undertaken by Banca Leonardo, through a private placement, at a price of Euro 1.350 per share, for a total value of Euro 1,620,000.
It is recalled that the own shares held by CSP International had a carrying value, as at 30.06.2004, equal to Euro 1.333. The operation therefore results in a small gain.
Following the sale, CSP International holds own shares amounting to 4.7% of the share capital.

Future Outlook

We recall the forecasts formulated one year ago, on the occasion of the presentation of the results for the first half of 2003:

- containment of the losses in the second half of 2003, compared to the first half year;
- pre-tax break-even in 2004;
- return to net profit after taxes in 2005.

One year on we reconfirm these objectives, as the results recorded in the second half of 2003, in the first half of 2004 and the actions in progress, are in line with the objectives of the Plan.

Ceresara, September 28, 2004

Chairman of the Board of Directors
Francesco Bertoni

Attachments:

1. Reclassified income statement
2. Reclassified balance sheet

CSP GROUP

Reclassified Consolidated Statement of Income

(figures in thousands of Euro)

	Period at 30 June 2004 CONSOLIDATED	Period at 30 June 2003 CONSOLIDATED	31 December 2003 CONSOLIDATED
Net sales	60,145	64,667	141,840
Income from royalties	220	321	543
NET REVENUES	**60,365**	**64,988**	**142,383**
COST OF SALES			
Purchases	26,733	22,684	41,511
Labour cost	9,056	9,648	18,154
Services	7,915	7,426	13,195
Depreciation and amortisation	3,046	3,459	6,621
Other costs	3,807	3,666	6,681
(Increase) decrease in inventories	(12,643)	(3,522)	10,201
	37,914	**43,361**	**96,363**
GROSS PROFIT	**22,451**	**21,627**	**46,020**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES			
Labour cost	7,117	7,067	13,854
Advertising expenses	6,462	8,385	16,401
Commissions	1,591	1,756	3,475
Depreciation and amortisation	2,382	2,131	4,269
Other expenses	5,878	6,001	12,473
	23,430	**25,340**	**50,472**
OPERATING PROFIT	**(979)**	**(3,713)**	**(4,452)**
Net Financial charges (income)	1,190	1,903	3,257
Net other (income) and charges	42	685	(128)
	1,232	**2,588**	**3,129**
PROFIT (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	**(2,211)**	**(6,301)**	**(7,581)**
Extraordinary charges and (income)	(1,400)	1,143	1,191
PROFIT (LOSS) BEFORE INCOME TAXES	**(811)**	**(7,444)**	**(8,772)**
Income taxes (*)	0	0	(1,523)
NET PROFIT (LOSS) FOR THE PERIOD	**(811)**	**(7,444)**	**(10,295)**
Minority interests	(32)	55	365
NET PROFIT (LOSS) FOR THE GROUP	**(843)**	**(7,389)**	**(9,930)**

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

CSP GROUP

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

	30 June 2004 CONSOLIDATED	31 December 2003 CONSOLIDATED	30 June 2003 CONSOLIDATED
CURRENT ASSETS			
Cash and banks	1,471	1,065	1,389
Trade receivables	45,545	55,131	40,602
Trade receivables due from subsidiary and associated companies	100	100	100
Other receivables	4,483	2,899	4,484
Inventories	59,863	47,141	60,986
Accrued income and prepaid expenses	1,461	1,297	411
Own shares	3,145	3,316	2,988
TOTAL CURRENT ASSETS	**116,068**	**110,949**	**110,960**
FIXED ASSETS			
Financial fixed assets:			
Financial receivables	188	241	311
Equity investments	145	11	10
Total financial fixed assets	**333**	**252**	**321**
Tangible fixed assets	35,541	38,792	42,169
Intangible fixed assets	13,500	14,988	15,884
TOTAL FIXED ASSETS	**49,374**	**54,032**	**58,374**
TOTAL ASSETS	**165,442**	**164,981**	**169,334**

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

	30 June 2004 CONSOLIDATED	31 December 2003 CONSOLIDATED	30 June 2003 CONSOLIDATED
CURRENT LIABILITIES			
Short-term bank borrowings	36,602	42,787	45,471
Current portion of medium / long term debt	7,391	11,604	15,035
Trade payables due to third parties	44,351	30,328	31,042
Taxes payable	571	2,071	790
Other payables	6,563	5,086	6,774
Accrued liabilities and deferred income	156	324	191
TOTAL CURRENT LIABILITIES	**95,634**	**92,200**	**99,303**
MEDIUM/LONG-TERM LIABILITIES			
Medium / long-term debt,			
net of the current portion	14,116	16,278	10,612
Severance indemnities	7,193	7,239	7,023
Other provisions	5,187	5,224	5,404
TOTAL MEDIUM/LONG-TERM LIABILITIES	**26,496**	**28,741**	**23,039**
TOTAL LIABILITIES	**122,130**	**120,941**	**122,342**
MINORITY INTERESTS IN CAPITAL AND RESERVES	1,006	935	1,304
SHAREHOLDERS' EQUITY			
Share capital	12,740	12,740	12,740
Legal reserve	1,359	1,359	1,359
Share premium reserve	18,076	18,076	18,076
Other reserves	10,974	20,860	20,902
Net profit (loss) for the period (*)	(843)	(9,930)	(7,389)
TOTAL SHAREHOLDERS' EQUITY	**42,306**	**43,105**	**45,688**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**165,442**	**164,981**	**169,334**

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

CSP GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2004

(FIGURES IN THOUSANDS OF EURO)

BALANCE SHEET	30/06/2004	31/12/2003	30/06/2003
ASSETS:			
A) RECEIVABLES FROM SHAREHOLDERS:	0	0	0
B) FIXED ASSETS			
I. Intangible fixed assets			
1. incorporation and expansion costs	118	145	87
3. industrial patents and intellectual property rights	1,893	125	283
4. concessions, licences, trade marks and similar rights	656	1,152	1,666
5. goodwill	64	99	123
6. intangibles in progress and advances	0	1,623	1,140
7. others	364	428	164
8. difference arising on consolidation	10,405	11,416	12,421
Total I.	**13,500**	**14,988**	**15,884**
II. Tangible fixed assets			
1. land and buildings	18,332	18,745	19,170
2. plant and machinery	15,342	17,698	20,157
3. industrial and commercial equipment	493	612	785
4. other fixed assets	1,360	1,652	1,905
5. construction in progress and advances	14	85	152
Total II.	**35,541**	**38,792**	**42,169**
III. Financial fixed assets			
1. Equity investments in:			
a) subsidiary companies	133	0	0
d) other companies	12	11	10
Total 1.	**145**	**11**	**10**
2. Financial receivables:			
b) from associated companies			
b.a. due within 12 months	31	32	32
d) other receivables	88	130	191
Total 2.	**119**	**162**	**223**
Total III.	**264**	**173**	**233**
TOTAL FIXED ASSETS (B)	**49,305**	**53,953**	**58,286**
C) CURRENT ASSETS			

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I.	Inventories:				
	1.	raw, ancillary and consumable materials	7,717	6,985	8,072
	2.	semi-finished products, work-in-progress	16,185	12,698	17,026
	4.	finished products and goods	35,961	27,458	35,888
			-------------------	-------------------	-------------------
	Total I.		**59,863**	**47,141**	**60,986**
II.	Receivables:				
	1.	trade accounts			
		1.a. due within 12 months	45,545	55,131	40,602
	3.	associated companies			
		3.a. due within 12 months	100	100	100
	4 bis	tax authorities			
		due within 12 months	2,868	1,407	2,983
	4 ter	deferred tax assets			
		due within 12 months	1,212	1,212	1,014
	5.	others:			
		5.a. due within 12 months	403	279	487
		5.b. due beyond 12 months	69	80	88
			-------------------	-------------------	-------------------
		Total 5.	**472**	**359**	**575**
	Total II.		**50,197**	**58,209**	**45,274**
III.	Current financial assets				
	5.	own shares	3,145	3,316	2,988
	Total III.		**3,145**	**3,316**	**2,988**
IV.	Liquid funds:				
	1.	cash at banks and post offices	1,360	885	1,261
	2.	cheques	44	99	66
	3.	cash and equivalents on hand	67	81	62
			-------------------	-------------------	-------------------
	Total IV.		**1,471**	**1,065**	**1,389**
	TOTAL CURRENT ASSETS (C)		**114,676**	**109,731**	**110,637**
D.	ACCRUED INCOME AND PREPAYMENTS		**1,461**	**1,297**	**411**
			===========	===========	===========
TOTAL ASSETS			**165,442**	**164,981**	**169,334**
			===========	===========	===========

LIABILITIES			**30/06/2004**	**31/12/2003**	**30/06/2003**
A)	SHAREHOLDERS' EQUITY:				
	I.	Share capital	12,740	12,740	12,740
	II.	Share premium reserve	18,076	18,076	18,076
	III.	Revaluation reserves	9,605	13,023	13,023
	IV.	Legal reserve	1,359	1,359	1,359
	V.	Reserve for own shares in portfolio	3,145	3,316	2,988

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	VI. Statutory reserves	666	471	454
	VII. Other reserves:			
	a. undistributed profit	5,228	10,779	7,460
	b. capital grants reserve	0	206	206
	total VII.	**5,228**	**10,985**	**7,666**
	VIII. Profit carried forward	(7,670)	(6,935)	(3,229)
	IX. Net profit (loss) for the period (*)	(843)	(9,930)	(7,389)
	TOTAL SHAREHOLDERS' EQUITY (A)	**42,306**	**43,105**	**45,688**
	MINORITY INTERESTS IN CAPITAL AND RESERVES	**1,006**	**935**	**1,304**
B)	ALLOWANCES FOR RISKS AND CHARGES			
	1. pensions and similar commitments	625	625	625
	2. taxation	3,072	3,071	2,363
	3. other	1,490	1,528	2,416
	TOTAL ALLOWANCES FOR RISKS AND CHARGES (B)	**5,187**	**5,224**	**5,404**
C)	SEVERANCE INDEMNITIES	**7,193**	**7,239**	**7,023**
D)	PAYABLES:			
	1. bonds			
	b. due beyond 12 months	5,000	0	0
	4. banks			
	a. due within 12 months	43,993	54,391	60,506
	b. due beyond 12 months	9,116	16,278	10,612
	Total 4.	**53,109**	**70,669**	**71,118**
	6. advances			
	a. due within 12 months	267	380	265
	7. trade accounts:			
	a. due within 12 months	44,351	30,328	31,042
	12. taxes payable:			
	a. due within 12 months	571	2,071	790
	13. social security institutions			
	a. due within 12 months	1,476	2,040	1,447
	14. other payables:			
	a. due within 12 months	4,820	2,666	5,062
	TOTAL PAYABLES (D)	**109,594**	**108,154**	**109,724**
E)	ACCRUED LIABILITIES AND DEFERRED INCOME	**156**	**324**	**191**
TOTAL LIABILITIES		**165,442**	**164,981**	**169,334**

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

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MEMORANDUM ACCOUNTS	30/06/2004	31/12/2003	30/06/2003
- Risks			
- Mortgages on loans	17,500	17,500	0
- Sureties in favor of third parties	13,397	14,021	13,953
- Commitments			
- Commitments for the purchase of goods	208	440	748
- Commitments for the purchase of foreign currency	79	673	0
- Other			
- Third party assets	0	0	138
- Total	**31,184**	**32,634**	**14,839**

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STATEMENT OF INCOME	1st Half 2004	1st Half 2003	Year 2003
A) PRODUCTION VALUE			
1. Revenues from sale of goods and services	65,561	66,052	144,386
2. Changes in inventories of work-in-progress, semi-finished and finished products	11,902	3,710	(8,839)
5. Other income:			
a. other income	1,123	837	2,004
TOTAL PRODUCTION VALUE (A)	**78,586**	**70,599**	**137,551**
B) PRODUCTION COSTS			
6. Raw, ancillary and consumable materials and goods	32,137	24,028	43,805
7. Services	25,068	26,264	50,314
8. Use of third party assets	481	415	803
9. Labour costs:			
a. wages and salaries	10,969	11,339	21,720
b. social security contributions	4,496	4,629	8,804
c. severance indemnities	591	620	1,240
e. other costs	0	1	16
Total 9.	**16,056**	**16,589**	**31,780**
10. Depreciation, amortisation and writedowns:			
a. amortisation of intangible fixed assets	2,061	1,737	3,559
b. depreciation of tangible fixed assets	3,367	3,853	7,332
c. other writedowns of fixed assets	48	18	35
d. writedown of doubtful accounts included in current assets and of liquid funds	83	184	525
Total 10.	**5,559**	**5,792**	**11,451**
11. Changes in inventories of raw, ancillary and consumable materials and goods	(741)	188	1,362
12. Provisions for risks and charges	63	52	100
14. Other operating expenses	1,001	1,006	2,063
TOTAL PRODUCTION COSTS (B)	**79,624**	**74,334**	**141,678**
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS (A-B)	**(1,038)**	**(3,735)**	**(4,127)**
C) FINANCIAL INCOME AND (CHARGES)			
16. Other financial income:			
d. other than above:			
d. from third parties	8	26	54
Total 16.	**8**	**26**	**54**
17. Interest and other financial charges:			
d. from third parties	(1,198)	(1,725)	(3,006)

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	17.bis	Exchange gains (losses)	102	(98)	(81)
		TOTAL FINANCIAL INCOME AND (CHARGES) (C)	**(1,088)**	**(1,797)**	**(3,033)**
D)		ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS:			
	18.	Writeups:			
		a. of equity investments	46	0	0
	19.	Writedowns:			
		c. of securities booked under current assets not held as equity investments	(170)	(786)	(459)
		TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)	**(124)**	**(786)**	**(459)**
E)		NON-RECURRING INCOME AND CHARGES:			
	20.	Non-recurring income			
		b. other non-recurring income	1,456	110	117
	21.	Non-recurring charges:			
		c. other non-recurring charges	(17)	(1,234)	(1,271)
		TOTAL NON-RECURRING INCOME AND (CHARGES) (E)	**1,439**	**(1,124)**	**(1,154)**
		PROFIT BEFORE TAXES (A-B+/-C+/-D+/-E)	**(811)**	**(7,442)**	**(8,773)**
	22.	Income taxes for the period, current and deferred	**(*)**	**(*)**	**(1,522)**
	26.	NET PROFIT FOR THE PERIOD	**(811)**	**(7,442)**	**(10,295)**
		(PROFIT) LOSS FOR THE PERIOD ATTRIBUTABLE TO MINORITY INTERESTS	**(32)**	**53**	**365**
		NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	**(843)**	**(7,389)**	**(9,930)**

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2004

FORM AND CONTENT OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The consolidated half-year interim 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. They also include the balance sheet and the statement of income of the Parent Company.
The financial statements and accounting policies used for the preparation of the half-year financial statements as at June 30, 2004 are in compliance with the rules governing consolidated financial statements that include the new regulations introduced by Legislative Decree no. 6 of January 17, 2003 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).
In particular, the principal effects consequent of the new company regulations relate to the addition of new captions under current assets (tax receivables and deferred tax asset) and in the income statement (exchange gains and losses).
The balance sheet and income statement format utilised in these financial statements are in accordance with articles 2424 and 2425 of the Civil Code. The explanatory notes are prepared in compliance with the requirements of Consob resolution 11971 of May 14, 1999 and subsequent amendments and integrations.
For comparative purposes the financial statements are shown for the first half year of 2003 and for the year ended December 31, 2003, adjusted where necessary to reflect the above-mentioned new corporate regulations.
Furthermore, all the amounts in the explanatory notes are expressed in thousands of Euro.

A reconciliation between shareholders' equity and the results at the period as of 30 June 2004 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.

SCOPE OF CONSOLIDATION

The consolidated financial statements as of 30 June 2004 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 1,545,170	99.97%	99.97%
Sanpellegrino-Polska Sp.z o.o.	Ul. Lodska, 27 95-050 Konstantynow (Lodz) (PL)	Zloty 9,006,400	50%	50%

The consolidation scope changed compared to December 31, 2003 due to the sale of the business of Bo.Mo. S.r.l. and the consequence winding-up of the company. This company was excluded from the consolidation with effect from 1 January 2004 and recorded in the half-year accounts under the net equity method.

CONSOLIDATION PRINCIPLES

The consolidation principles used in the preparation of the half year interim financial statements are those adopted for the consolidated financial statements as of 31 December 3003 and the half year accounts as of 30 June 2003.

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

Currency	Average	Period-end
Polish Zloty	4.7342	4.5236

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, with the exception of the following:
Income tax for the period: income taxes and deferred tax income and charges are not calculated for the period, as allowed by Consob regulations.
These amounts will be calculated for the full year accounts.

OTHER INFORMATION

Exemptions in accordance with paragraph 4 of article 2423 – No exceptional matters arose requiring the application of exemptions as permitted by paragraph 4 of article 2423.

Explanation Added for English translation

The balance sheet, the statements of income and the related explanatory 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.

CSP GROUP

ANALYSIS OF THE CAPTIONS REPORTED IN THE INTERIM 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 01/01/04	Increases 1H 2004	Other movements 1H 2004	Balance 30/06/04
Incorporation and expansion costs	198	0	0	198
Industrial patents and intellectual property rights	4,396	568	1,622	6,586
Concessions, licenses, trade marks & similar rights	10,368	36	(18)	10,386
Goodwill	246	0	(10)	236
Construction in progress and advances	1,623	0	(1,623)	0
Other	1,005	36	(30)	1,011
Difference arising on consolidation	19,959	0	(8)	19,951
Total	**37,795**	**640**	**(67)**	**38,368**

Accumulated amortisation					Net values
	Balance 01/01/04	Amortisation 1H 2004	Other movements 1H 2004	Balance 30/06/04	**Balance 30/06/04**
Incorporation and expansion costs	(53)	(27)	0	(80)	**118**
Industrial patents and intellectual property rights	(4.271)	(422)	0	(4,693)	**1,893**
Concessions, licenses, trade marks & similar rights	(9,216)	(514)	0	(9,730)	**656**
Goodwill	(147)	(25)	0	(172)	**64**
Construction in progress and advances	0	0	0	0	**0**
Other	(577)	(70)	0	(647)	**364**
Difference arising on consolidation	(8,543)	(1,003)	0	(9,546)	**10,405**
Total	**(22,807)**	**(2,061)**	**0**	**(24,868)**	**13,500**

The principal increases in the period relate to the implementation of the new integrated SAP software by the Parent Company, which became operative in the first days of 2004.
The caption ‘trademark’ relates to the brand Lepel revalued in the past in accordance with law 342/2000.
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 Group.
The balance recorded under the caption 'Difference arising on consolidation' essentially relates to the acquisition of the Le Bourget Group (Euro 7,230 thousand) and Lepel (Euro 2,808 thousand). In the period under consideration there were no events arising resulting in the impairment issuesof the amounts recorded.

The amortisation rates applied in the period are as follows:

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

B.II- Tangible fixed assets

Additions and disposals and other movements in tangible fixed assets are given below.

Gross value					
	Balance 01/01/04	Increases 1H 04	Decreases 1H 04	Other movements 1H 04 (1)	Balance 30/06/04
Land & buildings	30,596	0	0	22	30,618
Plant and machinery	61,557	176	(330)	(115)	61,288
Equipment	9,994	9	(129)	5	9,879
Other assets	7,573	64	(265)	2	7,374
Construction in progress and advances	85	13	(84)	0	14
Total	**109,805**	**262**	**(808)**	**(86)**	**109, 173**

Accumulated depreciation						Net value
	Balance 01/01/04	Depreciation 1H 04	Utilisations 1H 04	Other movements 1H 04 (1)	Balance 30/06/04	**Balance 30/06/04**
Land & buildings	(11,851)	(425)	0	(10)	(12,286)	**18,332**
Plant and machinery	(43,859)	(2,500)	435	(22)	(45,946)	**15,342**
Equipment	(9,382)	(120)	119	(3)	(9,386)	**493**
Other assets	(5,921)	(322)	230	(1)	(6,014)	**1,360**
Construction in progress and advances	0	0	0	0	0	**14**
Total	**(71,013)**	**(3,367)**	**784**	**(36)**	**(73,632)**	**35,541**

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

The principal investments made relate to investments of the Parent Company for the purchase of new machinery.

Tangible fixed assets at 30 June 2004 include revaluations carried out in compliance with specific laws, as follows:

Land & buildings	2,550
Plant and machinery	15,125
Equipment	59
Other assets	80
Total	**17,814**

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%

As indicated in the memorandum account, some buildings of the Parent Company have been mortgaged in favour of credit institutions.
The Parent Company has lent assets free of charge to third parties, namely portable PCs and printers on loan to sales representatives for Euro 280 thousand as at 30 June 2004, display equipment to customers for Euro 163 thousand and machinery to subcontractors for Euro 5 thousand.

■ C. CURRENT ASSETS

■ C.I. Inventories

Inventories are made up as follows:

	30/06/04	**31/12/03**	**30/06/03**
Gross value	65,604	50,619	65,170
Allowance for obsolescence	(5,741)	(3,478)	(4,184)
Net value	**59,863**	**47,141**	**60,986**

Compared to 30 June 2003 inventories reduced by Euro 1,123 thousand; the increase compared to 31 December 2003 is principally due to seasonal factors.

■ C.II.1. Trade receivables

Trade receivables may be analysed as follows:

	30/06/04	**31/12/03**	**30/06/03**
Trade receivables - Italy	30,899	29,489	24,296
Trade receivables - France	2,051	7,567	1,908
Trade receivables - abroad	7,630	5,321	7,618
Bills subject to collection	8,859	17,592	10,942
Customers - invoices to be issued	581	653	480
Credit notes to be issued	(1,789)	(2,887)	(2,295)
Allowance for doubtful accounts	(2,686)	(2,604)	(2,347)
Total	**45,545**	**55,131**	**40,602**

The increase in trade receivables at 30 June 2004 compared to the same period in the previous year, equal to Euro 4,943 thousand, is principally due to the new distribution procedures for men’s socks under license.
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 period in the doubtful accounts allowance are as follows:

	01/01/04	**Provisions**	**Utilisation**	**30/06/04**
Allowance for doubtful accounts	2,604	95	(13)	**2,686**

During the period the provision was increased on the basis of future forecast losses on receivables outstanding at the balance sheet date.

■ C.II.4 bis. Tax authorities

Tax receivables may be analysed as follows:

	30/06/04	31/12/03	30/06/03
VAT credits	2,435	448	1,511
Advances on income taxes	416	944	1,449
Foreign VAT credits	17	15	23
Total tax receivables	**2,868**	**1,407**	**2,983**

■ C.II.4 ter. Deferred tax asset

The account, equal to Euro 1,212 thousand, refer to the positive balance of deferred taxation arising on temporary differences between the accounting values of assets and liabilities (mainly for allowance for doubtful accounts and allowance for obsolescence) and their corresponding value for tax purposes.

■ C.II.5. Other receivables

The balance includes various receivables, the largest amount relating to advances to suppliers of Euro 161 thousand.

■ C.III.5 Own shares

As of 30 June 2004, the Parent Company owned 2,358,850 of its own shares, with a par value of Euro 1,227 thousand, corresponding to 9.63% of the share capital. In the first half of 2004 there were no sales or purchases of own shares.
As of 30 June 2004, a write-down of Euro 170 thousand was made to adjust the value of the shares held in the portfolio to their market value, namely Euro 1.3334 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.
On 27 July 2004, the Parent Company sold 1,200,000 of its own shares at a price of Euro 1.35 per share, realising a gross profit of Euro 20 thousand. After this sale the Parent Company owned 1,158,850 of its own shares, with a par value of Euro 603 thousand, corresponding to 4.73% of the share capital.

■ C.IV. Liquid funds

These represent cash on hand and bank current accounts open at 30 June 2004.

■ D. ACCRUED INCOME AND PREPAYMENTS

This item is comprised as follows:

	30/06/04	31/12/03	30/06/03
Prepaid insurance	159	0	150
Prepaid substitute tax on merger	1,048	1,048	0
Prepaid TV commercials	52	0	132
Accrued interest from customers	76	72	21
Other prepayments	126	177	108
Total	**1,461**	**1,297**	**411**

At 30 June 2004 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). There have been no changes in this account in the period, already commented upon, as no income taxes have been calculated for the half-year.
The prepayments over five years amount to Euro 242 thousand.

COMMENTS ON THE MAIN LIABILITY CAPTIONS

■ A. SHAREHOLDERS' EQUITY

The changes in the period principally relate to the result for the period and the translation differences of the financial statements of the Polish subsidiary.
Attachment no. 1 shows the movements in the period.

■ Reconciliation between statutory and consolidated balances
A reconciliation between the results and shareholders' equity reported in the financial statements of CSP International Industria Calze S.p.A. and the consolidated amounts is as follows:

	Result 1H 2004	Shareholders' equity at 30/06/04	Net profit 2003	Shareholders' equity at 31/12/03
As per the Parent Company's financial statements (*)	**2,816**	**52,594**	**(9,259)**	**49,778**
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	(3,050)	(6,959)	(1,457)	(3,947)
Elimination of the excess of the difference arising on consolidation on the merger of Lepel	190	(2,284)	381	(2,475)
Elimination of adjustments of a fiscal nature, net of the related tax effect	0	0	292	573
Other consolidation adjustments, net of the related tax effect (*)	(799)	(1,045)	113	(824)
As per the consolidated financial statements (*)	**(843)**	**42,306**	**(9,930)**	**43,105**

(*) the results of the first half-year of 2004 are shown pre-tax

■ B. ALLOWANCE FOR RISKS AND CHARGES

Changes in this item are set out below:

	01/01/04	Provisions	Utilisation	30/06/04
Allowance for pensions and similar commitments	**625**	**0**	**0**	**625**
Taxation	**3,072**	**0**	**0**	**3,072**
Others:				
-Allowance for future risks	229	0	(23)	206
-Agent's supplementary provision	954	77	(85)	946
- Returns allowance	214	59	(164)	109
Other provisions	131	111	(13)	229
Total others	**1,528**	**247**	**(285)**	**1,490**
Total allowances for risks and charges	**5,225**	**247**	**(285)**	**5,187**

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.
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 indemnity has been accrued in accordance with current legislation and the collective labour contract.
The caption other provisions includes Euro 85 thousand relating to the fair value on an Interest Rate Swap contract.

■ C. SEVERANCE INDEMNITIES

Movements during the half-year have been as follows:

	01/01/04	Provisions	Utilisation	30/06/04
- Severance indemnity	**7,239**	**545**	**(591)**	**7,193**

■ D. PAYABLES

■ D.2. Bonds

On the occasion of the Shareholders' Meeting held on 30 April 2004, the shareholders belonging to a shareholder pact agreement subscribed to a reserved bond of Euro 5,000 thousand with the full repayment in 5 years. The interest rate is equal to Euribor 6 months, plus 2 percentage points (currently 4.028%).

■ D.3. Bank borrowings

Bank borrowings at 30 June 2004 amount to Euro 53,109 thousand.
The breakdown of amounts due to banks by repayment deadline is the following:

	30/06/04	31/12/03	30/06/03
Current payables	36,602	42,789	45,471
Loans			
- within 1 year	7,391	11,602	15,035
- due between 1 to 5 years	9,116	15,278	10,612
- due beyond 5 years	0	1,000	0
Total	**53,109**	**70,669**	**71,118**

Bank borrowings at 30 June 2004 have reduced by Euro 18,009 thousand compared to the same period in the previous year. Total debt, including the bonds and liquid assets, reduced compared to 30 June 2003 by Euro 13,091 thousand.

■ D.6. Trade payables

This item increased by Euro 13,309 thousand compared to the first half of 2003 as a result of an increase in purchases and a lengthening of the payment terms.

■ D.11. Taxes authorities

These are broken down as follows:

	30/06/04	31/12/03	30/06/03
Tax liability	15	1,273	251
Withholding taxes on payments to consultants/agents	136	190	122
Withholding on wages and salaries	420	608	417
Total	**571**	**2,071**	**790**

■ D.12. Social security institutions

The item, equal to Euro 1,476 thousand, principally relates to payables for employee social security charges (Euro 1,391 thousand).

■ D.13 Other payables

These comprise:

	30/06/04	31/12/03	30/06/03
Payable to employees	4,147	1,844	4,314
Other payables	673	822	748
Total	**4,820**	**2,666**	**5,062**

■ **E. ACCRUED LIABILITIES AND DEFERRED INCOME**

The item, equal to Euro 156 thousand, principally relates to accrued bank interest payable.

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

Guarantees given to third parties -- This relates to guarantees given to banks for loans.

Purchasing commitments -- At 30 June 2004, there are commitments based on signed contracts for the purchase of goods or services amounting to Euro 208 thousand. These commitments refer mainly to the completion of the investment in the new software system.

Commitments to purchase foreign currencies – At 30 June 2004 the company has a contract for the purchase of US Dollars for a nominal value of 100,000 Dollars with expiry date within 30 July 2004.

STATEMENT OF INCOME

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 period and significant subsequent events, reference should be made to the comments included in the director's 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:

	1H 2004	1H 2003	Year 2003
- Italy:			
- stockings	16,061	15,045	30,233
-seamless underwear	4,419	5,972	14,167
- corsetry	15,891	13,725	26,078
-raw materials/other	1,140	672	1,945
- France:			
- stockings	12,026	12,940	35,254
-seamless underwear	795	915	1,942
-raw materials/other	179	140	301
- Other Western European countries:			
- stockings	5,163	5,571	12,694
-seamless underwear	646	1,897	1,481
- corsetry	269	289	433
-raw materials/other	44	88	201
- Eastern Europe:			
- stockings	6,678	5,924	13,741
-seamless underwear	867	1,570	2,841
- corsetry	556	490	1,068
-raw materials/other	0	36	70
- Non-European Countries:			
- stockings	679	612	1,531
-seamless underwear	94	99	217
- corsetry	47	60	160
-raw materials/other	7	7	29
Total	**65,561**	**66,052**	**144,386**
Summary by product category			
- stockings	40,607	40,092	93,453
-seamless underwear	6,821	10,453	20,648
- corsetry	16,763	14,564	27,739
-raw materials/other	1,370	943	2,546
Total	**65,561**	**66,052**	**144,386**

Revenues are shown net of returns, discounts and allowances.

Sales are substantially in line with the same period in the previous year; in relation to sales by product category the sales of corsetry increased by Euro 2,199 thousand and reduced by 3,632 thousand in seamless, mainly due to the saturation of this market. In relation to stockings, there was an increase in the period due mainly to the sale of men's socks, totalling Euro 4,047 thousand, distributed in the large distribution channel in Italy based on a license agreement with the Sanpellegrino brand (in the first half of 2003 these sales amounted to Euro 442 thousand).

A.5.a. Other income

This item is comprised as follows:

	1H 2004	1H 2003	Year 2003
Freight and processing charges billed to customers	58	154	265
Advertising contributions	100	82	233
Expenses reinvoiced to customers	19	21	45
Royalty income	220	321	543
Gains on disposal of assets	41	23	140
Out-of-period income for taxes	55	56	450
Other income	630	180	328
Total	**1,123**	**837**	**2,004**

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. Raw, ancillary and consumable materials and goods**

This item is comprised as follows:

	1H 2004	1H 2003	Year 2003
Raw materials	27,582	20,273	36,150
Packaging and consumable materials	4,555	3,755	7,655
Total	**32,137**	**24,028**	**43,805**

The increase in purchase costs compared with the first half of 2003, equal to Euro 8,109 thousand, is due to the incisive inventory reduction policy applied in the first half of 2003.

■ **B.7. Services**

This item is comprised as follows:

	1H 2004	1H 2003	Year 2003
- Outside contractors	7,825	7,304	12,974
- Advertising	6,612	8,548	16,909
- Independent sales agents and merchandising	2,624	2,566	5,314
- Transport	1,969	1,968	4,132
- Power and heating	2,105	2,048	3,750
- Other costs	3,933	3,830	7,235
Total	**25,068**	**26,264**	**50,314**

The service costs reduced compared to 30 June 2003 due in particular to the lower investments made in 2004 caused by scheduling changes in the programming of the brand campaigns. For the full year these investments should be in line with the amounts of previous years.

■ B0.9. Labour costs

This caption includes all the costs incurred on an on-going basis which directly concern employees.
Movements in staff numbers during the period are set out below:

	01/01/04	New recruits	Leavers	30/06/04	Average
- Managers	12	3	0	15	14
- Supervisors	52	3	(4)	51	51
- Office staff	322	26	(35)	313	318
- Workers	853	48	(121)	780	816
Total	**1,239**	**80**	**(160)**	**1,159**	**1,199**

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

	1H 2004	1H 2003	Year 2003
- Software	422	148	291
- Goodwill	25	25	49
- Incorporation and expansion costs	27	10	56
- Deferred charges	23	24	53
- Brands	514	515	1,029
- Difference arising on consolidation	1,003	1,005	2,009
- Other	47	10	72
Total	**2,061**	**1,737**	**3,559**

■ b. Depreciation of tangible fixed assets

	1H 2004	1H 2003	Year 2003
- Buildings	425	426	853
- Plant and machinery	2,500	2,897	5,458
- Equipment	120	174	372
- Furniture, office machines	103	97	172
- Electronic office machines	134	166	304
- Cars	64	64	124
- Vehicles	21	29	49
Total	**3,367**	**3,853**	**7,332**

■ 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.

■ 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 period.

■ B.14. Other operating expenses

This item is comprised as follows:

	1H 2004	1H 2003	Year 2003
- Entertaining	55	48	112
- Membership fees	81	81	139
- Stationery and other materials	149	132	269
- Non deductible VAT on gifts	19	20	31
- Taxes and duties	480	554	1,041
- Losses on the sale of assets	111	77	146
- General expenses	69	57	147
- Other charges	37	37	178
Total	**1,001**	**1,006**	**2,063**

■ C. FINANCIAL INCOME AND CHARGES

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

This caption is analysed as follows:

	1H 2004	1H 2003	Year 2003
- Interest receivable on current accounts	1	5	5
- Interest receivable from customers	2	3	7
- Other interest receivable	4	11	42
- Discounts and rounding	1	7	0
Total	**8**	**26**	**54**

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

This caption is analysed as follows:

	1H 2004	1H 2003	Year 2003
- Interest payable on current accounts	172	549	656
- Interest payable on borrowings	351	410	882
- Interest payable on loans	371	502	957
- Other interest and charges payable	304	264	511
Total	**1,198**	**1,725**	**3,006**

The interest charge in the first-half of 2004 reduced by Euro 527 thousand compared to the same period in the previous year principally due to the reduction in net debt.

■ 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 by the Parent Company, as specified in the comment on item 'C III 5.' on the assets side of the balance sheet.

■ E.20.b Other non-recurring income

This caption mainly refers to income received from a settlement made relating to a previous acquisition of equity investments.

Ceresara, September 28, 2004

Chairman of the Board of Directors
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. - Schedule of changes in shareholders' equity for the period ended 30 June 2004
2. - Cash flow statement as at 30 June 2004

Attachment n. 1 **(in thousands of Euro)**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

AS AT 30 JUNE 2004

Description	Share capital	Share premium	Reserve for own shares	Revaluation reserves	Legal reserve	Other reserves	Net profit (loss) for the year	Total share-holders' equity
Balances at 1 January 2004	12,740	18,076	3,315	13,023	1,359	4,522	(9,930)	43,105
Coverage of 2003 loss								
(Shareholders meeting of 30 April 2004)								
- Allocation to "Reserve for undistributed profits"				(3,418)		(6,512)	9,930	-
- Dividends								-
Decrease in reserve for own shares			(170)			170		-
Exchange differences						38		38
Other changes						6		6
Net profit (loss) for the period (*)							(843)	(843)
Balances at 30 June 2004	**12,740**	**18,076**	**3,145**	**9,605**	**1,359**	**(1,776)**	**(843)**	**42,306**

(*) Net profit (loss) as at 30 June 2004 do not include income taxes

Attachment n. 2

STATEMENT OF CONSOLIDATED CASH FLOW

(in thousands of Euro)

		30 June 2004	31 December 2003
A.	**OPENING NET FINANCIAL POSITION**	**(53,327)**	**(66,769)**
B.	**CASH FLOWS FROM (FOR) OPERATING ACTIVITIES**		
	Profit (loss) for the year	(843)	(9,930)
	Depreciation, amortization and writedowns	5,428	10,892
	Net change in severance indemnities for employees and agents	(54)	483
	Net change in allowances for risks and charges	(29)	340
	Cash flows from operating activities before changes in working capital	***4,502***	***1,785***
	(Increase) decrease in trade receivables	9,586	8,596
	(Increase) decrease in inventories	(12,722)	10,897
	Increase (decrease) in trade and other payables	13,832	(5,580)
	Increase (decrease) in own shares	171	458
	Changes in other working capital items	(1,738)	1,712
	Total changes in working capital	***9,129***	***16,083***
		13,631	**17,867**
C.	**CASH FLOWS FROM (FOR) INVESTMENT ACTIVITIES**		
	(Purchase) disposal of fixed assets:		
	Intangible	(573)	(1,605)
	Tangible	(116)	(385)
	Financial	(91)	94
		(780)	**(1,896)**
D.	**CASH FLOWS FROM (FOR) FINANCING ACTIVITIES**		
	New loans net of the current portion of loans transferred to current payabl	(7,162)	(640)
	Dividends paid	0	(1,107)
	Bonds	5,000	0
	Other changes in shareholders' equity, and changes in minority interests	115	(782)
		(2,047)	**(2,529)**
E.	**TOTAL CASH FLOWS FOR THE YEAR (B+C+D)**	**10,804**	**13,442**
F.	**CLOSING NET FINANCIAL POSITION (A+E)**	**(42,523)**	**(53,327)**

HALF YEAR FINANCIAL STATEMENTS OF THE PARENT COMPANY

AS AT

30 JUNE 2004

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

CSP S.p.A.

CSP INTERNATIONAL INDUSTRIA CALZE S.P.A.

FINANCIAL STATEMENTS AS AT 30 JUNE 2004

(FIGURES IN THOUSANDS OF EURO)

BALANCE SHEET	30/06/2004	31/12/2003	30/06/2003
ASSETS:			
A) RECEIVABLES FROM SHAREHOLDERS:	0	0	0
B) FIXED ASSETS			
I. Intangible fixed assets			
1. incorporation and expansion costs	118	145	87
3. industrial patents and intellectual property rights	1,893	112	265
4. concessions, licences, trade marks and similar rights	656	1,157	1,658
5. goodwill	5,167	5,616	6,065
6. intangibles in progress and advances	0	1,623	1,140
7. others	364	428	164
Total I.	**8,198**	**9,081**	**9,379**
II. Tangible fixed assets			
1. land and buildings	17,330	17,680	16,929
2. plant and machinery	14,565	16,866	14,813
3. industrial and commercial equipment	192	256	162
4. other fixed assets	1,075	1,237	825
5. construction in progress and advances	0	68	68
Total II.	**33,162**	**36,107**	**32,797**
III. Financial fixed assets			
1. Equity investments in			
a) subsidiary companies	13,263	13,263	14,425
d) other companies	4	4	4
Total 1.	**13,267**	**13,267**	**14,429**
2. Financial receivables			
b) from associated companies			
b.a due within 12 months	31	31	32
d) other receivables	88	131	190
Total 2.	**119**	**162**	**222**
Total III.	**13,386**	**13,429**	**14,651**
TOTAL FIXED ASSETS (B)	**54,746**	**58,617**	**56,827**
C) CURRENT ASSETS			
I. Inventories:			
1. raw, ancillary and consumable materials	6,751	6,223	7,133
2. semi-finished products, work-in-progress	12,886	9,803	12,220
4. finished products and goods	25,628	16,690	22,862
Total I.	**45,265**	**32,716**	**42,215**
II. Receivables:			
1. trade accounts:			

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1.a. due within 12 months	40,672	37,619	34,329
2. subsidiary companies			
2.a. due within 12 months	8,240	9,237	8,821
3. associated companies			
3.a. due within 12 months	100	100	100
4 bis. tax authorities			
4 bis.a. due within 12 months	2,395	952	2,288
4 ter. deferred tax assets			
4 ter.a. due within 12 months	1,212	1,212	1,014
5. others:			
5.a. due within 12 months	311	170	404
5.b. due beyond 12 months	13	16	26
Total 5.	**324**	**186**	**430**
Total II.	**52,943**	**49,306**	**46,982**
III. Current financial assets			
5. own shares	3,145	3,316	2,988
Total III.	**3,145**	**3,316**	**2,988**
IV. Liquid funds:			
1. cash at banks and post offices	1,325	690	1,097
3. cash and equivalents on hand	29	39	22
Total IV.	**1,354**	**729**	**1,119**
TOTAL CURRENT ASSETS (C)	**102,707**	**86,067**	**93,304**
D. ACCRUED INCOME AND PREPAYMENTS	**1,348**	**1,100**	**306**
TOTAL ASSETS	**158,801**	**145,784**	**150,437**

LIABILITIES	**30/06/2004**	**31/12/2003**	**30/06/2003**
A) SHAREHOLDERS' EQUITY:			
I. Share capital	12,740	12,740	12,740
II. Share premium reserve	18,076	18,076	18,076
III. Revaluation reserves	9,605	13,023	13,023
IV. Legal reserve	1,359	1,359	1,359
V. Reserve for own shares in portfolio	3,145	3,316	2,988
VI. Statutory reserves	0	0	0
VII. Other reserves:			
a. undistributed profit	4,853	6,694	7,021
b. capital grants reserve	0	206	206
	0	3,623	0
total VII.	**4,853**	**10,523**	**7,227**
VIII. Profit carried forward	0	0	0
IX. Net profit for the period (*)	2,816	(9,259)	(3,823)
TOTAL SHAREHOLDERS' EQUITY (A)	**52,594**	**49,778**	**51,590**
B) ALLOWANCW FOR RISKS AND CHARGES:			
2. taxation	2,765	2,766	260
3. other	1,121	979	991
TOTAL ALLOWANCES FOR RISKS AND CHARGES (B)	**3,886**	**3,745**	**1,251**

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C) SEVERANCE INDEMNITIES	**7,190**	**7,059**	**6,813**
D) PAYABLES:			
1. bonds	5,000	0	0
4. banks			
a. due within 12 months	36,061	39,920	50,508
b. due beyond 12 months	8,000	14,132	8,361
Total 4.	**44,061**	**54,052**	**58,869**
6. advances			
a. due within 12 months	201	201	0
7. trade accounts:			
a. due within 12 months	40,862	26,186	27,151
9. subsidiary companies			
a. importi esigibili entro 12m	579	786	542
12. taxes payable			
a. due within 12 months	567	2,008	553
13. social security institutions			
a. due within 12 months	672	854	598
14. other payables:			
a. due within 12 months	3,109	871	2,975
TOTAL PAYABLES (D)	**95,051**	**84,958**	**90,688**
E) ACCRUED LIABILITIES AND DEFERRED INCOME	**80**	**244**	**95**
TOTAL LIABILITIES	**158,801**	**145,784**	**150,437**

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

MEMORANDUM ACCOUNTS	**30/06/2004**	**31/12/2003**	**30/06/2003**
- Risks			
- Mortgages on loans	17,500	17,500	0
- Sureties in favor of:			
- third parties	729	546	478
- controlled companies	12,668	13,475	13,475
- Commitments			
- Commitments for the purchase of goods	208	440	748
- Commitments for the purchase of foreign currency	79	673	0
- Other			
- Third party assets	0	0	138
- Total	**31,184**	**32,634**	**14,839**

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STATEMENT OF INCOME			1st Half 2004	1st Half 2003	Year 2003
A) PRODUCTION VALUE					
1.	Revenues from sale of goods and services		58,281	62,500	122,887
2.	Changes in inventories of work-in-progress, semi-finished and finished products		12,021	(2,675)	(11,172)
5.	Other income:				
	a.	other income	1,114	792	1,826
TOTAL PRODUCTION VALUE (A)			**71,416**	**60,617**	**113,541**
B) PRODUCTION COSTS					
6.	Raw, ancillary and consumable materials and goods		31,151	23,182	42,528
7.	Services		21,769	22,177	42,273
8.	Use of third party assets		213	114	211
9.	Labour costs:				
	a.	wages and salaries	7,988	7,768	15,057
	b.	social security contributions	2,678	2,609	4,912
	c.	severance indemnities	591	611	1,260
	e.	other costs	0	1	16
	Total 9.		**11,257**	**10,989**	**21,245**
10.	Depreciation, amortisation and writedowns:				
	a.	amortisation of intangible fixed assets	1,465	1,136	2,356
	b.	depreciation of tangible fixed assets	3,025	3,899	6,548
	c.	other writedowns of fixed assets	30	0	0
	d.	writedown of doubtful accounts included in current assets and of liquid funds	75	161	433
	Total 10.		**4,595**	**5,196**	**9,337**
11.	Changes in inventories of raw, ancillary and consumable materials and goods		(528)	137	1,139
12.	Provisions for risks and charges		63	52	100
14.	Other operating expenses		471	431	790
TOTAL PRODUCTION COSTS (B)			**68,991**	**62,278**	**117,623**
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS (A-B)			**2,425**	**(1,661)**	**(4,082)**
C) FINANCIAL INCOME AND (CHARGES)					
16.	Other financial income:				
	d.	other than above:			
		d. from third parties	4	15	26
17.	Interest and other financial charges:				
	d.	from third parties	(912)	(1,381)	(2,339)
17 bis.		Exchange gains (losses)	55	(11)	(5)
TOTAL FINANCIAL INCOME AND (CHARGES) (C)			**(853)**	**(1,377)**	**(2,318)**
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS:					
19.	Writedowns:				
	a.	of equity investments	0	0	(1,173)
	c.	of securities booked under current assets not held as equity investments	(170)	(786)	(459)

CSP S.p.A.

Total 19.	**(170)**	**(786)**	**(1,632)**
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)	**(170)**	**(786)**	**(1,632)**
E) NON-RECURRING INCOME AND CHARGES:			
20. Non-recurring income			
b. other non-recurring income	1,414	1	2
TOTAL NON-RECURRING INCOME AND (CHARGES) (E)	**1,414**	**1**	**2**
PROFIT BEFORE TAXES (A-B+/-C+/-D+/-E)	**2,816**	**(3,823)**	**(8,030)**
22. Income taxes for the period, corrent and deferred	**(*)**	**(*)**	**(1,229)**
26. NET PROFIT FOR THE PERIOD	**2,816**	**(3,823)**	**(9,259)**

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