QUARTERLY REPORT
AT
31 DECEMBER 2004

CSP GROUP

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

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Chairman	Francesco	BERTONI (*)
Vice Chairman	Enzo	BERTONI (*)
Managing Director	Gianfranco	BOSSI
Directors	Luigi	BELLAVITA
	Carlo	BERTONI
	Maria Grazia	BERTONI
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Chairman	Vanna	STRACCIARI
Auditors	Marco	MONTESANO
	Luca	SAVOIA
Alternate auditors	Paolo	BERTOCCO
	Luca	GASPARINI

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

DIRECTOR'S REPORT ON GROUP OPERATIONS

The consolidated result in the fourth quarter of 2004 reports a pre-tax loss of Euro 8.6 million, compared to a loss of Euro 2.7 million in the fourth quarter of 2003.

The result in the quarter is principally a consequence of the following factors:

- a climatic situation of particularly high temperatures in October;
- a consequent significant reduction in the consumption of tights in October, but also in November/December, resulting in a real market crisis, unforeseen in the monthly analysis registered by the GFK Institute, up to -22%;
- a decrease in sales of 22.4% compared to the same period in 2003 and 32.0% in December for the Parent Company;
- lower margins resulting from the advertising investments made in the final quarter of the year, higher than those in the fourth quarter of 2003.

Salient results in the year

A summary of the results, expressed in absolute and percentage terms on sales, compared to the previous year is shown below:

- sales for the year 2004 amounted to Euro 126.8 million. This compares to sales of Euro 142.4 million in 2003. The decrease was equal to 10.9%.
- the Ebitda in 2004 was equal to Euro 40.5 million and compares to a margin of Euro 46.0 million in 2003; the margin percentage decreased from 32.3% to 32.0%.
- the pre-tax result in 2004 was a loss of Euro 8.9 million, compared to a loss of Euro 8.8 million in the previous year.

The result in the period January - September was a cumulative loss of Euro 0.3 million, compared to a loss of Euro 5.8 million in the same period in the previous year. The total annual loss was therefore almost totally attributable to the loss in the final quarter, in which the decrease in sales had a determining role, resulting in a significant lowering of the break-even level.
It should be noted, in addition to the specific problems relating to the final quarter, other factors also had a negative influence for the full year:

- the chronic recession in the stockings/tights market;
- the reduction of sales of seamless underwear, the new technology that, after having reached strong growth with up to a quarter of the total underwear market in a five-year period, has experienced a stop in its growth;
- the tendency of lower prices, particularly in the Wholesale channel for seamless merchandise due to the saturation of the offer, and in the brassiere market due to the entry of new low-cost Chinese production;
- the emergence of local competition in the Russian market, third by importance, after Italy and France, for the CSP International Group.

Operational areas

Despite the negative result, some positive results were recorded of an operational nature which should be seen within a very difficult overall situation.

AREA	RESULT 2003 vs. 2002	RESULT 2004 vs. 2003
Inventory	Euro -10.9 million	Euro -4.1 million
Working Capital	Euro -15.6 million	Euro -5.2 million
Bank debt	Euro -14.1 million	Euro -9.5 million

Financial charges	Euro -0.7 million	Euro -0.7 million
Cost of labour	Euro -1.8 million	Euro -1.7 million
Other expenses	Euro -1.1 million	Euro -0.5 million

Personnel

31.12.2002 1,359 employees
31.12.2003 1,239 employees (- 120 units)
31.12.2004 1,185 employees (- 54 units)

New products Sanpellegrino and Oroblù in 2004

% in quantity 11.0
% in value 25.4

Collections Sanpellegrino BioComplex and Oroblù BioAction

Cumulative sales since launch: 2.2 million pairs, equal to Euro 4.9 million
(II half 2003 + full year 2004)

Efficiency and sales criteria

The results above indicate the measures taken relating to determining factors on the operations, in order to formulate two considerations:

- the factors directly controllable, such as Inventory, Working Capital, Payables, Personnel, etc. are maintained under close control;
- the sales, that are dependent, in addition to operational criteria, to the market and consumption trend, have regressed and, in the final quarter, unexpectedly been negative.

In the conclusion to this Report, the guidelines will be indicated to achieve a break-even result for the year 2005.

Group performance

Summary statement of income

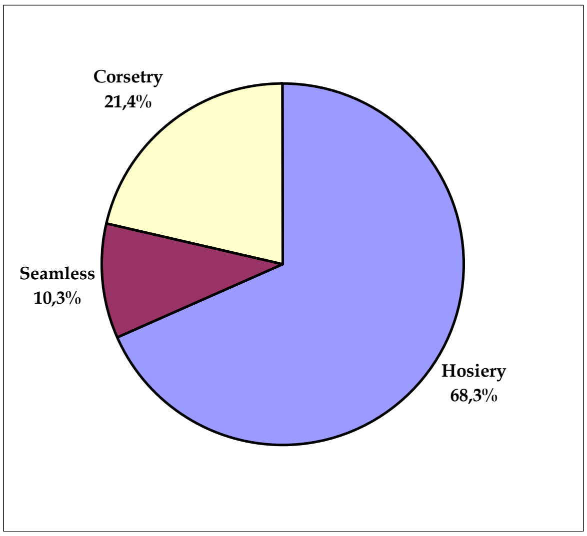
(in millions of Euro)	Quarter 01/10 -31/12 2004		Quarter 01/10 -31/12 2003		Period at 31 December 2004		Period at 31 December 2003	
	value	**%**	**value**	**%**	**value**	**%**	**value**	**%**
Net sales	33.61	*100.0%*	39.38	*100.0%*	126.81	*100.0%*	142.38	100.0%
Cost of Sales	26.41	*78.6%*	28.13	*71.4%*	86.30	*68.0%*	96.36	67.7%
Gross profit	**7.20**	***21.4%***	**11.25**	***28.6%***	**40.51**	***32.0%***	**46.02**	**32.3%**
Selling, general and administrative costs	14.81	*44.1%*	13.43	*34.1%*	49.54	*39.1%*	50.47	35.4%
Operating profit	**(7.61)**	***-22.7%***	**(2.18)**	***-5.5%***	**(9.03)**	***-7.1%***	**(4.45)**	**-3.1%**
Net financial charges	0.79	*2.3%*	0.81	*2.1%*	2.59	*2.0%*	3.26	2.3%
Net other (income) and charges	(0.21)	*-0.6%*	(0.31)	*-0.8%*	(0.21)	*-0.2%*	(0.13)	0.0%
Extraordinary charges and (income)	0.37	*1.1%*	0.01	*0.0%*	(2.56)	*-2.0%*	1.19	0.8%
Profit (loss) before taxes	**(8.56)**	***-25.5%***	**(2.69)**	***-6.8%***	**(8.85)**	***-7.0%***	**(8.77)**	**-6.2%**
Income taxes	(*)	*(*)*	(*)	*(*)*	(*)	*(*)*	(1.52)	-1.1%
Net profit (loss) for the period	**(8.56)**	***-25.5%***	**(2.69)**	***-6.8%***	**(8.85)**	***-7.0%***	**(10.29)**	**-7.3%**
Minority interests	0.01	*-0.1%*	0.17	*0.4%*	(0.01)	*0.0%*	0.36	0.3%
Net profit (loss) for the Group	**(8.55)**	***-25.4%***	**(2.52)**	***-6.4%***	**(8.86)**	***-7.0%***	**(9.93)**	**-7.0%**

(*) the quarterly results and as at December 31, 2004 are pre-tax

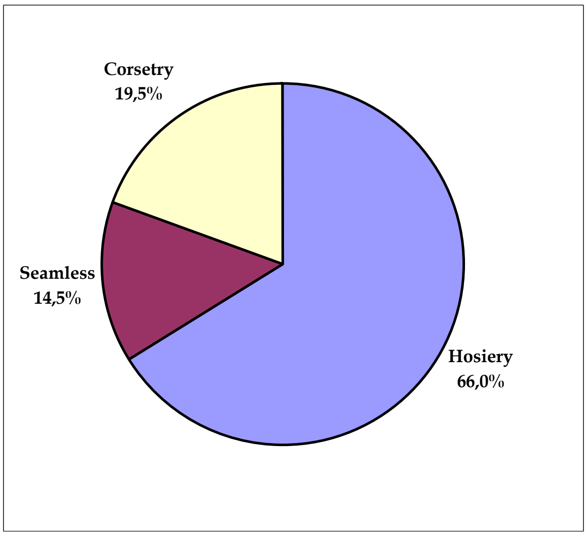
Net sales – Net sales in the fourth quarter of 2004 decreased from Euro 39.4 million to Euro 33.6 million with a decrease of 14.6% compared to the same period in the previous year, while for the full period sales decreased from Euro 142.4 million to Euro 126.8 million with a decrease of 10.9%. The result for the period is due to the continual decline in the hosiery consumption market, as well as the negative performance in the sales of seamless products.

The following graphs show the breakdown of sales by product category, brand and geographical area for the year 2004 compared to the year 2003:

PRODUCTS: % of sales at 31.12.04

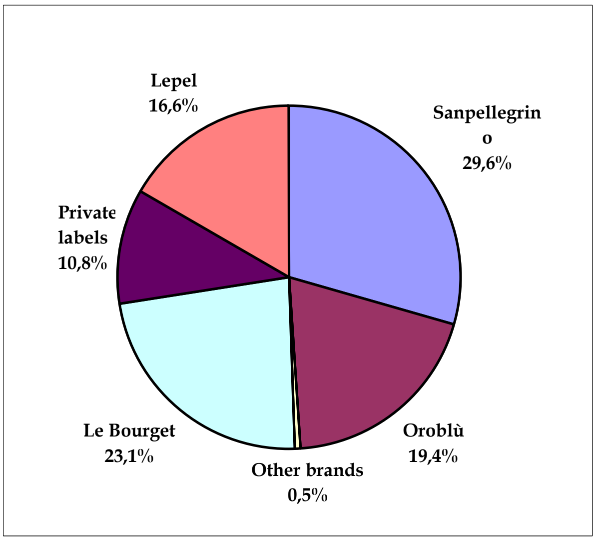


PRODUCTS: % of sales at 31.12.03

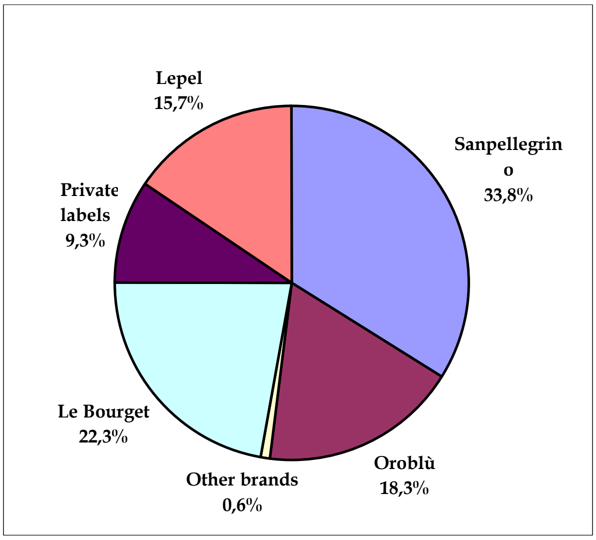


In 2004, sales of hosiery declined by 8.0% compared to the same period in the previous year, following the chronic recession for these products. It should be noted that this decline reduced compared to 2003 where the reduction, compared to 2002, was equal to 16.8%.
In relation to seamless the sales decreased from Euro 20.6 million to Euro 13.1 million (- 36.6%) principally due to the saturation of the market and the consequent reduction in sales prices.
The sales of corsetry remained substantially unchanged compared to the previous year, recording a reduction of Euro 0.5 million, despite the competition, especially in the wholesale channel, of new operators with articles at very low prices produced in South-East Asia.

BRANDS: % of sales at 31.12.04



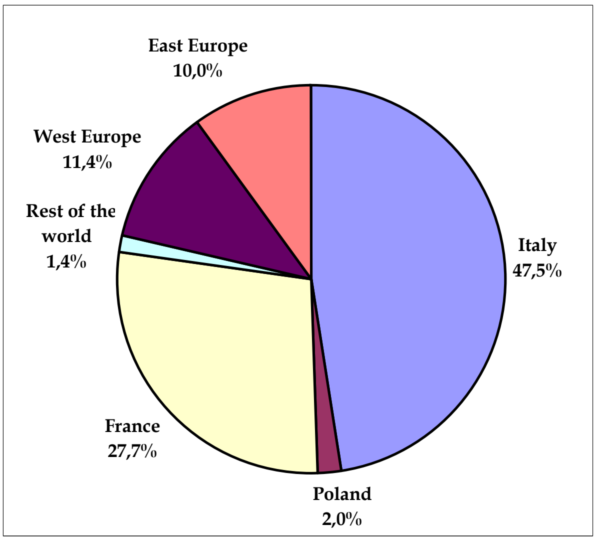
BRANDS: % of sales at 31.12.03



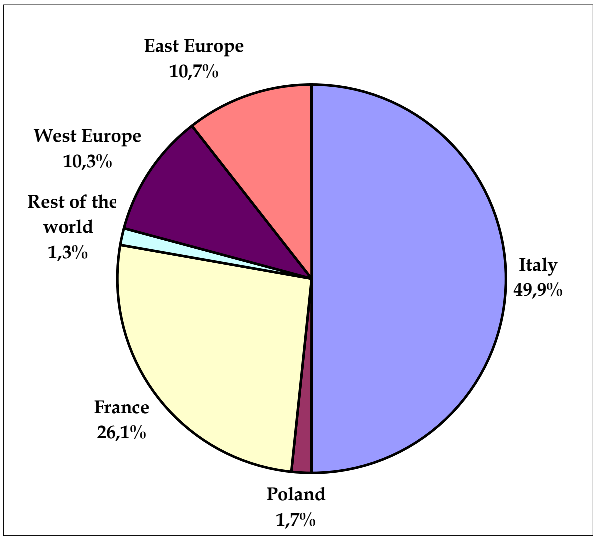
Sanpellegrino was the brand that felt the largest negative effects from the decrease of hosiery and seamless sales, and as a consequence registered a total loss in sales of 22.0% (-27.4% in the fourth quarter).

Oroblù contained the reduction in sales to 5.7% due to the diversification into corsetry products, whose sales increased from Euro 1.7 million to Euro 3.1 million.
The brand Lepel recorded a reduction of 5.5% in the period principally due to the increased competition, in the wholesale channel, of Chinese products proposed at very low prices.
The decrease in sales of the brand Le Bourget (- 7.9% compared to the previous year) is related to the reduction of consumption in the French market (estimated at approx. 15%).

AREAS: % of sales at 31.12.04



AREAS: % of sales at 31.12.03



In relation to the sales by geographic area, Italy recorded a reduction of 15.3% due to the above-mentioned decrease in the sales of hosiery and seamless.
In France, the Group contained the decrease in sales to 5.4% against a much higher decline in the consumption of hosiery in this market.
In Eastern Europe, the sales decreased by 17.0% compared to 2003, principally in Russia due to the competition of local producers. In particular, the situation deteriorated in the final quarter of 2004 that recorded a decline in sales of Euro 1.6 million (-36%).
The sales in Western Europe were substantially in line with the previous year. The increase in sales in the final quarter (Euro +0.5 million) contributed to the recovery in the loss of sales recorded in the first two months of the year and principally caused by internal operating problems.

Gross profit – the gross profit margin for the fourth quarter was 21.4% compared to 28.6% in the same period in the previous year, while for the full year the gross profit margin decreased from 32.3% to 32.0%.
In relation to the full year, the gross margin remained substantially in line with 2003 despite a significant reduction in the volume of sales; this result was obtained thanks to the rationalisation of the production process and the containment of industrial personnel costs. In relation to the fourth quarter, the deterioration in the margin compared to the same period in 2003 is principally due to the reduction in sales volumes.

Selling, general and administrative costs – Selling, general and administrative costs, amounted to Euro 49.5 million (39.1%) compared to Euro 50.5 million (35.4%) in the previous year.
The decrease compared to 2003, equal to Euro 0.9 million, is largely due to the reduction in advertising, despite the higher advertising investments made in the fourth quarter (Euro + 0.9 million) compared to the same period in the previous year due to scheduling changes of the advertising campaigns for the brands of the Group.
The decrease in variable costs related to sales (in particular, commissions and transport) were compensated by the increase in depreciation resulting from the entry into service of the new IT system.

Operating result – The operating result for the year was a loss of Euro 9.0 million compared to a loss of Euro 4.5 million in the previous year. This result is principally due to the above-mentioned reduction in the volume of sales. In particular, the result for the year was adversely impacted by the result in the final quarter (Euro - 7.6 million compared to Euro - 2.2 million in the fourth quarter 2003) characterized by the strong decrease in sales.

Financial charges, net – Net financial charges amount to Euro 2.6 million compared to Euro 3.3 million in the previous year, in line with the reduction in the average level of debt.

Extraordinary income and charges – This account, equal to Euro 2.6 million, refers for Euro 1.4 million to income received from a settlement made relating to a previous acquisition, for Euro 1.5 million to income deriving from the sale to third parties of the Lepel brand limited to the United Kingdom and Canada and, for Euro 0.4 million to restructuring charges estimated in relation to the closure of the factory at Poggio Rusco and the reorganization of the factory at Rivarolo del Re.

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)	**31 December 2004**	**30 September 2004**	**31 December 2003**
Current assets	100.85	114.84	106.57
Current liabilities	(37.23)	(44.89)	(37.81)
Net working capital	**63.62**	**69.95**	**68.76**
Equity investments (including own shares)	0.30	1.98	3.57
Tangible and intangible fixed assets	44.67	46.87	53.78
Capital employed	**108.59**	**118.80**	**126.11**
Other medium/long-term liabilities	(13.00)	(12.68)	(12.46)
Net capital employed	**95.59**	**106.12**	**113.65**
Net debt	60.11	62.23	69.60
Shareholders' equity attributable to minority interests	1.09	1.02	0.94
Net equity	34.39	42.87	43.11
Total	**95.59**	**106.12**	**113.65**

(*) the results as at September 30 and December 31, 2004 are pre-tax

Working capital – The net working capital at December 31, 2004 amounted to Euro 63.6 million compared to Euro 68.8 million at the end of 2003. The reduction, against stable trade payables, is principally due to the decrease in trade receivables (Euro -3.2 million) as a consequence of the decrease in sales and to the reduction in inventory (Euro -4.1 million).

Capital invested – The capital invested decreased from Euro 126.1 million at December 31, 2003 to Euro 108.6 million, principally attributable to the above-mentioned reductions in working capital, to the reduction in fixed assets due to amortisation and depreciation (Euro 9.1 million) and the sale of treasury shares held in portfolio (Euro 3.3 million).

Net debt – The net debt, as shown in the table below, decreased by Euro 9.5 million principally in relation to the above-mentioned reductions in working capital.
Compared to December 31, 2003, in order to obtain a better equilibrium of the financial position, the medium/long term composition of the debt was increased, from Euro 16.3 million to Euro 28.6 million, through a loan and the issue of a bond.

The net financial position is comprised of:

	31 December 2004	30 September 2004	31 December 2003
Short-term bank borrowings	28.77	25.63	42.79
Current portion of medium/long-term debt	6.51	7.74	11.60
Cash and banks	(3.75)	(0.98)	(1.07)
Net short-term borrowings	**31.53**	**32.39**	**53.32**
Medium/long-term lending, net of the current portion	23.58	24.84	16.28
Bond	5.00	5.00	0.00
Net debt	**60.11**	**62.23**	**69.60**

Group performance company by company

In relation to the results of the individual companies, the most significant aspects in the year are noted below recalling that the data referred to is before consolidation adjustments.

Parent Company
The Parent Company includes the brands Sanpellegrino, Oroblù and Lepel and intercompany sales with the subsidiaries Le Bourget and Sanpellegrino Polska.

Sanpellegrino and Oroblù
The sales in 2004 amounted to Euro 76.8 million (Euro 62.9 million intercompany), compared to Euro 92.1 million (Euro 73.9 million intercompany) in the previous year, with a decrease of 16.7% (14.9% on net sales). The causes of the decrease are illustrated by individual brand of the Parent Company.
The brands Sanpellegrino and Oroblù operate principally in two markets: that of hosiery and seamless underwear (in addition to the diversified markets which we will mention later).

- The hosiery market ended the year with strong decreases in consumption and with monthly decreases of up to -22% (source GFK Institute).
- the seamless underwear market is showing signs of saturation and as a consequence lowering of prices.

The trend in the two markets have resulted in a total reduction in sales and an even greater reduction in seamless products.
The key results are as follows:

- total Group sales: - 10.9%
- hosiery sales: - 8.0%
- seamless underwear sales - 36.6%
- hosiery sales: - 1.9%

Despite the fact that the internal figures of the group report these important decreases, the market share of Sanpellegrino and Oroblù are improving market share, as indicated from the following data (source GFK Institute, latest report in November).

Sanpellegrino + Oroblù Stockings/tights market	Half Year ended November 2003	Half Year ended November 2004
Quantity %	7.1	7.5
Value	9.2	10.6
Price index	130	141

The principal initiatives in course, to improve the competitiveness of our brands, are the following:

- enrichment of the knee/ankle socks that constitute, in the stockings market, a segment in growth, compared to the recessionary trend in the rest of the market;
- enrichment of the underwear fashion and external wear that, within the seamless technology, is the component with the greatest success;

- re-launch of the Sanpellegrino seamless collections in the wholesale channel and overseas, where the greatest difficulties were encountered, with a new positioning at more competitive prices;
- integration of the current overseas distribution network, with the insertion of new specialised distributors, for the new merchandise and the new licences, where not covered by the current distributors;
- simplification of the business, with the elimination of marginal codes (in terms of size and colours), in order to concentrate the activities on specific articles and consequently improve the service to the clientele.

Lepel

The corsetry division in 2004 recorded sales of Euro 23.3 million (Euro 23.2 million net of intercompany), compared to Euro 26.1 million (Euro 26.0 million net of intercompany) in 2003, with a decrease of 10.9% (10.7% on net sales).

The principal reason for the decrease in sales is caused by the entry, in the wholesale channel, of Chinese production at prices equal to 1/10 of Lepel prices. Although this low price offer is not in direct competition with Lepel, due to obvious qualitative differences, its presence has however flooded the wholesale channel, with effects also on prices with higher positioned products.

Despite the new difficulties in the market, Lepel continues to maintain leadership in the brassiere market, as evidenced from the latest research of the GFK Institute, relating to the first half of 2004: the corsetry offer of CSP International, that includes Lepel, Belseno and Sanpellegrino Lingerie, holds a market share of 7.3%, while the second operator has 6.8%.

The measures in response to the lowering of prices in the sector are already in course and are of two types:

- re-launch and repositioning of the two fundamental products of the Lepel collection: Belseno Pleasure and Revolution Comfort, to differentiate them from the competition;
- outsourcing of the production (already implemented in low labour cost countries such as North Africa, Eastern Europe and the Far East), increasing the quantities produced in China.

Le Bourget

The French subsidiary, the third brand in the market, after Dim and Well, recorded a reduction in sales, but ended the year with a breakeven result. The sales decreased from Euro 40.0 million (Euro 39.1 million net of intercompany) in 2003 to Euro 37.9 million (Euro 37.3 million net of intercompany) in 2004, with a decrease of 5.3% (4.5% on net).

The reduction in sales is related to the recession in the consumption of tights that, in the French market, was for the second consecutive year, around 15% (source Nielsen Institute, Hyper and Supermarket Channel).

The result, a loss of Euro 107,000, compares to:

- loss of Euro 1.5 million in 2002;
- loss of Euro 0.9 million in 2003.

The performance in the final quarter, with a net profit of Euro 0.9 million, permitted the company to almost achieve its breakeven annual objective; in particular the fourth quarter 2004 recorded a gross margin of 39.3% compared to 35.5% in same period in the previous year.

The company has now substantially reached break-even, thanks to the following principal measures in the two year period 2003-2004, illustrated by the table (the data indicates the improvements in 2004 compared to 2003).

Income statement	- Reduction of personnel costs of Euro 1.3 million; - Reduction of other costs of Euro 0.7 million.
Balance sheet	- Reduction of inventory of Euro 3.5 million.

In addition to the containment of costs, initiatives were undertaken in support of sales: the most important of which was the entry of the brand Le Bourget into the lingerie market with the collection “Les dessous chic”. The sales of the collection, that are only marginally present for the year ended 2004, will be more significant in 2005.

Sanpellegrino Polska

The Polish company, held 50% by CSP international, ended the year with stable sales and a small profit.

The sales were maintained in 2004 at Euro 4.5 million (Euro 3.4 million net of intercompany), substantially in line with 2003.

The profit of Euro 14,000 in 2004 compares to a loss of Euro 700,000 in the previous year. The return to profit principally derives from an improvement in gross margin, from 17.4% in 2003 to 30.2% in 2004.
The Ebitda improved from -5.3% to 6.2%.
The principal measures in course are those directed at improving the network of 19 Oroblù outlets, that record improving sales and margins.

New products and advertising campaigns

The new products, presented during the year, were supported by specific advertising campaigns in the different media channels. A summary is presented of the principal activities carried out during the year:

- in January/February TV campaign for Lepel Revolution;
- in March bill board advertising for Lepel Belseno, with Natalia Estrada;
- in March/April press campaign for Sanpellegrino BioComplex L'Angelica and for Oroblù Futurity;
- in the autumn press campaign for Oroblù BioAction Transvital;
- in the two-month period October/November, TV campaign for Sanpellegrino BioComplex.

Among the new products already presented to the market at the end of 2004 and that will enter into the sales of 2005 we note:

- Le Bourget lingerie "Les dessous chic": the initial quantities were contained, but the welcome was positive;
- Lepel Revolution Comfort: the results were good and quantities significant;
- Lepel Belseno Pleasure: excellent results and very promising for 2005.

Licenses

A summary of the agreements in force are provided below.

	OROBLU'				
MERCHANDISE	MEN'S SOCKS	SWIMWEAR	PULL OVERS	KNITTED UNDERWEAR	FREE TIME
CHANNEL	Retail	Retail	Retail	Retail	Retail
PARTNER	Niga	David	Milar	Samar	Samar
COLLECTION	Oroblù Man	Oroblù Mare	Oroblù Pull-Lovers	Oroblù Underwear	Oroblù Your Time

	SANPELLEGRINO			
MERCHANDISE	MEN'S SOCKS	SWIMWEAR	KNITTED UNDERWEAR	FREE TIME
CHANNEL	LD	Wholesale and LD	LD	LD
PARTNER	Niga	David	Samar	Samar
COLLECTION	Sanpellegrino Man	Sanpellegrino Beach Time	Sanpellegrino Underwear	Sanpellegrino Free Time

All of the above-mentioned licences, except those for men's socks already in force, were activated during 2004; among the new licenses only the pullover collection of Oroblù Pull-Lovers generated royalties in 2004, while the others will commence in 2005.
The results from licences in 2004 were as follows:

- sales equal to Euro 7.1 million, not consolidated in the sales of the Group;
- royalties equal to Euro 447,000, consolidated in the sales of the Group.

Single-brand Oroblù outlets

The number of Oroblù outlets is currently 6 in Italy (of which 5 opened in 2004), 19 in Poland, 3 in Russia, 2 in Croatia and 1 in China (opened in 2004), for a total of 31. In addition to the Oroblù outlets there are 3 Le Bourget, 1 Sanpellegrino and 1 Lepel.

The outlets in Italy, France and Poland are managed directly by the company, while those in other countries are managed by third parties.

Production rationalisation

The principal actions in relation to the production organisation already carried out and those in course are listed below.

MERCHANDISE	PRODUCTION UNIT	ACTIONS	REDUCTION IN PERSONNEL
Stockings & tights	Le Bourget	- Textile production capacity closed and maintenance of the logistical service for the French market	- 25 in 2002 - 30 in 2003 - 88 in 2004
	Parent Company	- Rationalisation of the 2 factories at Rivarolo del Re and Ceresara (January 2005)	- 47 in 2002 - 43 in 2003 - 4 in 2004 - 65 in 2005
Corsetry	Lepel	- Unification of the 2 factories at Carpi and Poggio Rusco (February 2005)	- 7 in 2003 - 10 in 2004 - 50 in 2005

The figures for 2005 consist of 65 employees of the Parent Company in a temporary lay-off scheme and 50 employees of Lepel in redundancy.

Extraordinary operations

The result for the year includes extraordinary income of Euro 2.9 million. It should be noted that the income was obtained without renouncing business factors of a strategic nature.
In addition, there are extraordinary charges of Euro 0.4 million, relating to the closure of the Lepel factory at Poggio Rusco (corsetry) and the integration of the two factories at Ceresara and Rivarolo del Re (tights), illustrated in the previous table:

- the interventions commence from January 2005 for the factories for tights and from February 2005 for the corsetry factory;
- the costs for the interventions, as already deliberated in 2004, are recorded in the accounts for the year 2004, although they will be incurred in the next three years;
- the savings from these measures, quantifiable as approximately Euro 2 million, will benefit the accounts in 2005.

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 the new articles in 2004.

YEAR	SANPELLEGRINO	OROBLÙ	LEPEL
2000	**SEAMLESS UNDERWEAR COMODO**	**SEAMLESS UNDERWEAR DOLCE VITA** **SUN TIME (summer socks)**	
2001	**COLLECT. METROPOLIS** **SEAMLESS MAN**	**COLLECTION ON LINE** **SEAMLESS MAN**	
2002	**SEAMLESS IN COTTON**	**SEAMLESS IN COTTON**	**Bra SIMMETRY**
2003	**BIOCOMPLEX L'ANGELICA (Cosmetic tights)**	**BIOACTION TRANSVITAL** **FUTURITY BRA (Lifting evolution)**	**Bra REVOLUTION without metal support**
2004	**POCKET TIGHTS**	**Extension line BioComplex and BioAction**	**PLAY LEPEL sport collection** **6TEEN for teenagers** **REVOLUTION Comfort and BELSENO Pleasure**

Significant events after the year end

Between January and February measures were taken as outlined in the paragraph relating to the rationalisation of the production structure:

- the unification of the two Lepel sites of Carpi and Poggio Rusco, in order to integrate all of the production phases for corsetry in one single production site;
- the transfer of part of the production for tights from Rivarolo del Re to Ceresara, to integrate into a single production site, all of the production phases after weaving (that remains at Rivarolo).

The interventions were necessary in order to:

- reduce the industrial costs;
- shortened the industrial cycle time;
- improves the quality of the finished products;
- optimise the service to the clients;
- and, in summary, increase the competitiveness of the company.

As a consequence of these interventions, the level of personnel will reduced by approximately 115 units in 2005, consisting of 50 redundancies and 65 in the Special Temporary Redundancy Scheme (Cassa Integrazione Straordinaria)

Prospects 2005

The central objective in the year 2005 will be a break-even result which will also be achieved thanks to extraordinary income.
The extraordinary income will have a positive impact in 2005 and also a permanent effect in reducing the organisational structure with benefits for future years in the ordinary operations.

The sale of non-strategic assets will permit the integration and co-ordination of production sites and, in particular:

- the rationalisation of the entire production for stockings/tights;
- the delocalization of procurement for corsetry.

In general terms, the extraordinary operations, in addition to providing income in 2005, will permit the lowering of the break-even point.

<u>The guidelines of the Plan</u> are, in summary, as follows:

- Less costs, through the streamlining of the production organisation
- Higher margins, through new products
- Same level of sales, through own outlets
- Less debt, reduced working capital.

<u>The salient elements of the Budget 2005</u> are, in summary, as follows:

- <u>Stabilisation of sales</u> at 2004 levels;
- streamlining of the production organisation;
- delocalization of all the different productions for tights;
- reduction of personnel;
- reduction in operating costs;
- containment of marketing costs to 10% of sales;
- improvement of the margins;
- reduction of debt;
- achievement of extraordinary income, deriving from the lean production;
- <u>break-even net result.</u>

In support of the break-even objective for 2005 are the following factors:

TRADITIONAL STRONG POINTS OF THE COMPANY	SPECIFIC INITIATIVES IN 2005
1. Innovative capacity	New products in corsetry and hosiery
2. Recognised level of quality of the products	Improvement in margins through streamlining the production organisation
3. Wide diversification of merchandise	Benefits from 6 new licenses in 2004

4. Consolidated brands, for recognition and image	New TV campaign for Lepel, TV return for Sanpellegrino in Russia, exploitation of Oroblù in the network of outlets
5. Production mix between the specialised area (tights) and delocalized (for the rest)	Procurement from China, with a better quality/price ratio
6. Italian distribution structure updated to the most modern channels	Containment of operating costs with parity of service
7. Overseas distribution coverage in 50 countries and in the best international Department Stores	Insertion of new overseas distributors for the new merchandise
8. Operational results integrated with extraordinary income	Extraordinary income deriving from initiatives that lower the break-even point

The mix for a break-even result

We underline that the decisions and actions relating to the reduction of personnel and operating costs have already occurred and are therefore in place. The break-even will therefore derive from a mix comprising operational improvements and extraordinary income.

Performance in January

Finally, the sales in January 2005, compared to the same month in the previous year, were:

- increase for the Parent Company, with the brands Sanpellegrino, Oroblù and Lepel;
- slight decrease for Le Bourget and SP Polska;
- overall increase at total aggregated Group level.

The result for January cannot be considered as representative, even though this interrupted the negative sequence in the final three months of the previous year.

The orders received in January were also promising, in particular for the Parent Company in the Retail and Wholesale channels, where the orders received were higher than those in the previous year, and in the Large Distribution channel, where we re-entered two important national chains.

Conclusion

After the results for the fourth quarter of 2004, the forecast of break-even in 2005 may be received with scepticism. However, a break-even result for 2005

- is not a vague wish;
- is a practical objective;
- is our plan;
- is what we will work towards.

Ceresara, February 14, 2005

Chairman of the Board of Directors
Francesco Bertoni

Attachments:

1. Reclassified income statement
2. Reclassified balance sheet

Reclassified Consolidated Statement of Income

(figures in thousands of Euro)

	Quarter 01/10 - 31/12 2004 CONSOLIDATED	Quarter 01/10 - 31/12 2003 CONSOLIDATED	Period at 31 December 2004 CONSOLIDATED	Period at 31 December 2003 CONSOLIDATED
Net sales	33,477	39,277	126,358	141,840
Income from royalties	137	103	447	543
NET REVENUES	**33,614**	**39,380**	**126,805**	**142,383**
COST OF SALES				
Purchases	6,192	10,906	40,516	41,511
Labour cost	3,697	4,525	16,286	18,154
Services	1,929	2,929	12,407	13,195
Depreciation and amortisation	1,473	1,588	6,011	6,621
Other costs	1,526	1,908	6,658	6,681
(Increase) decrease in inventories	11,590	6,273	4,422	10,201
	26,407	**28,129**	**86,300**	**96,363**
GROSS PROFIT	**7,207**	**11,251**	**40,505**	**46,020**
SELLING, GENERAL AND ADMINISTRATIVE COSTS				
Labour cost	4,018	3,543	14,066	13,854
Advertising expenses	5,325	4,443	15,522	16,401
Commissions	772	849	3,033	3,475
Depreciation and amortisation	1,292	1,097	4,906	4,269
Other expenses	3,406	3,498	12,012	12,473
	14,813	**13,430**	**49,539**	**50,472**
OPERATING PROFIT	**(7,606)**	**(2,179)**	**(9,034)**	**(4,452)**
Financial charges (income), net	785	814	2,594	3,257
Writedown (writeup) of investments	0	0	0	0
Other (income) and charges	(205)	(308)	(213)	(128)
	580	**506**	**2,381**	**3,129**
PROFIT (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	**(8,186)**	**(2,685)**	**(11,415)**	**(7,581)**
Extraordinary charges and (income)	371	7	(2,559)	1,191
PROFIT (LOSS) BEFORE INCOME TAXES	**(8,557)**	**(2,692)**	**(8,856)**	**(8,772)**
Income taxes (*)	0	0	0	(1,523)
NET PROFIT (LOSS) FOR THE PERIOD	**(8,557)**	**(2,692)**	**(8,856)**	**(10,295)**
Net minority interests	5	170	(7)	365
NET PROFIT (LOSS) FOR THE GROUP	**(8,552)**	**(2,522)**	**(8,863)**	**(9,930)**

EBITDA (Operating Profit + Depreciation and amortisation)	(4,841)	506	1,883	6,438

(*) Quarterly figures and the figures at 31 December 2004 do not include income taxes.

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

	31 December 2004 CONSOLIDATED	30 September 2004 CONSOLIDATED	31 December 2003 CONSOLIDATED
CURRENT ASSETS			
Cash and banks	3,751	986	1,065
Trade receivables	51,885	53,310	55,131
Due from subsidiary and associated companies	0	39	100
Other receivables	4,728	5,760	2,899
Inventories	43,046	54,458	47,141
Accrued income and prepaid expenses	1,195	1,268	1,297
Own shares	0	1,596	3,316
TOTAL CURRENT ASSETS	**104,605**	**117,417**	**110,949**
FIXED ASSETS			
Financial fixed assets:			
Financial receivables	180	235	241
Equity investments	124	145	11
Total financial fixed assets	**304**	**380**	**252**
Tangible fixed assets	32,417	33,997	38,792
Intangible fixed assets	12,244	12,876	14,988
TOTAL FIXED ASSETS	**44,965**	**47,253**	**54,032**
TOTAL ASSETS	**149,570**	**164,670**	**164,981**

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

	31 December 2004 CONSOLIDATED	30 September 2004 CONSOLIDATED	31 December 2003 CONSOLIDATED
CURRENT LIABILITIES			
Short-term bank borrowings	28,770	25,630	42,787
Current portion of medium/long term debt	6,515	7,739	11,604
Trade payables due to third parties	30,970	37,774	30,328
Due to subsidiary/associated companies	0	0	0
Taxes payable	831	585	2,071
Other payables	5,099	6,130	5,086
Accrued liabilities and deferred income	330	403	324
TOTAL CURRENT LIABILITIES	**72,515**	**78,261**	**92,200**
MEDIUM/LONG-TERM LIABILITIES			
Medium/long-term debt, net of the current portion	23,578	24,842	16,278
Bond	5,000	5,000	0
Severance indemnities	7,450	7,352	7,239
Other provisions	5,552	5,329	5,224
TOTAL MEDIUM/LONG-TERM LIABILITIES	**41,580**	**42,523**	**28,741**
TOTAL LIABILITIES	**114,095**	**120,784**	**120,941**
MINORITY INTERESTS IN CAPITAL AND RESERVES	1,085	1,017	**935**
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	11,078	11,005	20,860
Net profit (loss) for the period (*)	(8,863)	(311)	(9,930)
TOTAL SHAREHOLDERS' EQUITY	**34,390**	**42,869**	**43,105**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**149,570**	**164,670**	**164,981**

(*) the figures at 31 December 2004 and at 30 September 2004 do not include income taxes.

NOTES TO THE FINANCIAL STATEMENTS

Content and bases of the financial statements

These notes refer to the results of the fourth quarter 2004 and the period January-December 2004. They have been prepared in accordance with current legislation, with comparative figures for the corresponding period of 2003 and the full year 2003.

The accounting and consolidation policies used in preparing these financial statements have been applied consistently with the previous year's consolidated financial sheets as of 31 December 2003, except for the following difference:

INCOME TAXES: no provisions have been made against the income taxes of the individual consolidated companies or against deferred tax assets and liabilities pertaining to the period under review, as permitted by CONSOB regulations for the preparation of interim financial statements, which we deemed applicable to this document as well.
These amounts will be determined upon preparation of the financial statements as at 31 December 2004.
This method guarantees consistency in the figures with the consolidated annual report for the previous year, taking into account the above difference in accounting treatment.

Scope of consolidation

The consolidation scope as at 31 December 2004 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 equity investment has been recorded in the quarterly report under the net equity method.

Consequently, the scope of consolidation include the following companies:

Denominazione	Sede	Controlling interest %
CSP International Industria Calze SpA	Via Piubega, 5/c 46040 Ceresara (MN)	Parent company
Le Bourget S.A.	Rue J.P. Saltiel 02230- Fresnoy Le Grand (F)	99.97%
Sanpellegrino Polska Sp. z o.o.	Ul. Lodska, 27 95-050 Konstantynow (Lodz) (PL)	50%