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CSP INTERNATIONAL: BOD APPROVES FOURTH QUARTER REPORT AS AT DECEMBER 31, 2004

CSP International records a loss of Euro 8.9 million as at December 31, 2004, of which Euro 8.6 million in the final quarter of the year

The company targets a break-even result in 2005 through a series of extraordinary actions

The Board of Directors of CSP International S.p.A., a company listed on the STAR segment of the Italian Stock Exchange, producer of stockings, tights and underwear under the Sanpellegrino, Oroblù, Lepel and Le Bourget brands, today approved the quarterly report as at December 31, 2004, that 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 with 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 25% compared to the same period in 2003 and 33% 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.

A summary of the principal results as at December 31, 2004, 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 compared to Euro 142.2 million in 2003, indicating a decrease of 10.9%;
- the gross margin in 2004 was Euro 40.5 million compared to a margin of Euro 46.0 million in 2003; the incidence moved 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;
- net financial debt was Euro 60.1 million, compared to Euro 69.6 million in 2003.

The result in the period January - September 2004 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 a determining role was played by the decrease in sales below a break-even level and the consequential impossibility to cover the costs of the quarter. 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 growth;
- the tendency of lower prices, particularly in the Wholesale channel for seamless merchandise due to the saturation of the offer, and in the brasserie 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

Production rationalisation
The principal actions in relation to the production structure already implemented and those in course are listed below.

MERCHANDISE	PRODUCTION UNIT	ACTIONS	REDUCTION OF PERSONNEL
Stockings and 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 actions were necessary in order to:
- reduce the industrial costs;
- shorten the industrial cycle time;
- improve 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 actions, the level of personnel will be reduced by approximately 115 units in 2005, consisting of 50 redundancies and 65 in the Special Temporary Redundancy Scheme (Cassa Integrazione Straordinaria)

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 aspects 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):

- the measures take effect from January 2005 in relation to the factories producing tights and from February 2005 for the corsetry factory;
- the costs for the measures, as already decided upon 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.

Licenses
In addition to the licences for men's socks, already in force, in 2004 six licences were activated for clothing and underwear, swimwear and leisurewear.
These licences will have effect in 2005 and will result in royalty income totalling Euro 1 million in 2006.
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.

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

The Plan for reaching the 2005 objective provides for:

- Stabilisation of sales 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 margins through new products;
- reduction of debt through reduced working capital;
- achievement of extraordinary income, deriving from the lean production;
- break-even result.

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 n 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 interrupts 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 will 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.

Corporate events 2005

The calendar of corporate events for 2005 are provided below.

Board of Directors	**CONTENTS**
Monday February 14, 2005 – Time 9.00	Results IV quarter 2004
Wednesday March 30, 2005 – Time 15.30	Annual Accounts 2004
Friday May 13, 2005 – Time 9.00	Results I quarter 2005
Friday August 5, 2005 – Time 9.00	Results II quarter 2005
Wednesday September 28, 2005 – Time 9.00	Results I half-year 2005
Friday November 11, 2005 – Time 9.00	Results III quarter 2005

Shareholders' Meeting	**CONTENTS**
Friday April 29, 2005 – Time 9.00	Approval Annual Accounts 2004

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.

CSP International: Innovation in Hosiery and Underwear

CSP International S.p.A. was founded in 1973 at Ceresara (Mantua), in the hosiery district, where two-thirds of Europe's are produced. It heads up a Group that is an industry leader in the stockings, tights and underwear sector, ranking third in Europe and eighth in the world by sales in its own reference market. The Group, realizing sales of 150 million euro, including licenses, has more than 1,100 employees, plants in Italy, France and Poland, and distributes its products in 50 countries throughout the world, generating half of its turnover abroad.

The CSP International Group produces tights, stockings for men and women, male and female seamless underwear (a new technology), corsetry, underwear and swimming costumes.

Its brands are aimed at different consumer targets:

- ***Sanpellegrino**: this is the historical brand, which offers functional products with the best quality/price ratio;*
- ***Oroblù**: this brand has a higher quality and image and is sold through the best international department stores;*
- ***Le Bourget**: this is the most prestigious French hosiery brand, which specialises in fashion trends;*
- ***Lepel**: this is the leading brand for corsetry in Italy, offering comfort and elegance at the best possible price.*

The following is a rundown of the most important events in the last decade of the CSP International Group:

1994 *- beginning of sales on the Russian market;*
1995 *- launch of the tights Brazil Effect – Shock Up;*
1996 *- Sanpellegrino advertising with Antonio Banderas and Valeria Mazza as testimonials;*
1997 *- quotation on the official list of the Italian Stock Exchange;*
1998 *- incorporation of Sanpellegrino Polska, a 50/50 joint-venture with a Polish partner;*
1999 *- acquisition of 100% of Le Bourget, the third largest manufacturer of tights in France;*
- start of diversification into seamless underwear;
2000 *- acquisition of 55% of Lepel, the first step in the diversification into corsetry;*
2001 *- acquisition of the other 45% of Lepel;*
- admission into the STAR segment of the Italian Stock Exchange;
2002 *- approval of the project of Lepel merger in CSP International;*
2003 *- launch of innovative cosmetic tights, Sanpellegrino BioComplex L'Angelica and Oroblù BioAction Transvital;*
2004 *- start of licences in complementary markets, as underwear, knitwear and bathsuits;*
2005 *- production rationalisation.*

CSP International's mission is to produce and distribute the best possible products in the quality segment of the market, innovating its core business (tights) and diversifying into underwear and apparel.

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