CSP INTERNATIONAL

Press Release **Ceresara (MN), 28 April, 2006**

CSP INTERNATIONAL: AGM APPROVES FINANCIAL STATEMENTS AS AT DECEMBER 31, 2005

CSP International ends 2005 with a net loss of Euro 7.2 million after taxes, but second half 2005 improves margins compared to second half 2004 and the year 2006 starts with the distribution of Puma and Sergio Tacchini. Approved a share capital increase to support development.

The Shareholders of CSP International S.p.A., a company listed on the Italian Stock Exchange, producer of stockings, tights and underwear under the Sanpellegrino, Oroblù, Lepel and Le Bourget brands, today approved the **Consolidated and Parent Company Financial Statements for the year 2005.**
The Group and Parent Company financial statements for the year 2005 were prepared in accordance with IAS/IFRS, therefore the figures relating to the year 2004, presented for comparative purposes, were appropriately reclassified.

The main results in 2005
A summary of the results for the year 2005, expressed in absolute and percentage terms on sales, is shown below.

- Consolidated sales for the year 2005 amounted to Euro 105.0 million. This compares to sales of Euro 122.8 million in 2004. The decrease was 14.5%.
- The industrial margin in 2005 was 30.9% on net sales (31.9% in 2004).
- The Ebitda was Euro 2.3 million, compared to Euro 4.8 million in 2004; the margin percentage was 2.2% compared to 3.9% in the previous year.
- The Ebit was Euro -4.2 million, compared to Euro -2.6 million in 2004; the margin percentage on sales was -4.0% compared to -2.1% in the previous year.
- The pre-tax result in 2005 was a loss of Euro 6.4 million, compared to a loss of Euro 5.3 million in the previous year.
- The income taxes for the year amounted to Euro 0.8 million, of which Euro 0.6 million IRAP, compared to Euro 0.4 million in the previous year.
- The Group net loss was Euro 7.2 million, compared to a net loss of Euro 5.7 million in 2004.

Operational areas

In millions of Euro	2002	2003	2004	2005	Change 2005/2004
Inventories	58.0	47.1	40.6	26.8	- 13.8
Working Capital	84.4	68.8	58.4	40.4	- 18.0
Net debt	83.7	69.6	59.1	37.4	- 21.7
Financial charges	4.0	3.3	2.7	2.2	- 0.5
Personnel costs	33.8	32.0	29.0	26.8	- 2.2

The results from 2004 are prepared in accordance with IAS/IFRS standards and SP Polska deconsolidated
The results for 2002 and 2003 derive from the application of the previous accounting standards and include SP Polska

Among the different areas, we remark the strong decrease of net debt and the constant reduction of personnel cost.

Margins

The industrial margin in 2005 is lower than the previous year. However, the margin in the second half of 2005 reports an improvement of 4.6 percentage points compared to the second half of 2004, increasing from 27.1% to 31.7% and thus reversing the trend compared to the same period in the previous year. This trend, as resulting from structural and organisational changes, is also expected to be confirmed in 2006.

Personnel

The total changes in personnel were as follows:

Reductions 2002: 72 units
Reductions 2003: 80 units
Reductions 2004: 102 units
Reductions 2005: 164 units, of which 60 temporary lay-off fund, 71 mobility and 33 departures
Reductions 2006: 81 units

The 81 employees facing redundancy, some of whom have been in receipt of the ordinary temporary state lay-off fund (*Cassa Integrazione Ordinaria)* since November 2005, will receive the extraordinary temporary state lay-off fund (*Cassa Integrazione Straordinaria*) from March 2006 and Mobility from March 2007; this estimate includes 21 employees who left the company in the first quarter of 2006.

Production capacity and outsourcing

The closure of the two factories at Poggio Rusco (corsetry) and at Rivarolo del Re (tights) in 2005 will permit the company to operate with greater efficiency.

- Closure of Poggio Rusco: 90% of bras are produced via outsourcing, retaining the style, design, cut, modelling and sampling in Italy; in 2006, the entire manufacture process will be carried out via outsourcing, retaining design know-how in Italy; this will improve the cost/price ratio.
- Closure of Rivarolo del Re: the total number of textile machines has been reduced to 500, from more than 900 last year; annual production capacity has decreased from 8 million dozen to 4 million dozen - this will result in the alignment of production capacity with the sales levels, which will prove beneficial to unitary production costs, as they will no longer bear the burden of indirect costs.
- The effects of the production reorganisation will be fully reflected in the income statement for the year 2006.

Share capital increase

The Shareholders' Meeting of 28/04/2006 approved a share capital increase of approximately Euro 15 million, divisible and reserved for shareholder options, to ensure the availability of new financial resources to the Company. The primary points of the issue are listed below:

- a share capital increase to integrate the financial resources required for development and, in particular, the management of the company's new distribution activities;
- a nominal value of Euro 0.52, with a share premium of Euro 0.44, for a minimum total price of Euro 0.96 per share.
- an option ratio of 16 new issue shares for each 25 shares held;
- completion of the share capital increase prior to September 30, 2006.

The majority CSP International shareholders have already pledged to subscribe to the share capital increase for Euro 7.5 million, including through the existing Euro 5 million bonds.

Shareholders' Resolutions

The CSP Shareholders' Meeting resolved the following points of the Agenda:

- Election of corporate bodies (Board of Directors and Board of Statutory Auditors): to coincide with the approval of the financial statements – The Shareholders' meeting resolved the restriction of the Board of Directors to remain in office for the 2006-2008 three-year period and until the approval of the 2008 Financial Statements to 7 members (Francesco Bertoni, Enzo Bertoni, Gianfranco Bossi, Maria Grazia Bertoni, Carlo Bertoni, Arturo Tedoldi, Luigi Bellavita). They further resolved for the Statutory Board of Auditors to remain in office for the 2006-2008 three-year period and until the approval of the 2008 Financial Statements has been elected. The board is composed of the following persons: Auditors: Vanna Stracciari, Marco Montesano, Guido Tescaroli. Alternate Auditors: Carlo Scardovelli, Luca Gasparini.

- Audit of the financial and consolidated financial statements: The assignment to Deloitte & Touche Italia S.p.A., Audit Company, has been extended for the next three-year period.
- Dividends – In consideration of the results for the 2005 year, no dividends were distributed.
- Bonds. The early repayment of bonds, for a value of Euro 5 million, has been approved. This will be used by the controlling shareholders in their subscription to a share capital increase.
- Articles of Association. The articles of association have been updated to adequately reflect the statutory provisions of the savings law. The updates also include the rewording of the articles of association to include distribution activities for goods outside of the textile-clothing sector.

Distribution activities after the year end

An agreement has been signed for the distribution of Sergio Tacchini co-ordinated beachwear collections throughout Europe for the 2007-2009 three-year period.
This distribution for Sergio Tacchini, as that already initiated for Puma, constitutes:

- a new source of business for the stabilisation of sales;
- a new source of margins to accelerate the return to profitability;

with an impact in the second half of 2006 for Puma and in the first half of 2007 for Sergio Tacchini.

Forecast for 2006

The Industrial Plan, which is the basis of the Financial Plan and of the agreement between the Company and the Banking Institutions, contains the following primary objectives.
The Plan's main objectives are the containment of losses and a return of operating profits.
The objectives will be achieved through the following principal actions:

a) the consolidation of the Oroblù and Lepel brands, both in Italy and abroad; the repositioning of the Sanpellegrino brand in the Wholesale and large department stores channels; investment in Le Bourget, which during the past year improved its share on the French market to the detriment of the competition;
b) new business sources, relating to the distribution of third party products: the three-year agreements for the distribution of Puma and Sergio Tacchini collections serve as the reference models, and will be followed by similar activities during the year;
c) productive rationalisation through the staff reductions achieved in 2005 coming into full effect in 2006; outsourcing of all merchandise other than stockings, in order to obtain the best quality/cost ratio.
d) margin improvement, through the containment of production costs, product innovation and efficiency improvements with a significant reduction in general and operating costs.
e) sale of non-strategic assets.

Next corporate events

May 12, 2006: Board of Directors for the approval of the Quarterly Report at 31.03.2006.

CSP GROUP

Balance Sheet - Assets

(figures in thousand of Euro)	31 December 2005 CONSOLIDATED	31 December 2004 CONSOLIDATED
FIXED ASSETS		
Intangibles fixed assets:		
- Difference arising on consolidation	11,416	11,416
- Other intangible assets	1,556	2,213
Tangible fixed assets:		
- Property, plant and equipoment and other fixed assets	22,431	31,855
- Investment property	70	70
Other non current assets:		
- Equity investments	1,227	1,173
- Other investments	11	11
- Financial receivables, other receivables, trade receivablesand other non current asset	157	127
- Deferred tax assets	3,166	2,326
Total fixed assets	**40,034**	**49,191**
CURRENT ASSETS		
- Inventories	26,765	40,557
- Trade receibables	46,007	51,547
- Financial receivables, other receivables and other assets	1,214	2,974
- Assets held for sale	0	0
- Cash and cash equivalents	1,057	3,708
Total current assets	**75,043**	**98,786**
TOTALE ASSETS	**115,077**	**147,977**

Balance Sheet - Assets

(figures in thousands of Euro)	31 dicembre 2005	31 dicembre 2004
SHAREHOLDERS' EQUITY		
Shareholders' equity of the Group		
- Share capital	12,740	12,740
- Other reserves	18,496	24,587
- Revaluation reserves	9,605	9,605
- Retained earnings	(5,155)	(5,617)
- Result of the period	(7,198)	(5,664)
less: Own shares	0	0
TOTAL SHAREHOLDERS' EQUITY	**28,488**	**35,651**
TOTAL NON CURRENT LIABILITIES		
Financial liabilities due beyond 12 months:		
- Bonds	5,000	5,000
- Bank borrowings	13,490	23,374
Severance indemnities	7,375	7,605
Allowance for risk and charges	2,711	1,806
- Deferred tax liabilities	4,407	3,411
- Other non current liabilities	25	25
Total non current liabilities	**33,008**	**41,221**
CURRENT LIABILITIES		
Financial liabilities due within 12 months:		
- Bank borrowings	19,974	34,470
Trade payables	27,407	30,481
- Other current liabilities	6,200	6,154
Total current liabilities	**53,581**	**71,105**
TOTAL LIABILITIES	**86,589**	**112,326**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**115,077**	**147,977**

CSP GROUP

CONSOLIDATED STATEMENT OF INCOME

(figures in thousand of Euro)		Full Year 2005 CONSOLIDATED		Full Year 2004 CONSOLIDATED	
Net sales		105,019	100.0%	122,823	100.0%
Cost of sales		(72,579)	-69.1%	(83,676)	-68.1%
Industrial margin		**32,440**	30.9%	**39,147**	31.9%
Direct selling expenses		(10,169)	-9.7%	(11,701)	-9.6%
Gross sales margin		**22,271**	21.2%	**27,446**	22.3%
Other operating revenues / (expenses)		3,972	3.8%	3,831	3.1%
Selling and administrative expenses		(29,929)	-28.5%	(33,506)	-27.3%
Restructuring costs		(498)	-0.5%	(406)	-0.3%
Operating result (EBIT)		**(4,184)**	-4.0%	**(2,635)**	-2.2%
Writedowns / writeups of non current assets		0	0.0%	6	0.0%
Share of non equity investments results		20	0.0%	97	0.1%
Other financial income (charges)		(2,247)	-2.1%	(2,745)	-2.2%
Profit (loss) before taxes		**(6,411)**	-6.1%	**(5,277)**	-4.3%
Income taxes		(787)	-0.8%	(387)	-0.3%
Net profit (loss) for the Group		**(7,198)**	-6.9%	**(5,664)**	-4.6%
EBITDA		**2,325**	2.2%	**4,805**	3.9%
Earnings per share - base	**Euro**	**(0.294)**		**(0.248)**	
Earnings per share - diluted	**Euro**	**(0.294)**		**(0.248)**	

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 operates in the market of stockings, tights and underwear. The Group, realizing sales of 150 million euro, including licenses, has 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;*
2002 *- Lepel merger in CSP International;*
2003 *- launch of cosmetic tights, Sanpellegrino BioComplex L'Angelica and Oroblù BioAction Transvital;*
2004 *- start of licences in complementary markets, as underwear, knitwear and bathsuits;*
2005 *- internal production rationalization for hosiery and delocalization for other products.*
2006 *- beginning of the distribution activity for other partners with Puma and Sergio Tacchini collections.*

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 sportswear.

For further information:

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