FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999

CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.
Via Piubega, 5/C - 46040 CERESARA (Mantua)
Share capital Lire 24,500,000,000 fully paid-in
Mantua Companies Register no. 4898 Vol. 5648

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Members of the Administrative and Supervisory Bodies

Members of the Board of Directors

Chairman of the Board	Enzo BERTONI (*)
Managing Director	Francesco BERTONI (*)
Directors	Gianfranco BOSSI Maria Grazia BERTONI Carlo BERTONI

Members of the Statutory Board of Auditors

President	Sergio GHIDELLI
Aditors	Danilo ANCESCHI Marco MONTESANO
Alternate Aditors	Giuseppe COLLOT Luca SAVOIA

AUDITORS

Arthur Andersen S.p.A.

(*) Comments on the exercise of powers: power of ordinary and extraordinary administration, except for those that the law or the company by-laws assign to the Board of Directors.

DIRECTORS' REPORT ON OPERATIONS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999. DIRECTORS' REPORT ON OPERATIONS

Shareholders,
The financial statements for the year ended 31 December 1999, prepared in Lire and Euro, are submitted for your review. The following figures and remarks concern CSP International S.p.A., the Parent Company; the Group's consolidated financial statements are presented separately.
The key figures for CSP International, denominated in Lire, are as follows:
– total revenues, Lire 216.2 billion;
– net sales of stockings, Lire 185 billion;
– depreciation and amortisation, Lire 17.1 billion, of which Lire 4.8 billion represents accelerated depreciation;
– operating profit prior to financial charges and income taxes, Lire 17 billion (9.2% of net sales);
– pre-tax profit, Lire 11.1 billion;
– income taxes, Lire 4.9 billion, corresponding to 44% of pre-tax profit;
– net profit, Lire 6.2 billion.

1. Comparison with the prior year

The following comments on the statement of income refer to the reclassified net sales and not to total revenues for statutory purposes.
The following changes have taken place compared with prior year:
• net sales of stockings decreased by 20% from Lire 231.6 to 185 billion;
• depreciation and amortisation rose from Lire 14.3 to 17.1 billion; within that total, accelerated depreciation increased from Lire 3.5 to 4.8 billion;
• operating margin improved from 8.2% to 9.2%;
• after-tax profit more than doubled, from Lire 3 billion to 6.2 billion.

2. Performance over the past five years

A summary of the key financial indicators for the years 1994-1999 is set out below (in Lire):

Year	*Revenues for Statutory purposes*	*Net sales of stockings*	*Operating profit*	*Amortisation and depreciation*	*Cash flow prior to dividends*	*Profit after tax*
1994	130.6 billion	120.8 billion	10,424 million	3,535 million	12,164 million	201 million
1995	191.3 billion	169.2 billion	29,836 million	4,294 million	16,940 million	2,118 million
1996	231.5 billion	202.3 billion	32,655 million	6,944 million	22,514 million	9,957 million
1997	328.6 billion	256.5 billion	41,181 million	10,870 million	39,115 million	24,022 million
1998	270.7 billion	231.6 billion	19,013 million	14,266 million	19,012 million	3,032 million
1999	216.2 billion	185.0 billion	16,987 million	17,119 million	24,621 million	6,245 million

Cash flow prior to dividends in 1999 was even higher than the record figure for 1997.

3. Sales in 1999

The drop in sales reported for 1999 principally reflected the following reasons:
– Poor trends on the Italian hosiery market, with a 9% fall in quantity (source: Istituto Sita Nielsen);

– Lower European hosiery consumption with an average fall of 10% in the various countries compared with the previous year (source: Eurocolor, Sistema Moda Italia);
– Shrinkage of the Russian market which, prior to August 1998, accounted for approximately 25% of company's turnover, through direct exports and indirect exports ("parallel sales").

4. Analysis of the main captions in the statement of income

A more detailed analysis and comparison of the main balances is given in the notes to the reclassified financial statements. The key figures are commented on below and refer to net sales of stockings.

- Cost of sales came to 66.4% of net sales, one and a half points lower than the 67.9% reported last year;
- Advertising expenses decreased from 10.9% to 9.2% of net sales;
- Operating profit margins rose from 8.2% to 9.2%;
- Financial charges decreased from 2.4% to 1.5% of net sales;
- The effects of changing the accounting principle on deferred taxation resulted in crediting Lire 730 million to current taxation and in recording Lire 1,597 million as extraordinary income.

5. Analysis of the main captions in the balance sheet

As with the statement of income, a more detailed analysis and comparison of the items in the balance sheet is given in the notes to the reclassified financial statements.

The main changes between the balance sheets at 31 December 1998 and 31 December 1999 are as follows:

- Trade receivables fell from Lire 100.8 to 85.9 billion.
- Trade payables increased from Lire 69.4 to 75.2 billion.
- Inventories were reduced from Lire 68.9 to 60.9 billion.
- Financial fixed assets increased by Lire 25.3 billion, following the acquisition of a majority interest in Le Bourget. (See 17. Acquisition of Le Bourget).
- Net bank debt decreased from Lire 88.5 to 68.9 billion, despite the outflow of Lire 25.3 billion for the acquisition of Le Bourget.
- Working capital was maintained at the values shown in the table below:

Working capital	*1996*	*1997*	*1998*	*1999*
Trade and other receivables	83.5 billion	121.8 billion	110.9 billion	94.7 billion
+ Inventories	43.9 billion	84.9 billion	68.9 billion	60.9 billion
– Trade and other payables	84.3 billion	132.0 billion	73.6 billion	81.6 billion
= Working capital	43.1 billion	74.7 billion	106.2 billion	74.0 billion
Percentage of sales	21%	29%	46%	40%

The historic trend in amortisation and depreciation is shown in the following table:

	1996	*1997*	*1998*	*1999*
Total amortisation and depreciation (millions of Lire)	6,944	10,870	14,266	17,119
of which accelerated (millions of Lire)	984	2,054	3,456	4,834

6. Production, sales and inventories

In order to better understand the company's results, it is useful to analyze production, sales and inventory amounts as shown in the following table:

Actual figures	*1996*	*1997*	*1998*	*1999*
Production				
• '000 dozen	6,635	9,990	7,181	6,376
Net sales of stockings				
• '000 dozen	6,323	8,215	7,746	6,295
• '000 lire/dz	32.0	31.2	29.9	29.4
• billions of lire (net of all discounts)	202.3	256.5	231.6	185.0
Inventories				
• '000 dozen (total)	2,127	3,530	2,830	2,867

7. The market situation

According to statistics from Sita/Nielsen for 1992-97, as integrated with the new Nielsen Hosiery Consumer Index for 1998, the Italian market marked a shrinkage of consumption since the start of the ninties:

1992	- 6.2%	compared with previous year
1993	-10.7%	"
1994	- 3.0%	"
1995	- 2.0%	"
1996	+ 0.4%	"
1997	- 8.3%	"
1998	- 4.5%	"
1999	- 9.0%	"

Quantities consumed in 1999 were approximately two-thirds of levels at the beginning of the decade.

The figures provided so far refer to Italy. As far the other European countries are concerned, the trend towards a reduction in consumption has been even more marked than in Italy. This is illustrated by the statistics collected by Sistema Moda Italia, an Italian trade association.

If consumption volume at the start of the decade was equal to 100, by 1999 it had fallen as follows:

- Italy to 64
- USA to about 70;
- Europe to under 60;
- Japan to under 50.

8. CSP International's market share in Italy

The company's market share is shown below. The figures are provided by Sita Nielsen for the period 1992-97 and by the Nielsen Hosiery Consumer Index as from 1997. (For the sake of consistent comparison for the year of overlap we have used both sources).

Year	*Market share in quantity*	*Market share in value*	*Premium price*
1992	5.2%	5.7%	+ 9.6%
1993	6.5%	8.0%	+23.1%
1994	7.3%	9.0%	+23.3%
1995	8.1%	10.0%	+23.5%
1996	8.7%	11.1%	+27.6%
1997 Sita	9.8%	12.3%	+25.5%
1997 Nielsen	9.9%	12.4%	+24.5%
1998	10.1%	12.1%	+19.8%
1999	9.2%	11.4%	+22.9%

The market shares shown above refer to a market where there are approximately 300 different producers: the CSP International figures for 1999 indicate a modest fall in share and a recovery in the price differential or "premium price" which, after 1998, has returned to its level of previous years.

9. Results: CSP International's activities abroad

CSP International operates in more than 50 overseas countries; the company began exporting in this historical sequence:

- 1980s: Western Europe;
- from 1993: in Eastern Europe;
- from 1995: major non-European countries.

CSP International brands are currently sold in about 100 department store chains, hypermarkets and supermarkets.
The growth in foreign sales is shown below:

Year	*Foreign sales*
1993	30 billion
1994	40 billion
1995	63 billion
1996	89 billion
1997	100 billion
1998	96,5 billion
1999	76,2 billion

Sales outside Italy in 1999 can be broken down as follows:

- 43.5 billion in Western Europe, or 57% of exports;
- 28.3 billion in Eastern Europe, or 37% of exports;
- 4.4 billion in non-European areas, or 6% of Exports.

Russia generated Lire 20.9 billion in sales in 1999, compared to Lire 27.3 billion in 1998. This means that, despite the crisis of August 1998, Russia is still the main overseas market for CSP International. It should be mentioned that after August 1998 all sales to Russian customers are made cash in advance.

10. Research and development

The following table lists the most successful new product launches in recent years, along with innovations introduced in 1999:

YEAR	*Sanpellegrino*	*Oroblù*	*Star Way*
1993	SLIM	REPOS SILHOUETTE	
1994	SUPPORT	CARAT	
1995	BRAZIL EFFECT	SHOCK UP REMEDE	
1996	DAY	GEO EXCELL	
1997	CELLU-LINE	EXCELL LIGHT BODY COLLECTION	
1997/98	PLANET 3 DIMENSION	PROGRESS 3 DIMENSION	3 DIMENSION WORLD
1998	RIO-LIBERTÉ BENEFIT BABY GIRL	CHARME LEG ON LINE MASTER	ROMANTIC
1999	MICROPAQUE COMODO	INTRIGO MILLENIUM INVISIBLE SILVERADO	BABY STAR ABSOLUTE COMFORT

Product innovation has always been one of the company's operating features. The contribution of these new products is illustrated by the following figures, which show the percentage of sales represented by products launched in the previous year:

Year	*Percentage of sales represented by products launched the previous year*
1996	27%
1997	26%
1998	24%
1999	17%

New product sales are lower in 1999 for two main reasons:

– the launch of Sanpellegrino COMODO, loose-fitting and comfortable hose, took place between the end of 1999 and the beginning of 2000;

– the launch of Oroblù SILVERADO, a collection with silver filigree, began at the end of 1999, with deliveries and hence sales starting in March 2000.

11. Diversification

Alongside our traditional products - stockings, thigh-highs, knee-highs and ankle socks - we have also begun selling hosiery-related accessories: initially leotards under the Oroblù trademark and, subsequently, other lingerie and lingerie-style outerwear.
The results are still modest in absolute terms, but are promising in terms of growth potential. They are an incentive to develop this business further, for Oroblù as well as other labels.

12. Licensing

Licensing is another area of diversification into which the company has entered over the last three years.

Current licensing agreements are as follows:

Brand	*Collection*	*Licensee*
Oroblù	• Men's socks	Niga Calze
	• Casual & sport socks	Hosiery Center
	• Lingerie	Bolle Blu
	• Swimwear	Bolle Blu
Sanpellegrino	• Men's socks	Niga Calze / Calze Scanzi
	• Children's socks	Niga Calze
	• Underwear	Mabrat
	• Lingerie	Ladyberg
	• Pyjamas	Irge
Star Way	• Men's socks	Calze Scanzi

The licensing agreements listed have generated the following royalties:

1997: Lire 188 million

1998: Lire 527 million

1999: Lire 821 million

13. Production and technological investments

The three production units at Ceresara, Rivarolo del Re and Tintoria di Ceresara allow the company to enhance its quality/price ratio, which is one of CSP International's recognised market strength.
These factories were joined by Sanpellegrino Polska, set up in 1998, which began production in the first half of 1999; it began supplying products to CSP as of September 1999.
In the four-year period 1996-1999 CSP carried out a major programme of capital investments aimed at upgrading production capacity and automating the manufacturing cycle.
The sequence of investments is indicated in the following table.

Year	*Capital investments*	
1996	21.9 billion	plant upgrading and increased automation at Ceresara, Rivarolo and Tintoria
1997	17.5 billion	
1998	32.5 billion	
1999	9.1 billion	
2000	6 billion (est.)	
2001	5 billion (est.)	
2002	5 billion (est.)	

Under this investment plan, the relationship between internal and outsourced production has changed as follows:

Year	*% Outsourcing*
1997	61%
1998	44%
1999	18%

This reduction in outsourcing means that:
– production can be performed in-house using more highly automated machinery;
– the cost of production as a percentage of sales can be reduced;
– manufacturing processing times can be shortened, thereby reducing working capital.

This reduction in outsourcing, falling over the last three years from 61% to 18% of total production, has been achieved while broadly maintaining the same number of employees.
The company fully observes the requirements of Law 626 covering safety at work. In particular, it has
– implemented the necessary safety at work measures;
– carried out staff training courses;
– completed identification of risks and consequently adapted organisational structures and in-house procedures.

14. In-house personnel

Employee growth and the relative costs are shown in the table below:

Year	*Average no. of employees*	*Personnel cost*	*As percentage of net stocking sales*
1994	429	18.7 billion	15.5%
1995	463	21.3 billion	12.6%
1996	570	26.9 billion	13.3%
1997	717	35.1 billion	13.7%
1998	776	36.1 billion	15.6%
1999	751	35.7 billion	19.3%

Over the last three years, labour costs have remained substantially stable in terms of absolute value.
The company has adopted the procedures called for by Law 675/96 with regard to employee privacy.

15. The sales network

The number of employees does not include sales personnel, as they are paid on a commission basis.
In Italy the sales force is organised by brand/collection and by distribution channel, according to the following criteria:

• Sanpellegrino Wholesale Sales Force, with 17 agents
• Sanpellegrino Retail Sales Force, with 33 agents
• Sanpellegrino Large-Scale Retail Sales Force, with 15 distributors and 150 merchandisers
• Oroblù Retail and Merchandisers Sales Force, with 32 agents
• Star Way Retail and Merchandisers Sales Force, with 28 agents.

The company operates through a total of 125 agents or distributors and 150 merchandisers: the former use portable video terminals for real-time order processing; the latter visit 4,000 super- and hyper-Markets every week.
Outside Italy, the company works with exclusive distributors in more than 50 countries.

16. Promotion and advertising

Advertising and promotional investments go about two-thirds to media advertising and one-third to point-of-sale materials.
Roughly one-third of this investment is spent during the first half of the year, and the remaining two-thirds during the last six months.
Advertising and promotional expenditure has developed as follows over the last few years:

Year	*Advertising expenditure*	*Percentage of sales*
• 1994	9.7 billion	8.1%
• 1995	12.5 billion	7.4%
• 1996	19.0 billion	9.4%
• 1997	23.6 billion	9.2%
• 1998	25.2 billion	10.9%
• 1999	17.1 billion	9.2%

In terms of quality, advertising is carried out on two levels:
• brand advertising, in order to build the brand image over time;
• product advertising, in order to promote new items on the market.

All of CSP International's advertising campaigns have certain features in common:
• they are results-oriented and communicate quality perceptible to the consumer;
• they highlight the functional and emotional benefits of the products.

17. Acquisition of Le Bourget

The key stages in the acquisition of Le Bourget are outlined below; this group sells 35 million pairs of hose under the Le Bourget and Bomo labels, with sales of FF 292 million in 1999 (approximately Lire 86 billion):
– 21 September 1999: CSP International bought 51% of Le Bourget;

– 9 November 1999: CSP International completed its public bid for the minority shareholding, thus acquiring 99.54% of the total shares;
– 12 January 2000: CSP International finalised its bid (Offre Publique de Retraite) for the purchase of the remaining shares and the de-listing of Le Bourget from the stockmarket.

The major objectives of this operation are:
– to acquire a significant share - about 15% - of the third largest European hosiery market;
– to manufacture for Le Bourget, which produced only one-quarter of its output in-house, using CSP International's automated production plant, thereby achieving lower costs and higher quality.

The expected synergies of this acquisition will enable:
– Le Bourget to offer more competitive products, featuring lower manufacturing costs and higher quality;
– CSP International to optimise its production capacity, with a favourable impact on its statement of income.

18. Results of Le Bourget (EDI group)

The group underwent a restructuring in the years leading up to its acquisition. This involved reducing headcount from a peak of 1,100 employees to a level of approximately 450.
The group reported a loss of FF 26.4 million (roughly Lire 7.8 billion) in 1998, partly as a result of restructuring costs. The losses were cut to FF 10.4 million in 1999, (approximately Lire 3.1 billion in 1998).
The last quarter of the year, which has been consolidated with CSP International since it followed the acquisition, reported a profit, reflecting the more favourable seasonal conditions.

19. CSP International product range following the acquisition of Le Bourget

CSP International's product range currently includes the following brands:
- Oroblù covers the top end of the market in terms of quality and price, with an image of class and international elegance. This is our primary brand for the Western European markets;
- Sanpellegrino offers the best value for money and is our top brand for the Eastern European markets;
- Star Way, positioned at an intermediate level between Oroblù and Sanpellegrino, is our most young and innovative brand; it is currently sold in 32 countries;
- New Opportunity is the brand targeted at the low-end of the market; it plays an insignificant role in company sales.
- CSP International also produces private labels for major international distribution chains, such as Marks & Spencer in the UK and Esselunga in Italy.

Company brands represent the following percentages of total sales:

Brands	*1999*	*1998*
Sanpellegrino	65%	61%
Oroblù	26%	28%
Star Way	4%	4%
Private labels	5%	7%

Le Bourget brands are positioned as follows in relation to CSP International:

- the Le Bourget brand is well-established on the French market, priced between Oroblù and Sanpellegrino, at a level similar to Star Way. Despite the similarity in price, the two brands have quite separate images since Le Bourget targets an adult market, while Star Way appeals to the younger market;
- the Bomo brand is highly competitive and appeals to "price-oriented" consumers: it is comparable with New Opportunity, but enjoys much higher sales, largely concentrated in France.

Following the acquisition of Le Bourget, CSP International products now have the following relative recommended average retail prices:

Brand	*Price Index*
Oroblù	220
Le Bourget	150
Star Way	140
Sanpellegrino	100
Bomo	90
New Opportunity	80

20. Sanpellegrino Polska

Sanpellegrino Polska was set up in 1998 and began production in the first half of 1999, including processing of raw materials and semi-finished products supplied by CSP International. Since September, it has been able to supply finished products to CSP.
The mission of Sanpellegrino Polska is to produce, in a country with lower labour costs, the most straightforward articles for sale on the Polish market itself, in Eastern Europe and to the CSP International group in general.
CSP holds a 50% interest in Sanpellegrino Polska, while our Polish distributor holds the other 50%.
Its board of directors consists of two members representing CSP International and one representing our Polish partner, who also acts as the managing director.

21. Other equity investments

CSP International has two minority investments (20%) in its French and British distributors.

22. Related party disclosures

As required, we declare that there were no transactions during the year between the company and related parties.

23. Investments held by directors, statutory auditors and general managers as per the implementation protocol for Art. 33, Decree Law 58 of 24 February 1998

As required by Consob regulations, we attach schedule 2C on investments held by the individuals or entities stated in Art. 33.

24. Year 2000 compliance

As required by Consob circular DAC/98079574 of 9 October 1998 concerning Year 2000 compliance, we state that the change-of-year did not involve any loss or alteration of data. As confirmed by software and hardware suppliers, there are currently no objectively foreseeable risks which may arise as a result of the new date. The new IT system at CSP International is, in any case, certified as Year 2000 compliant.

25. Share capital and purchase of own shares

Share capital amounts to Lire 24.5 billion and is made up of 24,500,000 shares with a par value of Lire 1,000 each.
We remind readers that the shareholders' meeting of 17 November 1998 authorized the purchase of own shares up to a ceiling of 10% of share capital.
As of 31 December 1999 the company held 202,500 of its own shares, purchased under the authorisation bestowed by the above resolution, and representing 0.8% of total capital.

26. Trends at the start of 2000

The table summarises the sales in the first two months of 2000, compared with the same period in 1999.

Total sales	*First two months 1999*	*First two months 2000*
CSP International	31.1 billion	27.9 billion
Le Bourget	–	14.7 billion
Totale	–	42.6 billion

27. Significant subsequent events

The main events that have taken place since the end of the year are as follows:

New Products

Between the end of 1999 and early 2000, we launched several new products, the most important of which were:

- Sanpellegrino Comodo, extremely innovative hose thanks to its loose-fitting and comfortable features, which was supported by a TV and billboard advertising campaign;
- Oroblù Silverado, a collection of products in nylon, elastomer and silver filigree, which makes use of the odour-prevention, protective and hygienic properties of silver.

Both products were very received by the market. Sales of "Comodo" were already partially reflected in the 1999 figures, while "Silverado" sales will affect the 2000 results. "Comodo" is the subject of a new TV and press advertising campaign starting in February.

New distribution methods

- The group continues to develop the "Shop in Shops" formula for the Oroblù and Star Way brands within major international department stores.
- Internet sales of Oroblù hosiery will start in the USA during the year and in Italy in may via the Internet Shop 2000 web site, in collaboration with Omnitel.
- The first Oroblù sales outlets will be inaugurated during the year; this forms part of the Franchising project, which aims to open 100 sales outlets over the next three years.

Diversification

The new Oroblù Extroversion collection was launched on the market early in 2000; it includes "outerwear" lingerie and prêt-à-porter clothing.

Licensing

Product diversification continues through licensing: the two most recent, expected to become operative in 2000, are:

- a licensing agreement signed with IRGE for the production and distribution of Sanpellegrino pyjamas through large-scale distribution channels;
- a licensing agreement for the production and retail distribution of men's socks under the Sanpellegrino label.

In agreement with Gucci, the new owners of Yves Saint Laurent, we have decided to abandon the license for the YSL trademark after the first year. There are two reasons for this: Gucci no longer wishes to grant licenses in order to manage the trademark directly; Le Bourget wishes to release itself from heavy overheads caused by a very complex collection involving significant production costs. The disengagement from YSL will help strengthen the strategic role of Oroblù, which can now exploit Le Bourget's French sales network.

Raw materials

Some price increases in raw materials were announced by suppliers at the beginning of the year. Raw materials represent approximately one-quarter of the total cost of production. The impact of these increases, admittedly minor, will be incorporated into planned price reviews.

28. Prospects for 2000

The CSP International Group expects profitability to improve in 2000, reflecting its recent capital investments, the integration of operations by CSP International, Le Bourget and Sanpellegrino Polska and the related synergies.

- CSP International is forecasting an Operating Margin of at least 10% in 2000, with further improvements of at least one percentage point a year over the next three years;
- after years of poor results, Le Bourget's Operating Margin will return to positive figures in 2000.
- Sanpellegrino Polska's Operating Margin will be in line with that of CSP International.

29. Allocation of profits

In view of the results shown in the financial statements, we recommend paying a dividend of 100 lire per share, twice the level of last year.

A comparison with previous years is shown in the table below, where figures have been adjusted to compare them directly with the current shares:

Year	*Total Dividends*	*Number of Shares*	*Dividends for Share*
1995	2,000 million	22 million	91 lire
1996	5,000 million	22 million	227 lire
1997	7,497 million	24.5 million	306 lire
1998	1,225 million	24.5 million	50 lire
1999	2,450 million	24.5 million	100 lire

30. Approval of the financial statements

The financial statements are accompanied by the statutory auditors' report and by Arthur Andersen's audit report.
We invite the shareholders to approve the 1999 financial statements and the profit allocation, as illustrated in the table below:

Net profit for the year:	**6,244,738,568 Lire**
5% to the legal reserve	312,236,928 Lire
total dividends	2,450,000,000 Lire
dividend per share	100 Lire
number of shares:	24,500,000
balance to transfer to reserves	3,482,501,640 Lire

The shares will go ex-div on 19 June 2000, with the dividend being paid on 22 June 2000.

Our thanks go the statutory auditors and the external auditors for their work and to all of our staff, who made a vital contribution to the year's results.

Ceresara, 27 March 2000

Attachments:
1. Reclassified statement of income
2. Reclassified balance sheet
3. Comments on the reclassified financial statements
4. Schedule 2C

Attachment 1

Reclassified Statement of Income (in millions of Lire)

	31 December 1999	*31 December 1998*	*31 December 1997*
NET SALES	**185,020**	**231,579**	**256,450**
COST OF SALES			
Purchases	60,125	85,430	145,085
Labour cost	25,393	25,846	25,438
Services	12,950	15,533	20,358
Depreciation & amortization	8,828	7,250	5,706
Other costs	7,541	7,216	6,602
(Increase) decrease in inventories	8,096	15,992	(41,020)
	122,933	**157,267**	**162,169**
GROSS PROFIT	**62,087**	**74,312**	**94,281**
SELLING, GENERAL AND ADMINISTRATIVE COSTS			
Labour cost	10,283	10,232	9,636
Advertising expenses	17,069	25,244	23,650
Commissions	4,864	6,419	7,517
Depreciation & amortization	2,107	2,211	1,760
Other expenses	10,777	11,193	10,537
	45,100	**55,299**	**53,100**
OPERATING PROFIT	**16,987**	**19,013**	**41,181**
Financial charges (income), net	2,837	5,535	1,826
Writedown of investments	5	25	3,694
Other (income) and charges	(1,542)	(1,861)	(734)
	1,300	**3,699**	**4,786**
PROFIT BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	**15,687**	**15,314**	**36,395**
Accelerated Depreciation	4,834	3,456	2,054
Extraordinary Items	(247)	3,708	1,349
PROFIT BEFORE INCOME TAXES	**11,100**	**8,150**	**32,992**
Income taxes	(4,855)	(5,118)	(8,970)
NET PROFIT FOR THE YEAR	**6,245**	**3,032**	**24,022**

Attachment 2

Reclassified Balance sheet - Assets (in millions of Lire)

	31 December 1999	*31 December 1998*	*31 December 1997*
CURRENT ASSETS			
Cash and banks	2,947	254	11,857
Trade receivables	85,871	100,774	118,071
Due from subsidiary and associated companies	2,688	738	948
Other receivables	3,186	4,322	2,407
Inventories	60,850	68,947	84,939
Accrued income and prepayments	1,178	5,040	420
Own shares	1,852	0	0
TOTAL CURRENT ASSETS	**158,572**	**180,075**	**218,642**
FIXED ASSETS			
Financial fixed assets:			
Financial receivables	934	828	663
Equity investments	26,819	1,567	76
Total financial fixed assets	**27,753**	**2,395**	**739**
Tangible fixed assets	66,801	71,614	49,819
Intangible fixed assets	1,447	3,118	5,006
TOTAL FIXED ASSETS	**96,001**	**77,127**	**55,564**
TOTAL ASSETS	**254,573**	**257,202**	**274,206**

LIABILITIES & SHAREHOLDERS' EQUITY (in millions of Lire)

	31 December 1999	*31 December 1998*	*31 December 1997*
CURRENT LIABILITIES			
Short-term bank borrowings	16,652	48,220	18,373
Current portion of medium/long term debt	25,196	21,523	10,539
Trade payables due to third parties	75,243	69,420	125,199
Trade payables due to subsidiary/associated companies	592	0	0
Taxes payable	983	1,006	2,891
Other payables	4,138	2,553	3,109
Accrued liabilities and deferred income	624	677	847
TOTAL CURRENT LIABILITIES	**123,428**	**143,399**	**160,958**
MEDIUM/LONG-TERM LIABILITIES			
Medium/long-term debt, net of the current portion	29,952	18,992	15,529
Severance indemnities	7,856	6,607	5,401
Other provisions	2,104	1,996	1,620
TOTAL MEDIUM/LONG-TERM LIABILITIES	**39,912**	**27,595**	**22,550**
TOTAL LIABILITIES	**163,340**	**170,994**	**183,508**
SHAREHOLDERS' EQUITY			
Share capital	24,500	24,500	24,500
Legal reserve	2,201	2,049	848
Share premium reserve	35,000	35,000	35,000
Other reserves	23,287	21,627	6,328
Net profit for the year	6,245	3,032	24,022
TOTAL SHAREHOLDERS' EQUITY	**91,233**	**86,208**	**90,698**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**254,573**	**257,202**	**274,206**

MEMORANDUM ACCOUNTS	**43,103**	**55,485**	**80,824**

Attachment 3

1. Analysis of the results for the year ended 31 December 1999 compared with the year ended 31 December 1998

The net profit for the year ended 31 December 1999 came to Lire 6,245 million, compared with Lire 3,032 million last year.

Pre-tax profit for the year ended 31 December 1999 was Lire 11,100 million, compared with Lire 8,150 million in the previous year.

Net sales – net sales of stockings in 1999 amounted to Lire 185,020 million, decreasing by Lire 46,559 million (-20.1%) on 1998. Exports in 1999 accounted for around 41.17% of total sales. These included Lire 43,482 million in sales to Western European countries, Lire 28,243 million to Eastern European countries and Lire 4,445 million to other countries.

The decline in net sales during 1999 is principally due to the decrease in quantities sold. This particularly referred to sales of the Sanpellegrino label to East European markets, which had shrunk considerably following the crisis in Russia in August 1998.

Cost of sales – cost of sales in 1999 came to Lire 122,933 million, representing 66.4% of net sales compared with 67.9% the previous year.
Cost of sales as a percentage of net sales fell by around 1.5% despite the increase in the incidence of labour costs, amortisation and services (although their overall value fell in absolute terms). This reduction is essentially due to two factors: improved efficiency of the manufacturing process in general and particularly the fall in purchase costs.
As regards the general improvement in production efficiency, during the year the company virtually finished its major investment programme started in 1996. The gradual installation of new plant, reaching full capacity production in the first two months of 2000, has produced the following results:

– completion of vertical integration of the manufacturing process, as a result bringing back in-house a significant volume of work previously outsourced. In fact, 18% of output was produced in outsourcing, down from 44% in the corresponding period of 1999.
– overall internal production, achieved through vertical integration, totalled 5,228,000 dozen, compared with 4,050,000 dozen in the previous year (+29%); this result was achieved despite the reduction in labour costs by about Lire 450 million and the smaller workforce with 25 fewer employees.
– amortisation and depreciation increased by approximately Lire 1.6 billion, rising by 1.6% as a percentage of sales.

Gross profit – although gross profit as a percentage of sales improved by 1.5% to 33.6%, it declined in absolute terms, reflecting lower volumes.

Selling, general and administrative costs – selling, general and administrative costs, amounting to Lire 45,100, represented 24.4% of net sales for the year, compared with 23.9% in 1998.

The most important item was advertising expenses. These decreased to Lire 17,069 million, representing 9.2% of net sales compared with 10.9% in 1998. This marks a return to the generally accepted percentage of 9% estimated by the company.

Other costs rose by 1% as a percentage of net sales, even though they fell in absolute terms. This deterioration was largely due to costs incurred for examining potential acquisitions/alliances which failed to materialise.

Operating profit – operating profit amounted to Lire 16,987 million, representing 9.2% of net sales, an improvement of 1% compared with last year.

Financial charges (income), net – net financial charges of Lire 2,837 million decreased by Lire 2,698 million compared with last year, representing 1.5% of net sales, down from 2.4% in 1998. The reduction in financial charges reflected an improvement in the company's financial position and the general decline in interest rates. Financial charges also included the effect of borrowings relating to the acquisition of the EDI Group, estimated at around Lire 300 million.

Other income, net – other income, net mainly referred to royalty income.

Extraordinary charges (income) – net extraordinary income, which amounted to Lire 247 million, comprised Lire 1,349 million for amortising costs incurred in floating the company on the screen-traded market of the Italian Stock Exchange, and Lire 1,596 million for recognising deferred tax assets relating to timing differences arising in prior years.

Pre-tax profit – pre-tax profit amounted to Lire 11,100 million compared with Lire 8,150 million in 1998.

Income taxes – income taxes came to Lire 4,855 million and represented 44% of pre-tax profit. The decline in the tax rate compared with last year was mainly due to the effect of recognising deferred taxes on timing differences.

2. Analysis of capital expenditure for the year ended 31 December 1999

In line with its growth and the need to redress the balance between internal and sub-contracted production, the company completed the investment programme started in 1996.

During the year, the company also acquired a majority interest in Le Bourget Group, an operation described in detail in the report on operations, involving a total outlay of approximately Lire 25 billion.

3. Analysis of the net financial position as at 31 December 1999

Net debt at 31 December 1999 came to Lire 68,853 million compared with Lire 88,481 million at 31 December 1998. The company's financial position at these dates is analysed as follows (in millions of lire):

	31 December 1999	1998
Short-term bank borrowings	16,652	48,220
Current portion of medium/long-term debt	25,196	21,523
Cash and banks	(2,947)	(254)
Net short-term debt	**38,901**	**69,489**
Medium/long-term lending, net of the current portion	29,952	18,992
Total net debt	**68,853**	**88,481**

Net debt came down largely thanks to some Lire 24.6 billion in cash flows generated by operations, and the steep reduction in working capital of Lire 32.2 billion.
The significant level of free cash flow was partly utilised to finance the acquisition of Le Bourget Group and to complete the investment programme.

The company also reduced short-term, while increasing long-term borrowings.

4. Analysis of the trend in net working capital and free cash flow for the year ended 31 December 1999

Net working capital at 31 December 1999 and 1998 is analysed in the following table (in millions of lire):

	31 December 1999	1998
Trade receivables	88,559	101,512
Other receivables, accrued income and prepayments	6,216	9,362
Inventories	60,850	68,947
	155,625	179,821
Trade payables	(75,835)	(69,420)
Other payables, accrued liabilities and deferred income	(5,745)	(4,236)
	(81,580)	(73,656)
Working capital	**74,045**	**106,165**
Net short-term debt	(38,901)	(69,489)
Net working capital	**35,144**	**36,676**

Net working capital as of 31 December 1999 was lower in comparison with the previous year.

In particular, current assets were Lire 24,196 million lower, principally as a result of trade receivables and inventories falling by Lire 12,953 million and Lire 8,097 million respectively. This decrease also reflected lower sales volumes.

The acquisition of Le Bourget Group and investment activities in 1999 absorbed Lire 35,999 million in cash.

The company distributed dividends during the year totalling Lire 1,220 million.

Overall, financing requirements decreased by Lire 30,588 million during 1999.

Attachment 4

Table 2C - format 3 – Shares Held by Directors, Statutory Auditors and General Managers

Name	*Company*	*Number of Shares Held at the end of the prior year*	*Number of Shares purchased*	*Number of Shares sold*	*Number of Shares held at the end of the current year*
BERTONI ENZO	CSP Intern. Ind. Calze S.p.A.	3,476,780			3,476,780
BERTONI FRANCESCO *	CSP Intern. Ind. Calze S.p.A.	3,476,780			3,476,780
BERTONI MARIA GRAZIA	CSP Intern. Ind. Calze S.p.A.	2,787,470			2,787,470
BERTONI MARIO **	CSP Intern. Ind. Calze S.p.A.	930,157	740		930,897
BOSSI GIANFRANCO	CSP Intern. Ind. Calze S.p.A.	172,250			172,250
BARDINI VALTER ***	CSP Intern. Ind. Calze S.p.A.	351,410	500		351,910

NOTE:

* Giuseppina Morè, the wife of Bertoni Francesco, is the beneficiary of 2,787,470 CSP shares.

** Mario Bertoni resigned as director with effect from 29 November 1999.

*** Valter Bardini is the husband of Maria Grazia Bertoni

FINANCIAL STATEMENTS AS AT 31 DECEMBER 1999
(in Lire and in Euro)

CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.

BALANCE SHEET (stated in Lire)

ASSETS:	*31.12.1999*	*31.12.1998*
A) RECEIVABLES FROM SHAREHOLDERS:	0	0
B) FIXED ASSETS		
I. Intangible fixed assets		
3. industrial patents and intellectual property rights	788,247,415	779,518,210
4. concessions, licences, trade marks and similar rights	11,476,111	17,214,165
5. goodwill	328,400,751	656,540,627
7. others	319,138,818	1,664,231,412
Total I.	**1,447,263,095**	**3,117,504,414**
II. Tangible fixed assets		
1. land and buildings	33,848,475,902	27,068,145,058
2. plant and machinery	31,225,254,134	28,838,397,934
3. industrial and commercial equipment	393,619,656	303,114,764
4. other fixed assets	964,117,927	1,592,216,064
5. construction in progress and advances	369,468,000	13,811,700,543
Total II.	**66,800,935,619**	**71,613,574,363**
III. Financial fixed assets		
1. Equity investments in:		
a) subsidiary companies	25,263,422,388	6,083,316
b) associated companies	1,548,626,888	1,553,448,068
d) other companies	7,202,967	7,202,967
Total 1.	**26,819,252,243**	**1,566,734,351**
2. Financial receivables:		
a) from subsidiary companies		
a.a. due within 12 months	91,262,095	2,195,765
b) from associated companies		
b.a. due within 12 months	123,679,882	123,679,882
Total 2.	**214,941,977**	**125,875,647**
3. Other securities	611,182,778	592,831,150
Total III.	**27,645,376,998**	**2,285,441,148**
TOTAL FIXED ASSETS (B)	**95,893,575,712**	**77,016,519,925**

	31.12.1999	31.12.1998
C) CURRENT ASSETS		
I. Inventories:		
1. raw, ancillary and consumable materials	13,003,803,794	14,612,769,438
2. semi-finished products, work-in-progress	15,290,030,215	20,408,216,388
4. finished products and goods	32,556,321,845	33,925,661,641
Total I.	**60,850,155,854**	**68,946,647,467**
II. Receivables:		
1. trade accounts:		
1.a. due within 12 months	85,869,664,346	100,775,832,290
2. subsidiary companies:		
2.a. due within 12 months	653,601,061	0
3. associated companies:		
3.a. due within 12 months	2,034,331,408	738,347,892
5. others:		
5.a. due within 12 months	3,186,248,159	4,322,418,684
5.b. due beyond 12 months	108,327,358	109,027,358
Total 5.	**3,294,575,517**	**4,431,446,042**
Total II.	**91,852,172,332**	**105,945,626,224**
III. Current financial assets:		
5. own shares	1,852,147,298	0
Total III.	**1,852,147,298**	**0**
IV. Liquid funds:		
1. cash at banks and post offices	2,838,730,405	150,135,016
2. cheques	930,000	0
3. cash and equivalents on hand	107,877,692	103,605,565
Total IV.	**2,947,538,097**	**253,740,581**
TOTAL CURRENT ASSETS (C)	**157,502,013,581**	**175,146,014,272**
D) ACCRUED INCOME AND PREPAYMENTS	1,177,730,748	5,039,713,704
TOTAL ASSETS	**254,573,320,041**	**257,202,247,901**

BALANCE SHEET

LIABILITIES	*31.12.1999*	*31.12.1998*
A) SHAREHOLDERS' EQUITY:		
I. Share capital	24,500,000,000	24,500,000,000
II. Share premium reserve	35,000,000,000	35,000,000,000
III. Revaluation reserves	1,195,810,187	1,195,810,187
IV. Legal reserve	2,201,077,443	2,049,478,741
V. Reserve for own shares in portfolio	1,852,147,298	0
VI. Statutory reserves	0	0
VII. Other reserves:		
a. undistributed profit	19,840,296,853	20,032,393,807
b. capital grants reserve	398,324,000	398,324,000
Total VII.	**20,238,620,853**	**20,430,717,807**
VIII. Profit carried forward	0	0
IX. Net profit for the year	6,244,738,568	3,031,974,046
TOTAL SHAREHOLDERS' EQUITY (A)	**91,232,394,349**	**86,207,980,781**
B) RESERVES FOR CONTINGENCIES AND OTHER CHARGES:		
2. taxation	643,662,374	754,167,131
3. other	1,460,917,941	1,347,687,573
TOTAL RESERVES FOR CONTINGENCIES AND OTHER CHARGES (B)	**2,104,580,315**	**2,101,854,704**
C) RESERVE FOR SEVERANCE INDEMNITIES	**7,855,572,526**	**6,607,146,054**
D) PAYABLES:		
3. banks:		
a. due within 12 months	41,847,701,387	69,743,482,034
b. due beyond 12 months	29,952,446,277	18,991,980,539
Total 3.	**71,800,147,664**	**88,735,462,573**
5. advances		
a. due within 12 months	260,367,150	0
6. trade accounts:		
a. due within 12 months	75,241,429,383	69,418,799,089
8. subsidiary companies:		
a. due within 12 months	230,047,097	0
9. associated companies:		
a. due within 12 months	362,254,332	0
11. taxes payable:		
a. due within 12 months	2,091,444,621	1,006,446,486
12. social security institutions:		
a. due within 12 months	1,386,378,102	1,500,137,530
13. other payables:		
a. due within 12 months	1,384,636,837	947,080,038
TOTAL PAYABLES (D)	**152,756,705,186**	**161,607,925,716**
E) ACCRUED LIABILITIES AND DEFERRED INCOME	**624,067,665**	**677,340,646**
TOTAL LIABILITIES	**254,573,320,041**	**257,202,247,901**

MEMORANDUM ACCOUNTS	*31.12.1999*	*31.12.1998*
– Lease payments due	0	30,132,000
– Value of leased assets	0	240,000,000
– Mortgages for loans	36,000,000,000	45,000,000,000
– Guarantees given to third parties	576,666,000	563,366,000
– Assets held by third parties	606,440,000	590,040,000
– Purchasing commitments	1,404,000,000	4,180,000,000
– Assets deposited with third parties	4,373,790,757	4,621,145,488
– Third party assets	142,476,042	259,945,280
Total	**43,103,372,799**	**55,484,628,768**

CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.

STATEMENT OF INCOME (stated in Lire)

	1999	1998
A) VALUE OF PRODUCTION		
1. Revenues from sale of goods and services	216,190,440,868	264,829,511,138
2. Changes in inventories of work-in-progress, semifinished and finished products	(6,487,525,969)	(7,905,681,690)
5. Other income:		
a. other income	2,176,140,028	4,406,997,496
TOTAL VALUE OF PRODUCTION (A)	**211,879,054,927**	**261,330,826,944**
B) PRODUCTION COSTS		
6. Raw, ancillary and consumable materials and goods	90,765,726,498	118,523,056,129
7. Services	52,004,021,365	65,918,281,388
8. Use of third party assets	38,991,840	267,138,915
9. Labour costs:		
a. wages and salaries	25,085,058,892	25,322,173,105
b. social security contributions	8,423,140,971	8,736,603,058
c. severance indemnities	1,915,731,281	1,867,979,991
e. other costs	24,540,909	43,563,417
Total 9.	**35,448,472,053**	**35,970,319,571**
10. Depreciation, amortisation and writedowns:		
a. amortisation of intangible fixed assets	2,637,912,916	2,745,908,565
b. depreciation of tangible fixed assets	14,480,762,057	11,520,043,077
d. writedown of doubtful accounts included in current assets and of liquid funds	1,394,293,152	4,400,155,502
Total 10.	**18,512,968,125**	**18,666,107,144**
11. Changes in inventories of raw, ancillary and consumable materials and goods	1,608,965,644	8,086,439,409
12. Provisions for contingencies and other charges	335,933,314	187,126,654
14. Other operating expenses	1,242,353,404	1,528,878,104
TOTAL PRODUCTION COSTS (B)	**199,957,432,243**	**249,147,347,314**
DIFFERENCE BETWEEN VALUE OF PRODUCTION AND PRODUCTION COSTS (A–B)	**11,921,622,684**	**12,183,479,630**

	1999	1998
C) FINANCIAL INCOME AND (CHARGES)		
15. Income from investments:	0	0
16. Other financial income:		
c. income from securities held as current assets, not representing equity investments	115,837,042	0
d. other than above:		
d. from third parties	781,534,404	406,973,409
Total 16.	**897,371,446**	**406,973,409**
17. Interest and other financial charges		
d. from third parties	(3,316,911,831)	(5,615,170,665)
TOTAL FINANCIAL INCOME AND (CHARGES) (C)	**(2,419,540,385)**	**(5,208,197,256)**
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS:		
19. Writedowns:		
a. of equity investments	(4,821,180)	(24,828,557)
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)	**(4,821,180)**	**(24,828,557)**
E) NON-RECURRING INCOME AND (CHARGES):		
20. Non-recurring income		
b. other non-recurring income	1,602,193,245	1,200,000,000
Total 20.	**1,602,193,245**	**1,200,000,000**
21. Non-recurring charges:	0	0
TOTAL NON-RECURRING INCOME AND (CHARGES) (E)	**1,602,193,245**	**1,200,000,000**
PROFIT BEFORE TAXES (A – B+/–C+/–D+/–E)	**11,099,454,364**	**8,150,453,817**
22. Income taxes for the year	(4,854,715,796)	(5,118,479,771)
26. NET PROFIT FOR THE YEAR	**6,244,738,568**	**3,031,974,046**

CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.

BALANCE SHEET (stated in Euro)

ASSETS:	*31.12.1999*	*31.12.1998*
A) RECEIVABLES FROM SHAREHOLDERS:	0.00	0.00
B) FIXED ASSETS		
I. Intangible fixed assets		
3. industrial patents and intellectual property rights	407,095.82	402,587.56
4. concessions, licences, trade marks and similar rights	5,926.92	8,890.37
5. goodwill	169,604.83	339,074.94
7. others	164,821.44	859,503.79
Total I.	**747,449.01**	**1,610,056.66**
II. Tangible fixed assets:		
1. land and buildings	17,481,278.90	13,979,530.26
2. plant and machinery	16,126,497.92	14,893,789.57
3. industrial and commercial equipment	203,287.59	156,545.71
4. other fixed assets	497,925.35	822,310.97
5. construction in progress and advances	190,814.30	7,133,148.03
Total II.	**34,499,804.06**	**36,985,324.54**
III. Financial fixed assets		
1. Equity investments in:		
a) subsidiary companies	13,047,468.79	3,141.77
b) associated companies	799,799.04	802,288.97
d) other companies	3,720.02	3,720.02
Total 1.	**13,850,987.85**	**809,150.76**
2. Financial receivables:		
a) from subsidiary companies:		
a.a. due within 12 months	47,132.94	1,134.02
b) from associated companies:		
b.a. due within 12 months	63,875.33	63,875.33
Total 2.	**111,008.27**	**65,009.35**
3. Other securities	315,649.56	306,171.74
Total III.	**14,277,645.68**	**1,180,331.85**
TOTAL FIXED ASSETS (B)	**49,524,898.75**	**39,775,713.05**

	31.12.1999	31.12.1998
C) CURRENT ASSETS		
I. Inventories:		
1. raw, ancillary and consumable materials	6,715,904.18	7,546,865.59
2. semi-finished products, work-in-progress	7,896,641.59	10,539,964.15
4. finished products and goods	16,813,937.03	17,521,142.01
Total I.	**31,426,482.80**	**35,607,971.75**
II. Receivables:		
1. trade accounts:		
1.a. due within 12 months	44,347,980.57	52,046,373.85
2. subsidiary companies		
2.a. due within 12 months	337,556.78	0.00
3. associated companies		
3.a. due within 12 months	1,050,644.49	381,324.86
5. others		
5.a. due within 12 months	1,645,559.86	2,232,342.97
5.b. due beyond 12 months	55,946.41	56,307.93
Total 5.	**1,701,506.27**	**2,288,650.90**
Total II.	**47,437,688.11**	**54,716,349.61**
III. Current financial assets		
5. own shares	956,554.25	0.00
Total III.	**956,554.25**	**0.00**
IV. Liquid funds:		
1. cash at banks and post offices	1,466,081.90	77,538.26
2. cheques	480.30	0.00
3. cash and equivalents on hand	55,714.18	53,507.81
Total IV.	**1,522,276.38**	**131,046.07**
TOTAL CURRENT ASSETS (C)	**81,343,001.54**	**90,455,367.43**
D) ACCRUED INCOME AND PREPAYMENTS	**608,247.17**	**2,602,794.91**
TOTAL ASSETS	**131,476,147.46**	**132,833,875.39**

BALANCE SHEET

LIABILITIES	*31.12.1999*	*31.12.1998*
A) SHAREHOLDERS' EQUITY:		
I. Share capital	12,653,194.03	12,653,194.03
II. Share premium reserve	18,075,991.47	18,075,991.47
III. Revaluation reserves	617,584.42	617,584.42
IV. Legal reserve	1,136,761.63	1,058,467.44
V. Reserve for own shares in portfolio	956,554.25	0.00
VI. Statutory reserves	0.00	0.00
VII. Other reserves:		
a. undistributed profit	10,246,658.19	10,345,867.99
b. capital grants reserve	205,717.18	205,717.18
Total VII.	**10,452,375.37**	**10,551,585.17**
VIII. Profit carried forward	0.00	0.00
IX. Net profit for the year	3,225,138.32	1,565,883.91
TOTAL SHAREHOLDERS' EQUITY (A)	**47,117,599.49**	**44,522,706.44**
B) RESERVES FOR CONTINGENCIES AND OTHER CHARGES:		
2. taxation	332,423.87	389,494.82
3. other	754,501.15	696,022.54
TOTAL RESERVES FOR CONTINGENCIES AND OTHER CHARGES (B)	**1,086,925.02**	**1,085,517.36**
C) RESERVE FOR SEVERANCE INDEMNITIES	**4,057,064.63**	**3,412,306.16**
D) PAYABLES:		
3. banks		
a. due within 12 months	21,612,534.09	36,019,502.46
b. due beyond 12 months	15,469,147.52	9,808,539.38
Total 3.	**37,081,681.61**	**45,828,041.84**
5. advances		
a. due within 12 months	134,468.41	0.00
6. trade accounts:		
a. due within 12 months	38,858,955.30	35,851,817.72
8. subsidiary companies:		
a. due within 12 months	118,809.41	0.00
9. associated companies:		
a. due within 12 months	187,088.75	0.00
11. taxes payable:		
a. due within 12 months	1,080,141.00	519,786.23
12. social security institutions:		
a. due within 12 months	716,004.54	774,756.38
13. other payables:		
a. due within 12 months	715,105.25	489,126.01
TOTAL PAYABLES (D)	**78,892,254.27**	**83,463,528.18**
E) ACCRUED LIABILITIES AND DEFERRED INCOME	**322,304.05**	**349,817.25**
TOTAL LIABILITIES	**131,476,147.46**	**132,833,875.39**

MEMORANDUM ACCOUNTS	*31.12.1999*	*31.12.1998*
– Lease payments due	0.00	15,561.88
– Value of leased assets	0.00	123,949.66
– Mortgages for loans	18,592,448.37	23,240,560.46
– Guarantees given to third parties	297,823.13	290,954.26
– Assets held by third parties	313,200.12	304,730.23
– Purchasing commitments	725,105.49	2,158,789.84
– Assets deposited with third parties	2,258,874.41	2,386,622.47
– Third party assets	73,582.73	134,250.53
Total	**22,261,034.25**	**28,655,419.33**

CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.

STATEMENT OF INCOME (stated in Euro)

	1999	1998
A) VALUE OF PRODUCTION		
1. Revenues from sale of goods and services	111,653,044.70	136,773,028.11
2. Changes in inventories of work-in-progress, semifinished and finished products	(3,350,527.54)	(4,082,943.85)
5. Other income:		
a. other income	1,123,882.54	2,276,024.26
TOTAL VALUE OF PRODUCTION (A)	**109,426,399.70**	**134,966,108.52**
B) PRODUCTION COSTS		
6. Raw, ancillary and consumable materials and goods	46,876,585.65	61,212,050.04
7. Services	26,857,835.61	34,043,951.20
8. Use of third party assets	20,137.60	137,965.74
9. Labour costs:		
a. wages and salaries	12,955,351.73	13,077,811.00
b. social security contributions	4,350,189.27	4,512,078.92
c. severance indemnities	989,392.64	964,731.15
e. other costs	12,674.32	22,498.64
Total 9.	**18,307,607.96**	**18,577,119.71**
10. Depreciation, amortisation and writedowns:		
a. amortisation of intangible fixed assets	1,362,368.32	1,418,143.42
b. depreciation of tangible fixed assets	7,478,689.47	5,949,605.72
d. writedown of doubtful accounts included in current assets and of liquid funds	720,092.32	2,272,490.67
Total 10.	**9,561,150.11**	**9,640,239.81**
11. Changes in inventories of raw, ancillary and consumable materials and goods	830,961.41	4,176,297.42
12. Provisions for contingencies and other charges	173,495.08	96,642.85
14. Other operating expenses	641,621.99	789,599.64
TOTAL PRODUCTION COSTS (B)	**103,269,395.41**	**128,673,866.41**
DIFFERENCE BETWEEN VALUE OF PRODUCTION AND PRODUCTION COSTS (A–B)	**6,157,004.29**	**6,292,242.11**

	1999	1998
C) FINANCIAL INCOME AND (CHARGES)		
15. Income from investments:	0.00	0.00
16. Other financial income:		
c. income from securities held as current assets, not representing equity investments	59,824.84	0.00
d. other than above:		
d. from third parties	403,628.83	210,184.22
Total 16.	**463,453.67**	**210,184.22**
17. Interest and other financial charges:		
d. from third parties	(1,713,042.00)	(2,899,993.63)
TOTAL FINANCIAL INCOME AND (CHARGES) (C)	**(1,249,588.33)**	**(2,689,809.41)**
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS:		
19. Writedowns:		
a. of equity investments	(2,489.93)	(12,822.88)
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)	**(2,489.93)**	**(12,822.88)**
E) NON-RECURRING INCOME AND (CHARGES):		
20. Non-recurring income:		
b. other non-recurring income	827,463.76	619,748.28
Total 20.	**827,463.76**	**619,748.28**
21. Non-recurring charges:	0.00	0.00
TOTAL NON-RECURRING INCOME AND (CHARGES) (E)	**827,463.76**	**619,748.28**
PROFIT BEFORE TAXES (A – B+/–C+/–D+/–E)	**5,732,389.79**	**4,209,358.10**
22. Income taxes for the year	(2,507,251.47)	(2,643,474.19)
26. NET PROFIT FOR THE YEAR	**3,225,138.32**	**1,565,883.91**

CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

The administrative and registered offices of CSP INTERNATIONAL INDUSTRIA CALZE S.p.A. are in Via Piubega, 5c - Ceresara (Mantua). Production is carried out in three plants: two in Ceresara and one in Rivarolo Del Re (Cremona). The company also owns a building in Ceresara, which is used as a shop for retail sales of its products.

Form and content of the financial statements

The financial statements have been prepared in accordance with the Italian Civil Code. They comprise the balance sheet, prepared using the format set out in articles 2424 and 2424bis of the Italian Civil Code, the statement of income, prepared using the format set out in articles 2425 and 2425bis and the explanatory notes. These notes include the information required by article 2427 and other disclosures relating to financial statements required by the Italian Civil Code and by other prior legislation. In the interests of providing a true and fair view, additional information is also provided, even where this is not required by specific legislation.
For the sake of a greater clarity, items in the balance sheet and statement of income formats indicated with arabic numbers, have been omitted where the value is zero in both accounting periods, as permitted by article 2423ter of the Italian Civil Code.
In addition, for ease of understanding, amounts in the notes have been expressed in millions of Lire in the narrative and thousands of Lire in the tables.

Accounting policies

Pursuant to article 2426 of the Italian Civil Code, the more important accounting policies consistently applied for the preparation of the financial statements as of 31 December 1999 are explained below. Except where expressly indicated, they have been applied consistently with the previous year.

Intangible fixed assets – These are recorded at purchase or production cost, including related charges. They are amortised on a systematic basis over their estimated useful life. In particular, goodwill deriving from corporate re-organisation is amortised over a period of five years. Application software is recorded among intangible fixed assets and amortised over a period of three years.

Tangible fixed assets – These are recorded at purchase or production cost. This cost is adjusted for certain assets in application of specific revaluation laws (as detailed in the attached schedule). Cost includes the related charges, direct costs and the share of indirect costs that is reasonably attributable to the asset.
Tangible fixed assets are depreciated every year on a straight-line basis using rates that reflect the residual technical and economic useful lives of the assets concerned. The rates applied are indicated in the relevant section of the notes. If, independently of the depreciation already charged, there is a permanent loss in value, the asset's value is written down accordingly; if, in the future, the bases for the write-down no longer apply, the original value may be written back, as adjusted for accumulated depreciation.
Ordinary maintenance costs are wholly expensed to income as incurred. Maintenance costs which improve assets, are capitalised and depreciated using the rates applying to those assets over the residual useful lives.

Equity investments held as fixed assets – Equity investments are stated at cost as described in the relevant part of the notes.
The value at which they are recorded in the financial statements is based on purchase or subscription price or on the value attributed to conferred assets. The cost is written down where there is a permanent loss in value and when there is no prospect of future profits by the company in question, which

would absorb the losses. The original value may be written back if, in the future, the bases for the write-down no longer apply.

Inventories – Inventories are stated at the lower of purchase or production cost, using the L.I.F.O method, and their estimated realisable value taking account of market trends. Cost is calculated using the same criteria as that applied to fixed assets. Estimated realisable value is calculated taking account of manufacturing costs to be incurred and direct selling costs. Obsolete and slow-moving items are written down to their utilisable or realisable value.

Receivables – Receivables are stated at their estimated realisable value.

Accruals and deferrals – Income and expenses which relate to more than one accounting period are recorded in these captions in order to respect the principle of matching income and expenses to the period to which they refer.

Reserves for contingencies and other charges – These reserves cover known or probable losses, whose timing and amount could not be determined at the year end. Provisions reflect the best estimate based on the information available.
The agents' supplementary indemnity reserve is included in these reserves. This amount is paid by the company when agents terminate their service.

Reserve for severance indemnities – The reserve for severance indemnities is provided to cover the liability maturing in respect of employees. It is accrued in accordance with current legislation, collective labour contracts and in-house agreements.

Payables – Payables are stated at their nominal value.

Capital grants reserve – Capital grants, received in prior years, are recorded under the caption "Other reserves" of shareholders' equity in order to benefit from the favourable tax treatment permitted by the legislation.

Revenue recognition – Revenues from product sales are recognised at the time ownership passes, which is generally upon shipment to the customer.

Advertising, research and development costs – Advertising and promotional costs not benefiting future accounting periods are expensed to income in the period incurred: any costs relating to advertising campaigns spanning several accounting periods are recorded on an accruals basis by booking accruals or deferrals as appropriate. Research and development costs are fully expensed as operating costs in the period they are incurred.

Lease contracts – Payments for lease contracts are recorded in costs according to their due dates and the contract's duration, in accordance with the accepted tax treatment.

Income taxes for the year – The provision for income tax is based on estimated taxable income, which is calculated in accordance with current fiscal regulations. Provision is also made for deferred taxes on timing differences between the value attributed to an asset or liability using statutory criteria and the corresponding value for tax purposes.

Adjustments and provisions recorded solely for fiscal purposes – Adjustments and provisions recorded solely for fiscal purposes comprise accelerated depreciation, which is recorded in line B.10 of the statement of income. As allowed by article 2426.2 of the Italian Civil Code, its contra-entry is to the accumulated depreciation reserve, which is deducted directly from tangible fixed assets recorded on the assets side of the balance sheet.

Translation of foreign currency balances

Receivables and payables originally denominated in foreign currency are translated into Lire using the exchange rates prevailing at the transaction dates. Exchange differences realised upon collection of receivables or the settlement of payables are recorded in the statement of income, after taking account of any provisions already accrued in the exchange fluctuation reserve.
Foreign currency receivables and payables are translated using the average exchange rate for the last month of the period (in accordance with article 72 of the Tax Consolidation Act). Net losses arising from this translation are charged to the period's statement of income with the contra-entry being booked to the exchange fluctuation reserve. Any net gains are not recognised.

Other information

Preparation of consolidated financial statements – In accordance with Decree 127/1991, the Company has prepared consolidated financial statements, starting from the year 1999, following the E.D.I. group acquisition.

Exceptions allowed under article 2423.4 – No exceptions have been made in the application of the established accounting principles, as would be permitted in certain circumstances under article 2423.4 of the Italian Civil Code.

Comparison with the prior year financial statements – The captions "Revenues from sales of goods and services", "Costs for raw, ancillary and consumable materials and goods", "Non-recurring income and charges", "Severance indemnities" and "Other securities" have been reclassified in the prior year financial statements in order to make them comparable with the financial statements as of 31 December 1999. A schedule reconciling these reclassifications is provided in Attachment 7.

The year 2000 and the Euro – No direct costs linked to transition to the Euro have been incurred since the new computer system was already able to cope with any Euro-related problems; furthermore, the transfer of the entire accounting-administrative system to the Euro is currently being examined.
The year 2000 problem caused no difficulties or loss of data at the time of the millenium change. As confirmed by the suppliers of software and hardware, to date there are no objectively predictable risks which could occur as a result of the millenium change. The new computer system is certified as being year 2000 compliant.

Changes in accounting policies – Following the introduction of the accounting standard concerning income taxes, issued by the Italian Accounting Profession, deferred tax assets have been recorded for the first time in the financial statements as of 31 December 1999. Taxation relating to the timing differences arising prior to 1 January 1999 has been recorded in the statement of income under caption 20 b) "Other non-recurring income", while changes during the year have been recorded under caption 22) "Income taxes for the year". The deferred tax asset relating to timing differences deductible for tax purposes in years subsequent to that in which they were charged to the statutory statement of income (mainly taxed reserves) is recorded under "Other receivables". The liability for deferred taxes calculated on the timing differences taxable in accounting periods subsequent to that in which they were charged to the statutory statement of income (mainly capital gains on assets) is recorded among the liabilities under "Reserves for contingencies and other charges - deferred taxation". Deferred tax assets and liabilities have not been offset since it is expected that the deferred tax assets will reverse in different periods to that of the liabilities.

Explanation added for translation into English – The financial statements have been translated into English the original version in Italian. They have been prepared in accordance whit the Italian law related to financial statements, interpreted and integrated by accounting principles established by the Italian Accounting Profession. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Italy may not conform with the generally accepted accounting principles in other countries.

COMMENTS TO THE FINANCIAL STATEMENTS

BALANCE SHEET

COMMENTS ON THE MAIN ASSET CAPTIONS:

B. Fixed assets

B.I. Intangible fixed assets

Movements in intangible fixed assets during the period are set out in Attachment 1.
"Goodwill" refers to the excess purchase price of Tintoria di Ceresara S.r.l., a company acquired in 1996, compared with its actual value, which was formulated by a third party expert. The goodwill is amortised over 5 years.
Other intangible fixed assets include costs incurred for the registration and renewal of trade marks, and for the raising of finance. The latter are amortised over the life of the related loans while the former are amortised over 5 years.
This item also includes the costs relating to the quotation on the screen-traded market of the Italian Stock Exchange. These amount to Lire 4,048 million, and are being amortised over 3 years, terminating in 1999. The most significant increase, Lire 835 million, refers to software for implementing new computer systems.

B.II. Tangible fixed assets

Movements in tangible fixed assets are set out in Attachment 2.

The main increases are as follows:
- completion of new industrial premises at Ceresara;
- purchase of new machinery installed at all the production units.

Ordinary depreciation has been calculated using rates considered to reflect the residual useful lives of the related assets. The rates applied are as follows:

Buildings	3.00%
Plant and machinery	12.50%
Industrial equipment	25.00%
Electronic office machines	20.00%
Office furniture and fittings	12.00%
Vehicles	20.00%
Cars	25.00%

Accumulated depreciation of tangible fixed assets at 31 December 1999 includes accelerated depreciation, as permitted by article 2426.2 of the Italian Civil Code, amounting to about Lire 14,359 million. Accelerated depreciation has increased by about Lire 5,332 million, which represents the charge for the period. Accelerated depreciation has decreased by about Lire 498 million due not only to reversals for higher depreciation for the period, not recorded as the assets have been fully depreciated, but also to disposals. The net profit for the year and shareholders' equity as of 31 December 1999 are therefore underestimated by Lire 2,840 million and Lire 8,436 million, net of the related tax.

The list of assets by category at 31 December 1999, which under article 10 of Law No.72/83 have been subject to revaluation laws, is set out below:

Assets in existence as of 31/12/99	*Historical cost*	*Revaluation Law 576/75*	*Rivalutaz. L. 72/83*	*Revaluation Law 72/83*	*Total*
Buildings/light construction	39,890,543	40,409	272,906	906,291	41,110,149
Plant/machinery	76,746,695	19,078	185,980	0	76,951,753
Equipment	1,477,834	0	28,769	0	1,506,603
Furniture/office machines	2,162,550	633	15,162	0	2,178,345
Electronic office equipment	3,289,482	336	17,587	0	3,307,405
Cars/other vehicles	2,358,794	1,163	7,716	0	2,367,673

Mortgages and charges over tangible fixed assets are detailed in the section on memorandum accounts.

B.III. Financial fixed assets

Attachments 3a and 3b set out both the movements in financial fixed assets (consisting of equity investments and loans) and the information required by article 2427.5 of the Italian Civil Code for each subsidiary and associated company.

During the year the Company purchased Le Bourget S.A., a French group listed on the secondary French stockmarket and which has 15% of the French hosiery market. The acquisition was initially formalised via the purchase of 100% of E.D.I., the holding company which held a 50.84% interest in Le Bourget's share capital. Subsequently, the Company launched a public bid for a further 48.71% of the share capital. Finally, the remaining 0.45% of Le Bourget's share capital was acquired at the beginning of 2000 with the launch of a Residual Public Offer. At the same time, the group was de-listed from the French stockmarket.

The Company incurred a total cost of Lire 25,263 million for this acquisition. The additional value paid with respect to shareholders' equity is attributable to trademarks and goodwill.

Sanpellegrino Polska, a company set up in 1998 and jointly owned (50%) with our local distributor, began operations during the year, producing and marketing socks and stockings.

The investment in C.S.P. Hosiery UK Ltd was written down during the year, since the prior year loss and the termination of distribution activities for the UK, mean that this company is unlikely to generate sufficient future earnings to absorb its accumulated losses.

C. Current assets

C.I. Inventories

Inventories are made up as follows:

	31/12/1999	*31/12/1998*
Gross value	61,651,583	69,683,431
Writedown reserve	(801,427)	(736,784)
Net value	**60,850,156**	**68,946,647**

The Lire 8,096 million decrease with respect to 1998 is due to a reduction in average raw material and internal production costs, as well as a drop in the average unit value of items in inventory. The cost of raw, ancillary and consumable materials and of finished goods and products has been determined using the L.I.F.O. method of valuation, with the first layer using the valuation at 31 December 1995. Work-in-progress has been valued using the average production cost during the year.

If inventories valued at L.I.F.O. had been valued at average cost at 31 December 1999, their value would have been about Lire 26 million higher. Consequently, the net profit for the year would have been Lire 460 million lower, while shareholders' equity would have been Lire 15 million higher, net of tax.

C.II.1. Trade accounts

Trade receivables may be analysed as follows:

	31/12/1999	*31/12/1998*
Trade receivables - Italy	49,479,297	55,695,059
Trade receivables - abroad	17,894,202	27,172,245
Bills subject to collection	23,331,730	26,072,818
Customers - invoices to be issued	1,198,810	758,871
Credit notes to be issued	(2,733,342)	(3,295,241)
Reserve for doubtful accounts	(3,301,033)	(5,627,920)
Total	**85,869,664**	**100,775,832**

This caption also includes Lire 18,728 million of collection orders and bills presented to banks for settlement.

Total trade receivables have decreased compared with the prior year as a function of the decrease in sales. Collection times, based on average monthly exposure, have remained essentially in line with those in the prior year. Trade receivables due from foreign customers do not include significant exposures towards countries at risk.

All amounts are due within 12 months.

Movements during the year in the doubtful receivables reserve are as follows:

	Reserve at 1/1/99	*Utilisation*	*Provisions*	*Reserve at 31/12/99*
Article 71 of the Tax Consolidation Act	520,156	(520,156)	459,293	459,293
Additional reserve	5,107,764	(3,201,024)	935,000	2,841,740
Total	**5,627,920**	**(3,721,180)**	**1,394,293**	**3,301,033**

During the year receivables deemed to be completely unrecoverable have been written off to the reserve. Provisions, increasing the reserve, have been made for expected future losses on receivables which are included in the year-end financial statements.

C.II.2. Due from subsidiary companies:

This caption refers to trade receivables due from Le Bourget.

C.II.3 Due from associated companies:

This item is made up as follows :

	31/12/1999	*31/12/1998*
ROZAL S.a.r.l. (France)	193,521	254,191
CSP HOSIERY Ltd (UK)	261,078	484,157
SANPELLEGRINO POLSKA SP.z.oo (PL)	1,579,732	0
Total	**2,034,331**	**738,348**

These refer to trade receivables and are due within 12 months. They are considered to be recoverable, so no writedowns have been made.

C.II.5 Other receivables:

The balance includes various receivables comprised as follows:

	31/12/1999	*31/12/1998*
VAT credits	674,073	865,745
Income taxes for the year	0	3,257,507
Advances to suppliers	72,429	0
Employees' travel advances	11,630	12,630
Deferred tax assets	2,327,590	0
Other current receivables	58,408	145,793
Foreign VAT credits	42,118	40,744
Total other current receivables	**3,186,248**	**4,322,419**
Guarantee deposits	108,328	109,027
Total other non-current receivables	**108,328**	**109,027**
Total other receivables	**3,294,576**	**4,431,446**

Other current receivables have been written down by Lire 113 million, by providing a specific taxed reserve in 1996.

"Deferred tax assets" refer to the positive balance of deferred taxation arising on timing differences between the accounting values of assets and liabilities and their corresponding value for tax purposes.

The guarantee deposits are due within 5 years.

C.III.5 Owns shares:

As of 31 December 1999, the Company owned 202,500 of its own shares, with a par value of Lire 202.5 million, and corresponding to 0.826% of its share capital, as authorised by the Extraordinary Shareholders' meeting of 17 November 1998.

During the period under review, 340,500 own shares were purchased and 138,000 were sold. This resulted in a net capital gain of Lire 116 million.

C.IV. Liquid funds:

These represent cash on hand and bank current accounts open at 31 December 1999.

D. Accrued income and prepayments

This caption is comprised as follows:

	31/12/1999	*31/12/1998*
Prepaid TV commercial	974,713	2,924,140
Advance lease payments	0	4,040
Accrued customer interest receivable	1,880	14,755
Prepayments	174,853	2,002,293
Others	26,285	94,486
Total	**1,177,731**	**5,039,714**

The caption prepaid TV commercial refers to the making of the Sanpellegrino advertisement, whose cost is being expensed over the duration of the film's related copyright. The cost expensed to 1999 is recorded as production costs under the caption "services".

COMMENTS ON THE MAIN LIABILITY CAPTIONS

A. Shareholders' equity

Movements in shareholders' equity during the year are detailed in Attachment 4.

A.I. Share capital

The share capital at 31 December 1999, which is fully subscribed and paid-in, comprises 24,500,000 ordinary shares with a par value of Lire 1,000 each.

A.II. Share premium reserve

The share premium reserve (Lire 35,000 million) refers to the increase in share capital carried out in 1997 when the company was floated on the screen-traded market of the Italian Stock Exchange.

A.III. Revaluation reserves

These reserves are broken down as follows:

	31/12/1999	*31/12/1998*
Riserva Riv. L. 596/75	61,619	61,619
Riserva Riv. L. 72/83	372,907	372,907
Riserva Riv. L. 413/91	761,284	761,284
Total	**1,195,810**	**1,195,810**

A.IV. Legal reserve

This reserve has increased by Lire 152 million compared with 1998 following the allocation of part of last year's net profit.

A.VII. Other reserves

These increased by Lire 1,655 million as a result of allocating last year's net profit, and by Lire 5 million due to dividends received on own shares in portfolio, while decreasing by Lire 1,852 million in respect of the provision to the reserve for own shares in portfolio.

For the sake of completeness, it is worth mentioning that adjustments and provisions recorded solely for fiscal purposes, represented by accelerated depreciation provided in the current and previous years and charged against tangible fixed assets, have resulted in an understatement of shareholders' equity and net profits by Lire 8,436 million and Lire 2,840 million respectively, after accounting for the related tax effect.

A.IX. Net profit for the year

This caption refers to the net profit for the 1999 financial year.

Amount of taxes for calculating the tax credit on profits distributed by the company (Decree Law No. 467 of 18 December 1997):

As required by Decree Law No. 467/97, the following are the taxes effectively paid by the company (article 105.1a of the Tax Consolidation Act 917/86), as well as unpaid taxes (nominal taxes, article 105.1b of the Tax Consolidation Act 917/86) for the purposes of calculating the ordinary tax credit and the limited tax credit:

Amount pursuant to article 105.1a of the Tax Consolidation Act 917/86	13,275,384
Amount pursuant to article 105.1b of the Tax Consolidation Act 917/86	8,507,596

As required by article 3.4 of Decree Law No. 467/97, the company will increase the taxes under article 105.1a of the Tax Consolidation Act 917/86 (taxes effectively paid) by a residual amount of Lire 6,140 million, to be spread evenly in the tax returns of the next seven years.

B. Reserves for contingencies and other charges

Changes in this caption are set out below:

	31/12/1998	*Provisions*	*Utilisations*	*31/12/1999*
Taxation provision	754,167	1,621	(112,126)	643,662
Others:				
– Exchange fluctuation provision	106,622	0	(106,622)	0
– Provision for future contingencies	0	200,000	0	200,000
– Agents' supplementary indemnity provision	1,241,066	135,342	(115,490)	1,260,918
Total other	1,347,688	335,342	(222,112)	1,460,918
Total	**2,101,855**	**336,963**	**(334,238)**	**2,104,580**

The provision for taxes relates to deferred tax liabilities in respect of gains on the disposal of assets which benefit from a deferred tax regime.

In addition, a contingency reserve amounting to Lire 200 million has been provided for potential future liabilities which may arise on outstanding legal disputes.

The agents' supplementary indemnity has been accrued in accordance with the current collective labour contract.

C. Reserve for severance indemnities

Movements during the year were as follows:

	31/12/1998	*Payments*	*Provisions*	*31/12/1999*
Severance indemnity	6,607,146	(603,227)	1,851,654	7,855,573

Payments include Lire 379 million paid to leavers and advances of Lire 224 million granted to employees.

D. Payables

D.3 Banks

Indebtedness has decreased by Lire 16,935 million, passing from Lire 88,735 million to Lire 71,800 million.

This caption includes Lire 41,848 million of advances subject to collection, export advances and the current portion of medium/long-term loans and Lire 29,952 million of medium/long-term loans and other borrowings.

The due dates of the loans are set out below:

	During 2000	*Within 5 years*	*Beyond 5 years*	*Total*
Loans	25,195,607	29,452,446	500,000	55,148,053

Five new unsecured loans, totalling Lire 37,000 million, were raised during 1999. They all bear market rates.

Mortgage guarantees have been given as security against part of the above loans. These guarantees are dealt with in greater detail in the section on memorandum accounts. As of 31 December 1999, there were no forward currency hedging transactions or transactions in financial derivatives.

D.6 Trade accounts payable

This item increased by Lire 5,822 million compared with 1998.

D.11 Taxes payable

Taxes payable are made up as follows:

	31/12/1999	*31/12/1998*
Tax liability	1,107,866	0
Withholding taxes on payments to consultants/agents	78,442	118,306
Withholding on wages and salaries	905,137	888,140
Total	**2,091,445**	**1,006,446**

D.12 Payables to social security institutions

This caption comprises:

	31/12/1999	*31/12/1998*
Employees social security/industrial accident insurance (INPS/INAIL)	1,302,199	1,390,152
Agents' social security (Enasarco)	18,542	29,619
Agents' social security (F.I.R.R.)	65,637	80,367
Total	**1,386,378**	**1,500,138**

D.13 Other payables

This caption comprises:

	31/12/1999	*31/12/1998*
Payable to employees	1,302,455	858,914
Other payables	82,182	88,166
Total	**1,384,637**	**947,080**

The payables to employees include holiday pay of Lire 734 million at 31 December 1999.

The other payables are all due within 12 months.

E. Accrued liabilities and deferred income

	31/12/1999	*31/12/1998*
Accrued interest payable on loans	129,858	285,950
Other accruals	494,210	391,391
Total	**624,068**	**677,341**

"Other accruals" refer to the liability for employee attendance bonuses maturing up to 31 December 1999.

Memorandum accounts

Mortgages for loans – These are mortgages on company assets in guarantee of loans granted by banks, whose residual value amounts to about Lire 9,399 million.

Guarantees given to third parties – The caption relates to guarantees granted to third parties.

Assets held by third parties – These mainly relate to portable computers and printers on loan to agents.

Purchasing commitments – At 31 December 1999, there are commitments based on signed contracts for the purchase of tangible fixed assets amounting to Lire 1,404 million. These commitments refer to plant enhancements in the new warehouses, Lire 825 million, while the remaining balance refers to software purchases.

Assets deposited with third parties – The caption refers to the value of goods sent to subcontractors for processing.

Third party assets – This caption includes third party goods for re-packaging and re-dyeing.

STATEMENT OF INCOME

COMMENTS ON THE MAIN CAPTIONS

A. Value of production

A.1 Revenues from sales of goods and services

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

	1999	*1998*
Italy:		
– stockings	122,483,602	145,461,208
– yarns	14,807,608	24,629,319
– raw materials/other	500,489	580,798
Western Europe:		
– stockings	43,235,898	49,858,346
– other	1,160,082	746,545
Eastern Europe:		
– stockings	27,263,011	44,296,895
– other	2,236,997	470,397
Non-European countries:		
– stockings	4,445,297	4,606,947
– other	57,457	46,179
Total	**216,190,441**	**270,696,634**

Revenues for sales of stockings in Italy have been influenced by the trade practice of reinvoicing to major retail chains department stores. This operation, representing Lire 13,831 million, involves the company repurchasing stockings sold to some wholesalers with their subsequent resale to retail chains. Net sales of stockings include Lire 1,005 million in relation to the Body line.

Sales of woven products, amounting to Lire 14,808 million, consist of sales of raw materials to subcontractors, who in turn reinvoice them together with the cost of the work performed.

Revenues are shown net of returns, discounts and allowances.

At Lire 197,428 million, net sales of stockings have decreased by Lire 26,795 million on 1998. This is mainly due to the economic crisis hitting the Russian market, and to its repercussions on the Italian wholesale trade, also involved in exporting to Russia through the mechanism of indirect sales, as well as the persisting global recession in sales of women's tights.

In fact, sales in Eastern Europe declined from Lire 44,297 million in 1998 to Lire 27,263 million in 1999.

A.2 Changes in inventories of work-in-progress, semi-finished and finished products

	Opening inventories	*Closing inventories*	*Change +/–*
Finished products	33,925,661	32,556,322	(1,369,339)
Work-in-progress	20,408,217	15,290,030	(5,118,187)
Total	**54,333,878**	**47,846,352**	**(6,487,526)**

A.5.a Other income

This caption is made up as follows:

	1999	*1998*
Transport & production expenses charged to customers	219,982	1,428,911
Advertising contributions	500,000	842,487
Expenses reinvoiced to customers	118,189	143,113
Royalty income	820,614	527,398
Gains on disposal of assets	24,038	969,248
Out-of-period income for taxes	171,178	362,603
Other	322,139	133,237
Total	**2,176,140**	**4,406,997**

Other income shows an increase in royalty income from licensees of the company's trademarks.

B. Production costs

The balance of Lire 90,766 million consists of Lire 76,841 million for purchases of raw materials for manufacturing (Lire 101,735 million in 1998) and Lire 13,925 million for packaging and consumable materials (Lire 16,947 million in 1998).
The overall decrease of Lire 27,916 million compared with 1998 is explained by the lower volume of sales during the year.

B.7 Services

This caption is made up as follows:

	1999	*1998*
Outside contractors	12,940,635	15,504,838
Advertising	18,270,912	26,792,831
Agents	4,912,899	6,491,325
Transportation	3,348,297	5,072,413
Power	3,882,316	3,730,746
Directors' emoluments	1,000,320	975,720
Statutory Auditors' emoluments	60,126	60,374
Maintenance	2,185,692	2,260,023
Heating	1,253,609	1,395,569
Insurance	491,741	632,411
General and commercial advice	1,394,437	529,442
Travel	372,718	469,949
Postage	308,939	359,340
Other transport costs	318,524	334,037
Legal	74,969	312,229
Commercial information and communications costs	191,372	262,849
Bank charges	295,715	326,607
Other	700,800	407,578
Total	**52,004,021**	**65,918,281**

The most significant increase during the year relates to advisory costs. This mainly related to costs for examining possible acquisitions and/or alliances which failed to come to fruition.

Large decreases were reported in advertising expenses (Lire 8,522 million), commissions to agents (Lire 1,578 million), transportation costs (Lire 1,724 million) and outside contractors (Lire 2,564 million) .

Attachment 6 provides further details on the Directors and Statutory Auditors fees.

B.8 Use of third party assets

This caption includes lease payments for vehicles, whose contracts expired during the year.

B.9 Labour costs

This caption includes all the costs incurred in respect of employees in 1999. The detail of this caption is set out on the face of the statement of income.

Labour costs have decreased by Lire 522 million compared with 1998. The decrease reflects a drop in the average number of employees (passing from 776 in 1998 to 751 in the year under review).

Movements in staff numbers during the year are set out below:

	01/01/99	*New recruits*	*Leavers*	*31/12/99*	*1999 average*	*1998 average*
Managers	8	1	1	8	8	8
Supervisors	22	5	1	26	24	21
Office staff	114	15	23	106	110	113
Workers	624	8	39	593	609	634
Total	**768**	**29**	**64**	**733**	**751**	**776**

The new recruits and leavers categories also include internal promotions.

B.10 Depreciation, amortisation and writedowns

These comprise:

a. amortisation of intangible fixed assets

Software	826,253
Goodwill	328,140
Deferred charges	111,408
Flotation costs	1,349,382
Other	22,730
Total	**2,637,913**

b. Depreciation of tangible fixed assets

	Opening inventories	*Closing inventories*	*Change +/–*
Buildings	975,734	395,634	1,371,368
Light constructions	6,095	0	6,095
Plant/machinery	7,208,093	4,304,500	11,512,593
Equipment	181,712	140,939	322,651
Furniture, electrical equipment	94,736	17,872	112,608
Electronic office machines	235,734	233,827	469,561
Cars	145,537	125,663	271,200
Vehicles	122,233	113,962	236,195
Assets worth under 1 million	178,491	0	178,491
Total	**9,148,365**	**5,332,397**	**14,480,762**

Tangible fixed assets purchased in 1999 have been depreciated at 50% of the normal rate, whereas assets acquired in previous years were depreciated at 100% of the normal rate.
Accelerated depreciation has also been recorded. Its effect has already been discussed in the note on tangible fixed assets.

d. Writedown of doubtful accounts included in current assets

The caption "Writedown of doubtful accounts included in current assets and of liquid funds" consists of the provision required to adjust the value of receivables to their estimated realisable value. Losses during the year have been expensed to income with a corresponding utilisation of the reserve for doubtful accounts.

B.11 Changes in inventories of raw, ancillary and consumable materials and goods

	Opening inventories	*Closing inventories*	*Change +/–*
Raw materials	10,792,538	9,734,599	(1,057,939)
Packaging/ dyeing materials	3,820,232	3,269,205	(551,027)
Total	**14,612,770**	**13,003,804**	**(1,608,966)**

B.12 Provisions for contingencies and other charges

This caption includes the provision to the reserves for contingencies and other charges of agents' supplementary indemnities maturing in the year and the provision of Lire 200 million for contingencies linked to potential future liabilities arising as a result of outstanding legal disputes.

B.14 Other operating expenses

This item is comprised as follows:

	1999	*1998*
Entertaining	371,081	463,506
Membership fees	92,643	155,157
Stationery & other materials	208,477	215,469
Non deductible VAT on gifts	45,918	50,989
Taxes and duties	308,427	247,312
Losses on the sale of assets	72,668	190,197
General expenses	63,569	109,901
Other charges	79,570	96,347
Total	**1,242,353**	**1,528,878**

C. Financial income and charges

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

This caption comprises:

	1999	*1998*
Interest receivable on current accounts	39,705	53,194
Interest receivable from customers	218,974	241,895
Exchange gains	491,931	109,147
Other interest receivable	28,597	0
Discounts & positive roundings	2,327	2,737
Total	**781,534**	**406,973**

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

This caption comprises:

	1999	*1998*
Interest payable on current accounts	558,033	1,671,454
Interest payable on borrowings	852,532	1,285,478
Interest payable on loans	1,760,626	2,175,565
Other interest and charges payable	28,130	9,263
Provision to the exchange fluctuation reserve	0	106,622
Exchange losses	117,591	366,789
Total	**3,316,912**	**5,615,171**

E. Extraordinary income and charges

E.20.b Other extraordinary income

This caption comprises deferred taxation of Lire 1,597 million recorded on positive timing differences between taxable income and the results in prior years, while those relating to the year under review (Lire 730 million) have been reclassified among "income taxes for the year".

E.22 Income taxes for the year

Income taxes for the year have been calculated using current tax rates and after making the necessary adjustments to increase or decrease the statutory profit. The tax charge amounts to Lire 4,855 million, representing a tax rate of 44%.
Approximately Lire 2,137 million of this amount is attributable to the regional tax on production activities (IRAP), and Lire 3,447 million to corporate income tax (IRPEG). The charge also includes a credit of Lire 730 million in respect of deferred taxes arising in the year.
Without the benefit of deferred tax assets, the tax rate would have been 51%.

Ceresara, Italy, 27 March 2000

The Board of Directors

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 movements in intangible fixed assets for the year ended 31 December 1999

2 – Schedule of movements in tangible fixed assets for the year ended 31 December 1999

3 – 3a) Schedule of movements in financial fixed assets for the year ended 31 December 1999
3b) List of equity investments in accordance with article 2427.5 of the Italian Civil Code

4 – Schedule of changes in shareholders' equity for the year ended 31 December 1999

5 – Cash flow statement for the years ended 31 December 1999 and 1998

6 – Schedule of compensation paid to the Directors, Statutory Auditors and General Managers for the year ended 31 December 1999

7 – Reconciliation of the 1998 statement of income and balance sheet.

Attachment 1 – Schedule of movements in intangible fixed assets for the year ended 31 December 1999

Description	*Historical cost*	*Amortisation at 31.12.98*	*Writedowns at 31.12.98*	*Net book value at 31.12.98*	*Additions 1999*	*Reclassifications 1999*	*Amortisation 1999*	*Net book value at 31.12.99*
Industrial patents and intellectual property rights								
– Software	2,840,154	(2,060,636)	0	779,518	834,983	0	(826,254)	788,247
Concessions, licences, trade marks & similar rights								
– CSP trade mark	75,052	(57,838)	0	17,214	0	0	(5,738)	11,476
Goodwill	1,640,699	(984,158)	0	656,541	0	0	(328,140)	328,401
Other								
– Flotation costs	4,048,148	(2,698,766)	0	1,349,382	0		(1,349,382)	0
– Deferred loan costs	88,229	(38,001)	0	50,228	37,500	0	(16,991)	70,737
– Other intangible fixed assets	461,851	(197,230)	0	264,621	95,189	0	(111,408)	248,402
Total others	**4,598,228**	**(2,933,997)**	**0**	**1,664,231**	**132,689**	**0**	**(1,477,781)**	**319,139**
Total	**9,154,133**	**(6,036,629)**	**0**	**3,117,504**	**967,672**	**0**	**(2,637,913)**	**1,447,263**

Attachment 2– Schedule of movements in tangible fixed assets for the year ended 31 December 1999

Summary of assets

	Opening balances				*Movements during the year*						*Closing balances*			
Description	*Historical cost*	*Revaluations*	*Accumulated depreciation at 31/12/98*	*Net book value at 31/12/98*	*Additions 1999*	*Decreases 1999*	*Decreases revaluations*	*Reversal depreciation*	*Reclassifi-cations 1999*	*Depre-ciation 1999*	*Historical cost*	*Revaluations*	*Accumulated depreciation at 31/12/99*	*Net book value at 31/12/99*
Land & buildings	31,732,749	1,219,606	(5,884,211)	27,068,144	1,744,494	0	0	0	6,413,300	(1,377,463)	39,890,543	1,219,606	(7,261,674)	33,848,475
Plant & machinery	62,900,101	204,743	(34,266,445)	28,838,399	6,940,611	(132,949)	0	(52,856)	7,038,932	(11,512,594)	76,746,695	204,743	(45,726,183)	31,225,255
Equipment	1,075,053	28,769	(800,707)	303,115	416,956	(14,175)	0	(10,375)	0	(322,651)	1,477,834	28,769	(1,112,983)	393,620
Other assets	7,911,678	42,912	(6,362,374)	1,592,216	643,803	(71,960)	0	(68,113)	0	(1,268,054)	8,483,521	42,912	(7,562,315)	964,118
Construction in progress	13,811,700	0	0	13,811,700	10,000	0	0	0	(13,452,232)	0	369,468	0	0	369,468
Total	**117,431,281**	**1,496,030**	**(47,313,737)**	**71,613,574**	**9,755,864**	**(219,084)**	**0**	**(131,344)**	**0**	**(14,480,762)**	**126,968,061**	**1,496,030**	**(61,663,155)**	**66,800,936**

Attachment 3a – Schedule of movements in financial fixed assets for the year ended 31 december 1999
(Amounts in thousands of lire)

	Opening balance				Movements during the year					Closing balance	
Description	*Original Cost*	*Revaluations*	*Writedowns*	*Balance at 31/12/98*	*Increases*	*Reclassi-Fications*	*Decreases*	*Revaluations*	*Writedowns*	*Balance at 31/12/99*	*Of which Revalued*
EQUITY INVESTMENTS											
SUBSIDIARY COMPANIES											
CSP STRUMPFVERTRIEB - RHEINE (Germany) Loesstrasse, 7	30,912		(24,829)	6,083			(6,083)			–	
E.D.I. - LYON (France) Boulevard Vivier Merle, 1					12,901,059					12,901,059	
LE BOURGET S.A FRESNOY LE GRAND (France)					12,362,363					12,362,363	
TOTAL SUBSIDIARY COMPANIES	**30,912**	**–**	**(24,829)**	**6,083**	**25,263,422**	**–**	**(6,083)**	**–**	**–**	**25,263,422**	**–**
ASSOCIATED COMPANIES											
ROZAL SARL - PARIS (France) Rue Turbigo, 30	17,943			17,943						17,943	
CSP HOSIERY (UK) LTD - LONDON (UK) Acton Park. 28	4,821			4,821					(4,821)	–	
SANPELLEGRINO POLSKA SP.z.oo Ul.Laska, 7-KONSTANTYNOW (LODZ) (Poland)	1,530,684			1,530,684						1,530,684	
TOTAL ASSOCIATED COMPANIES	**1,553,448**	**–**	**–**	**1,553,448**	**–**	**–**	**–**	**–**	**(4,821)**	**1,548,627**	**–**
OTHER COMPANIES											
CASSA RUR.ED ART. CASTELGOFFREDO (MN) Via Giotto, 2	350			350						350	
FONDO PENSIONE PREVIMODA - MILAN Viale Sarca, 223	3.755			3,755						3,755	
CONAI - ROME Viale dell'Astronomia, 30	3,098			3,098						3,098	
TOTAL OTHER EQUITY INVESTMENTS	**7,203**	**–**	**–**	**7,203**	**–**	**–**	**–**	**–**		**7,203**	**–**
TOTAL EQUITY INVESTMENTS	**1,591,563**	**–**	**(24,829)**	**1,566,734**	**25,263,422**	**–**	**(6,083)**	**–**	**(4,821)**	**26,819,252**	**–**
FINANCIAL RECEIVABLES											
SUBSIDIARY COMPANIES											
BENETTON LEGS loan				2,196						2,196	
E.D.I. loan					89,066					89,066	
TOTAL RECEIVABLES FROM SUBSIDIARIES	**–**	**–**	**–**	**2,196**	**89,066**	**–**	**–**	**–**	**–**	**91,262**	**–**
ASSOCIATED COMPANIES											
ROZAL SARL loan				60,495						60,495	
CSP HOSIERY (UK) LTD loan				63,185						63,185	
TOTAL RECEIVABLES FROM ASSOCIATES	**–**	**–**	**–**	**123,680**	**–**	**–**	**–**	**–**	**–**	**123,680**	**–**
TOTAL RECEIVABLES	**–**	**–**	**–**	**125,876**	**89,066**	**–**	**–**	**–**	**–**	**214,942**	**–**

Attachment 3b – List of equity investments in subsidiary and associated companies at 31 december 1999 (in accordance with article 2427.5 of the Italian civil code) *(Amounts in thousands of lire)*

Name		*Share Capital In local Currency*	*Shareholders' Equity Lire/000*		*Profit or loss*	*Stake Holding %*	*Interest in Share-holders' Equity Lire/000*	*Interest in Profit/loss Lire/000*	*Book Value*	*Difference between Book value and interest In sharehol-ders' equity*
EQUITY INVESTMENTS										
SUBSIDIARY COMPANIES										
E.D.I. - LYON (France) Boulevard Vivier Merle, 1	F.F	28,015,274	6,875,946	(****)	(146,802)	100	6,875,946	(146,802)	12,901,059	(6,025,113)
LE BOURGET S.A FRESNOY LE GRAND (France)	F.F	16,604,544	(212,894)	(*****)	(2,942,585)	48,71	(103,701)	(1,433,333)	12,362,363	(12,466,064)
ASSOCIATED COMPANIES										
ROZAL SARL - PARIS (France) Rue Turbigo, 30	F.F.	300,000	152,639	(*)	4,071	20	30,528	814	17,943	12,585
CSP HOSIERY (UK) LTD - LONDON (UK) Acton Park, 28	LGS	10,000	(740,999)	(**)	(498,382)	20	(148,200)	(99,676)	4,821	(153,021)
SANPELLEGRINO POLSKA SP.z.oo Ul.Laska, 7-KONSTANTYNOW (LODZ) (Poland)	Zloty	6,000,000	2,851,090	(***)	223,711	50	1,425,545	111,856	1,530,684	(105,139)

NOTES: (*) as per the financial statements at 31 December 1998

(**) as per the financial statements at 31 March 1998, translated at exchange rates ruling on that date (the book value of the investment as of 31.12.1999 has been written down, as detailed in the explanatory notes)

(***) as per the financial statements at 31 December 1999 translated at exchange rates ruling on that date (the book value of the investment as of 31.12.1999 has not been written down in view of the profit earned for the financial year. The negative difference between book value and the interest in share-holders' equity is exclusively due to fluctuations in the exchange rate).

(****) as per the statutory financial statements as of 31 December 1999

(*****) as per the statutory financial statements as of 31 December 1999

Attachment 4 – Schedule of changes in shareholders' equity for the year ended 31 december 1999
(in thousands of Lire)

Description	*Share capital*	*Share premium reserve*	*Reserve for own shares*	*Revaluation reserves*	*Legal reserve*	*Other reserves*	*Net profit (loss) for the year*	*Total sharehol-ders' equity*
Balances at 1 January 1999	**24,500,000**	**35,000,000**		**1,195,810**	**2,049,478**	**20,430,719**	**3,031,974**	**86,207,981**
Allocation of 1998 net profit (General meeting of 15 April 1999)								
– 5% allocation to legal reserve					151,599		(151,599)	–
– Dividends distributed							(1,220,325)	(1,220,325)
– Dividends on own shares held in portfolio						4,675	(4,675)	–
– Profits carried forward						1,655,375	(1,655,375)	–
Other movements			1,852,147			(1,852,147)		–
Net profit for the year							6,244,738	6,244,738
Balances at 31 December 1999	**24,500,000**	**35,000,000**	**1,852,147**	**1,195,810**	**2,201,077**	**20,238,622**	**6,244,738**	**91,232,394**

Attachment 5 – Cash flow statement for the years ended 31 December 1999 and 1998
(in millions of Lire)

	1999	*1998*
A. OPENING NET DEBT	**(69,489)**	**(17,055)**
B. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES		
Net profit for the year	6,245	3,032
Depreciation, amortization and writedowns	17,119	14,266
Losses on and writedowns of financial fixed assets	5	25
Net change in severance indemnities for employees and agents	1,269	1,309
Net change in reserves for contingencies and other charges	(17)	380
Cash flows from operating activities before changes in working capital	**24,621**	**19,012**
(Increase) decrease in trade receivables	12,953	17,618
(Increase) decrease in inventories	8,097	15,992
Increase (decrease) in trade and other payables	8,030	(58,542)
Changes in other working capital items	3,146	(6,602)
	56,847	**(12,522)**
C. CASH FLOWS FROM (FOR) INVESTMENT ACTIVITIES		
(Purchase) disposal of fixed assets:		
Intangible	(967)	(857)
Tangible	(9,668)	(33,315)
Financial	(25,364)	(1,681)
	(35,999)	**(35,853)**
D. CASH FLOWS FROM (FOR) FINANCING ACTIVITIES		
New borrowings net of the current portion of loans transferred to current payables	10,960	3,463
Dividends paid	(1,220)	(7,497)
Other changes in shareholders' equity	0	(25)
	9,740	**(4,059)**
E. TOTAL CASH FLOWS FOR THE YEAR (B + C + D)	**30,588**	**(52,434)**
F. CLOSING NET DEBT (A + E)	**(38,901)**	**(69,489)**

Attachment 6 - format 1 – Remuneration paid to directors, statutory auditors and general managers (year 1999)

	Description of office		*Remuneration*			
Name	*Position Held*	*Duration of office*	*Emoluments for the office*	*Non-cash Benefits*	*Bonuses and Other incentives*	*Other Remuneration*
ENZO BERTONI	chairman Board of Directors	16.04.97 for 3 years	444,720,000	use of cellular phone		
FRANCESCO BERTONI	managing director #	16.04.97 for 3 years	555,600,000	use of cellular phone		
MARIA GRAZIA BERTONI	director	16.04.97 for 3 years				82,566,000*
MARIO BERTONI	director	16.04.97 for 3 years			5,000,000*	65,368,000*
GIANFRANCO BOSSI	director and general manager #	16.04.97 for 3 years		use of cellular phone	70,000,000*	500,339,000*
SERGIO GHIDELLI	chairman Board of Auditors	16.04.97 for 3 years	25,405,000			
DANILO ANCESCHI	auditor	16.04.98 for 2 years	16,937,000			
MARCO MONTESANO	auditor	16.04.97 for 3 years	16,937,000			

* salaries as employees.

\# member of executive committee.

Attachment 7

– Reconciliation of the 1998 statement of income

Description	*Amounts*	*Financial statement captions 31.12.98*	*Financial statement captions 31.12.99*
Prior year returns from customers	5,867,122,583	E 21 c	A 1
Prior year credits from suppliers	158,975,276	E 20 b	B 6

– Reconciliation of the 1998 balance sheet

Description	*Amounts*	*Financial statement captions 31.12.98*	*Financial statement captions 31.12.99*
Advance taxes on employee severance indemntities	592,831,150	Liabilities C	Assets B III 3

REPORT OF THE BOARD OF STATUTORY AUDITORS

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING
Pursuant to Art. 153 of Legislative Decree 58/98 and Art. 2429.3 of the Civil Code

Shareholders,

During the year ended 31 December 1999 we carried out the supervisory activities required by law. This entailed becoming familiar with the company's business and monitoring, to the extent required, that the company's organisational structure was adequate and that the company was observing the rules of proper administration. This we did by means of direct observation and information obtained from heads of departments.

We evaluated and monitored the internal control system and the administrative/accounting system, as well as the latter's reliability in giving a true and fair view of business events. This involved a review of the underlying documentation.

We also verified compliance with legislation regarding the preparation and presentation of the financial statements and directors' report on operations, by means of direct observation.

During the year we have had meetings with the independent auditors in order to exchange data and information.

The Board attended meetings of the Board of Directors and obtained information from the directors, at least quarterly, on the business activities and on the more important economic and financial operations carried out by the company and its subsidiaries, ensuring that they were in compliance with the law and the articles of association, nor in contrast to the resolutions adopted at shareholders' meetings.
We have also evaluated and agreed upon the takeover bid for the EDI Group.

During our examination, no matters of importance arose that had to be reported to the supervisory authorities or mentioned in this report.

We therefore recommend that the shareholders approve the financial statements and their attachments as of 31 December 1999 as presented by the Board of Directors, as well as their proposed allocation of the net profit for the year.

On the specific request of the President of the Board of Statutory Auditors, Mr. Ghidelli, for reasons that have nothing to do with its content, this report has been prepared and signed only by the statutory auditors Mr. Montesano and Mr. Anceschi.

Ceresara - Mantua, Italy, 8 April 2000

The Statutory Auditors
Marco Montesano
Danilo Anceschi

REPORT OF INDIPENDENT AUDITORS

ARTHUR ANDERSEN

(Translation from the original issued in Italian)

Arthur Andersen SpA
Via Albere 19
37138 Verona

Report of the Independent Auditors pursuant to art. 156 of Legislative Decree no. 58 of February 24, 1998

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

We have audited the financial statements of CSP International Industria Calze S.p.A. as of and for the year ended December 31, 1999. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Italy as recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob"). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the adequacy and the fairness of the accounting principles used and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

For our opinion on the prior year' s financial statements, which are presented for comparative purposes as required by law, reference should be made to our auditors' report dated March 26, 1999.

In our opinion, the financial statements of CSP International Industria Calze S.p.A. as of and for the year ended December 31, 1999 comply with the Italian statutory provisions related to financial statements; therefore, they give a true and fair view of the financial position and results of operations of the Company.

For a better understanding of the financial statements, we wish to draw your attention to the following information described in detail in the notes to the financial statements:

- In the current and in prior years the Company provided for accelerated depreciation exclusively in application of tax regulations. This accounting treatment, allowed by the existing law, determined an understatement of the net income and of the net equity as of December 31, 1999, respectively, of Lire 2,840 million and Lire 8,436 million, net of tax effect.

- The new accounting principle on deferred taxation became effective with the year-end December 31, 1999; in accordance with the aforementioned accounting principle, the Company accounted for in the financial statements for the year ended December 31, 1999, the effects of deferred tax assets deriving from the temporary differences between the tax base of assets or liabilities and its carrying amounts in the balance sheet.

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Partita IVA 09869140155
Capitale Sociale Lire 3.000.000.000 i.v.

Bari Bologna Brescia Firenze
Genova Milano Napoli Padova
Roma Torino Treviso Verona

As a consequence of the application of the above mentioned accounting principle, on the basis of the methodology explained in the notes to the financial statements, the Company recorded an extraordinary income of Lire 1,597 million relating to the retroactive effects of the change in accounting principle and a reduction of the income taxes of Lire 730 million relating to the effects of the current year.

- In September 1999 the Company acquired the majority control of the EDI Group and, therefore, as of December 31, 1999, the Company holds majority investments in subsidiary companies carried at cost in the accompanying financial statements. Consequently for the first year the Company has presented the consolidated financial statements. These financial statements give an adequate supplementary disclosure on the financial position and results of operations of the Company and its subsidiaries. The consolidated financial statements, which have also been examined by us, are presented together with our opinion dated April 6, 2000.

Verona, Italy
April 6, 2000

Arthur Andersen SpA

Giancarlo De Marchi - Partner