HALF YEAR REPORT
30 JUNE 1999

CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.

Via Piubega, 5/C - 46040 CERESARA (MN)
Share capital L. 24,500,000,000 fully paid-in
Mantua Company Register No. 4898 Vol. 5648

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Members of the Board of Directors

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

Members of the Statutory Board of Auditors

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

Auditors

Arthur Andersen S.p.A.

(*) Comments on the exercise of powers: powers of ordinary and extraordinary administration, except for the ones the law or the company by-laws reserve to the board of directors.

FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 1999
DIRECTORS' REPORT ON OPERATIONS

(Translation of the original in Italian)

Shareholders,

The financial statements for the half-year ended 30 June 1999 are submitted for your attention. The key figures are presented as follows in Italian Lire:

- net sales for statutory purposes of Lire 97.0 billion;
- net sales of stockings of Lire 85.1 billion;
- depreciation and amortization of Lire 8.2 billion, of which Lire 2.3 billion is accelerated;
- operating profit, prior to financial charges and income taxes, of Lire 7.2 billion, 8.5% of net sales.

1. Comparison with the same period in the prior year

- Net sales for statutory purposes include not only sales of finished goods, but also the transfer at zero margin of yarns for processing by outside contractors.
- Net sales of stockings, which represent the bulk of turnover, have fallen by 25%, compared with the first half of 1998.

The following observations on the statement of income all refer to the reclassified net sales of stockings and not to total sales for statutory purposes.

The following table shows how sales have developed over the years.

Year	*Net sales full year*	*Net sales 1st half*	*1st half as a percentage of full year net sales*
1993	103.9 billion		
1994	120.8 billion		
1995	169.2 billion		
1996	202.3 billion	88.3 billion	44%
1997	256.5 billion	104.6 billion	41%
1998	231.6 billion	113.8 billion	49%
1999		85.1 billion	

The reduction in revenues in the first half is mainly due to the following:

- a *general decline in the market* for stockings in Italy: –4.7% in volume and –4.5% in value in the first four months of the year, compared with the same period in 1998 (source: Istituto Sita/AC Nielsen);
- a general decline in the *main export markets*, estimated at around 10% in volume this year compared with last year (source: Eurocolor, Moda Industria);
- the crisis on the *Russian market*, halving CSP International's exports to Russia, from 17.9 billion in first-half 1998 to 8.7 billion in first-half 1999. All these sales are made against advance payment;
- the decline in *parallel sales* by Italian wholesalers to Eastern Europe, which has in turn hit CSP International's sales.

• *Operating profit,* before financial charges and income taxes, is as follows:

Year	*Operating profit full year*	*% of net sales*	*Operating profit 1st half*	*% of net sales*
1996	32.7 billion	16.1%	17.1 billion	19.4%
1997	41.2 billion	16.1%	18.9 billion	18.1%
1998	19 billion	8.2%	13.8 billion	12.1%
1999			7.2 billion	8.5%

Operating profit is lower than the prior year due to a higher incidence of selling, general and administrative costs: although lower in absolute terms than in first half 1998, they are 4% higher as a proportion of sales that have fallen by 25%.

2. Analysis of the main items in the statement of income

An attachment to this report gives an analysis and comparison of the main balances in the half-yearly financial statements. The key figures are commented on below.

- *Cost of sales* has decreased as a percentage of net sales to 65.6% from 66.7% in the first half of 1998.
- *Selling, general and administrative costs* are down in absolute terms, but have increased as a percentage of lower sales from 13% to 17.3%.
- *Advertising expenditure* is also down in absolute terms, but up by 0.5 percentage points on first half 1998 to 8.6%.
- *Financial charges* have decreased from 2.0% to 1.6%
- *Allowance for doubtful receivables*: a 970 million provision has been made to the allowance for doubtful receivables.
- *Depreciation* over the years has been as follows:

Year	*Half year depreciation*	*Of which accelerated*
I° sem. 96	2.6 billion	0.2 billion
I° sem. 97	4.2 billion	0.8 billion
I° sem. 98	6.6 billion	1.6 billion
I° sem. 99	8.2 billion	2.3 billion

- The profit for the period is reported pre-tax; as permitted by Consob regulations, the interim statement of income is shown without calculating the related income tax charge.

3. Analysis of the main items in the balance sheet

In the same way as for the statement of income, highlights from the balance sheet are presented below; further details are provided in the Notes to the reclassified financial statements.

The main changes, comparing the situations at 30 June 1999 and 1998 are as follows:

- Inventories have been cut back by 31 billion, from 97.7 to 66.6 billion.
- Net bank borrowings have been reduced to 68.2 billion, against 85.6 billion the prior year.
- Trade receivables have decreased to 73.1 billion from 81.5 billion.

- Trade payables fell from Lire 69.4 billion to 51.6 billion, due to the reduction in inventories during the first half of the year.

Changes in working capital are as follows:

In billions of Lire	*Balance at 30 June*			
	30.06.99	*30.06.98*	*30.06.97*	*30.06.96*
Trade receivables	73.1	81.5	81.5	56.7
+ Inventories	66.6	97.7	65.7	50.8
+ Other current assets	7.7	15.1	10.7	10.1
= Total	147.4	194.3	157.9	117.6
Operating liabilities	51.6	69.4	80.7	46.9
+ Other current liabilities	5.4	6.9	12.5	9.7
= Total	57.0	76.3	93.2	56.6
Working capital	**90.4**	**118.0**	**64.7**	**61.0**

The table shows how working capital has fallen compared with the prior year.

4. Average price

Changes in gross average price in '000s of Lire per dozen are as follows.

Year	*Gross average price 1st half*	*Gross average price full year*
1997	29.9	32.2
1998	29.3	31.1
1999	29.6	

5. Market situation

Consumption of stockings and tights on the Italian market, which have been showing a downward trend in terms of quantity since the start of the decade, recorded a further reduction in the first months of 1999.

The figures in the next table were provided by the Nielsen Hosiery Consumer Index.

Year	*Consumption/quantity*	
1992	- 6.2%	comp. previous year
1993	-10.7%	"
1994	- 3.0%	"
1995	- 2.0%	"
1996	+ 0.4%	"
1997	- 8.3%	"
1998	- 4.5%	"
1999 (Jan/Apr.)	-4.7%	comp. same period of 1998

Assuming the market in 1991 to be 100, consumption in 1998 is equal to 70. This is due to the accumulated loss in consumption in the 7-year period. The value now is 90, thanks to the price recovery.

The above data relate to Italy. The situation in other geographical areas is as follows:

USA:	70
Western Europe:	60
Japan:	50

6. CSP International's market share in Italy

CSP International's market share in Italy, as provided by the Nielsen Hosiery Consumer Index and adjusted at the first quarter of 1999, is as follows.

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%
1998 (year ended 30 April)	9.7%	12.0%	+ 23.9%
1999 (year ended 30 April)	9.7%	11.8%	+ 21.0%

These figures show a stable market share in terms of quantity and a 0.2% decrease in value.

They also confirm CSP's premium price with respect to our competitors, even though it is lower than it was last year.

7. CSP International's activities abroad

Foreign sales are analysed below:

Year	*Foreign sales per year*	*Foreign sales in 1st half*
1993	30 billion	
1994	40 billion	
1995	63 billion	
1996	89 billion	
1997	100 billion	47 billion
1998	97 billion	52 billion
1999		39 billion

As mentioned above, the trend in foreign sales has been heavily influenced by the downscaling of the Russian market.

The sales breakdown by geographical area is as follows:

Area	*1999 1st half*	*1998 1st half*	*1998*
Western Europe	24.6 billion	23.7 billion	47.6 billion
Eastern Europe	12.7 billion	26.0 billion	44.4 billion
Outside Europe	1.8 billion	2.0 billion	4.5 billion

8. CSP International product range

The CSP International product range currently encompasses 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 the reference brand for Western European markets.
- Sanpellegrino offers the best value for money: this is the reference brand for Eastern European markets.
- Star Way is positioned at an intermediate price between Oroblù and Sanpellegrino. It has an innovative image, targeted at a younger market segment: it can be found in 25 different countries.
- New Opportunity covers the lower end of the market in terms of price, and has a marginal impact on total sales.
- CSP International is also involved in Private Label production for Europe's major department stores, among which can be found Marks & Spencer in the UK and Esselunga in Italy.

The percentage of net sales by brand is as follows:

Brand	*1st half 1999*	*1st half 1998*
Sanpellegrino	54.8%	65.6%
Oroblù	30.9%	28.1%
Star Way	3.3%	3.8%
Private Label	11.0%	2.5%

9. Innovative research and development

The following table lists the more successful new product launches in recent years, along with new concepts launched 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 3DIMENSION	PROGRESS 3 DIMENSION	3 DIMENSION WORLD
1998	RIO– LIBERTE' BENEFIT BABY GIRL	CHARME LEG ON LINE MASTER	ROMANTIC
1999	MICROPAQUE COMODO	INTRIGO MILLENIUM INVISIBLE	BABY STAR ABSOLUTE COMFORT

Product innovation has been one of the key elements of the Company's growth in a declining market.

The contribution made to sales by new products is illustrated by the following figures:

Year	*Incidence of products launched since 1993*	*Incidence of products launched the previous year*
1994	24%	
1995	39%	
1996	54%	27%
1997	66%	26%
1998	66%	24%
1999 (1st half)	61%	12%

The launch of new products, which will be accounted for in net sales for the second half of the year, will help increase the incidence reported for the first half of the current year.

10. Product diversification

Alongside the more traditional product range, comprising tights, hold-ups, pop socks and ankle socks, the Company has also proposed a range of "outer underwear", including the Body Seamless collection, created using 3 Dimension technology.
Final results are summarized in the following table:

Year	*Quantity*	*Revenues per item*	*Sales*
1997	16,200 items	32,000 lire	526 million
1998	40,300 items	40,000 lire	1,646 million
1999 (1st half)	17,000 items	36,500 lire	620 million

11. Licensing activities

A further element of product diversification is licensing, an area which the Company has ventured into during the past three years.
Current licensing agreements are illustrated below:

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
	Kins' socks	Niga Calze
Star Way	Men's socks	Calze Scanzi

Royalties accrued by the above licenses amounted to:

1997: Lire 188 million
1998: Lire 527 million
1999 (1st half): Lire 327 million

12. Production facilities and the Investment Plan

The three production units at Ceresara, Rivarolo del Re and Tintoria allow the Company to enhance its quality/price ratio, this being CSP International's recognised strongpoint on both the domestic and international market.

In addition, there is the new Sanpellegrino Polska plant, which was set up in 1998 and commenced production in 1999.

In the three year period 1996-98 the company carried out a technical and production investment plan which will be completed this year. The objective of the investment plan is to automate the production process and raise production capacity.

The table below shows the timing and extent of investments carried out or in process:

Year		*Investiments*	*Production capacity*
1996	21.9 billion	Plant extension and	
1997	17.5 billion	automation	4.2 billion of dozens
1998	32.5 billion	Ceresara. Rivarolo and Tintoria	6.7 billion of dozens
1999	Estimate 11.4 billion		Estimate 7 billion of dozens
2000	Estimate 5 billion		
2001	Estimate 5 billion		
2002	Estimate 5 billion		

In the first half of 1999 internal production results were positive: output increased from 1,946,000 dozens in the first half of 1998 to 2,703,000 dozens in the first half of 1999, a 39% increase despite a personnel reduction of 35.

In compliance with Law 626, we have introduced the measures required for the safety of employees in the workplace. All required steps are carried out periodically.

13. Workforce

The table below shows the total average number of employees for the period, with related costs:

Year	*Employees*	*Cost*	*Percentage of 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%
1st half 97: 97	671	17.4 billion	16.6%
1st half 97: 98	775	19.1 billion	16.8%
1st half 97: 99	750	17.9 billion	21.0%

The above reveals the following:

- the reduction in the number of employees;
- the reduction of their overall cost;
- the increase of their incidence on sales, despite the reduction in cost of labour in absolute terms and in part due to the increase in internal production. Our dependence on outside contractors fell in the first half of 1999 to 11% of total production, against 56% in the first half of 1998. This shows that there is a great deal of flexibility in production.

The Company has carried out the procedures laid down by Law 675/96 for the protection of the individual privacy of employees.

14. Sales Network

The total number of employees does not include the sales personnel as they are paid on a commission basis.

In *Italy* the Company is represented by nearly 100 Agents or Dealers together with 150 Merchandisers: the former use portable terminals for real-time transmission of their orders; the latter visit 4,000 Super and Hypermarkets a year.

The sales force is divided by Brand/Collection and by distribution channel, as follows: Oroblù (Retail Sales), Star Way (Retail Sales), Sanpellegrino (Wholesale Sales) and Sanpellegrino (Chain Store Sales).

Abroad the Company operates mainly through exclusive dealers in 55 different countries.

15. Promotion and advertising

Promotion and advertising expenditure is split as follows: two thirds in media advertising and a third in activities for sales outlets.

Advertising expenditure is concentrated at around 25% in the first half of the year and 75% in the second half.

Advertising expenditure has developed as follows in recent years:

Year	*Advertising expenditure*	
1994	9.7 billion lire	
1995	12.5 billion lire	
1996	19.0 billion lire	
1997	23.6 billion lire	
1998	25.2 billion lire	
1st half 96		4.9 billion lire
1st half 97		5.3 billion lire
1st half 98		9.3 billion lire
1st half 99		7.3 billion lire

From a qualitative point a view, advertising is carried out on two levels:

- Brand advertising, to create a brand image over time;
- Product advertising, to communicate new products launched on the market.

As regards our style of advertising, CSP International campaigns always include the following characteristics:

- emphasis on consumer-perceived quality and results;
- enhancement of the products' emotional and functional aspects.

16. Equity investments

CSP International holds two minority (20%) investments in its French and British dealership companies so as to maintain closer control over their activities in these key markets, but without having the expense and inconvenience of running a branch of its own.

Our new joint venture in Poland started up production in early 1999. Our partner is our Polish distributor, and each own 50%. CSP International has two members on the Board of Directors and the Polish company has one.

17. Related party disclosures

As required under Consob regulations, we declare that there have been no transactions between the Company and related parties.

18. Year 2000 compliance

With reference to Consob circular DAC/98079574 of 9 October 1998, we would like to point out that CSP International's current computer system - in the course of implementation since 1996 - was designed in response to the year 2000 problem. So we have not taken and do not plan to take additional action to modify or adapt our system, and no further investments will be needed in this regard.

19. Share capital

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.
Note 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 30 June 1999 the company owns 112,500 of its own shares, purchased in accordance with the above mentioned resolution.

20. Trends in the second half of 1999

Sales for July and August 1999 compare with the same months of 1998, when sales to Russia were still high. Sales for these two months therefore reflect the downward trend recorded in the first half of 1999.
However, we expect to recover this ground during the last four months of the year, which will be compared with a period in 1998 that was already suffering from the Russian crisis.

21. Significant subsequent events

The main items of news in recent months are as follows:

- the brands *Oroblù* and *Star Way* are now present in around 5,000 sales outlets in Italy and 2,000 abroad, as well as in 111 “shops in shops” in Italy and abroad, at Karstadt, LaFayette, Printemps, Harrods, Selfridges, Harvey Nichols, Fenwich, LaRinascente etc, with CSP International shop assistants;
- despite the crisis on the Russian market, the *Sanpellegrino* brand is managing to keep its leadership position in Eastern Europe;
- the *Star Way* brand will be launched in the United States in AC Penny department stores, offering another brand on the important N. American market, in addition to Oroblù;
- we are opening our own *website* on the US market, together with the local distributor, to sell Oroblù products;
- of the *new products* launched in recent months, those that got a particular warm welcome were the Oroblù, Sanpellegrino and Star Way lingerie tights with embroidered panties; the two new Sanpellegrino Baby Girl and Star Way Baby Star collections for little girls; the Sanpellegrino Benefit health products; the Oroblù Master products which massage and breath; Oroblù Intrigo, tights with a tanga effect;
- *diversification* under the Oroblù label now includes a wide range of seamless body-stockings, as well as the Invisible panties and Millennium, which offers a coordinated T-shirt and bag;

- *licensing* has seen the launch of two new collections under the Sanpellegrino label: a women's lingerie line and a men/women's knitted lingerie line; this brings the number of licences operating under the Sanpellegrino, Oroblù and Star Way brands to eight;
- the project for a *network of shops* in franchising has been completed; the plan provides for the inauguration of the first outlets next year;
- lastly, we have introduced *Sanpellegrino Comodo*, a very innovative sort of tights, which will be launched by an autumn advertising campaign on television and posters.

22. Prospects for the year-end

In light of the first-half results and the various initiatives currently underway, the prospects for the end of the year are as follows:

- First-half '99 *sales* went down by 25% on first-half '98, and sales in second-half '99 are unlikely to be better than second-half '98; so sales for the whole year will be down on last year's figure of 232 billion.
- Despite the fall in sales, we are doing everything possible to maintain the *operating profit* at last year's level; the improvements in profitability deriving from capital investments will begin to flow from next year.
- The company confirms its commitment to pursue business development also by way of acquisitions which will offer the opportunity of strengthening its presence on the market, with production and distribution synergies.

23. Conclusion

We invite the Board of Directors to approve the half-year financial statements as presented, along with Arthur Andersen's audit report and the comments by the Board of Statutory Auditors.

We would like to thank both the independent auditors and the Board of Statutory Auditors for their collaboration. Our thanks also go to all of our staff and colleagues, who have made a vital contribution during the period under review.

Ceresara, 16 September 1999

Attachments:

1. Reclassified statement of income
2. Reclassified balance sheet
3. Comments on the reclassified financial statements

Attachment 1

Reclassified Statement of Income (in millions of Lire)

	30 june 1999	*30 june 1998*	*31 december 1998*
NET SALES	**85,144**	**113,845**	**231,579**
COST OF SALES			
Purchases	26,898	58,646	85,430
Labour cost	12,617	13,584	25,846
Services	6,288	9,585	15,533
Depreciation & amortisation	4,279	3,352	7,250
Other costs	3,415	3,540	7,216
(Increase) decrease in inventories	2,390	(12,740)	15,992
	55,887	**75,967**	**157,267**
GROSS PROFIT	**29,257**	**37,878**	**74,312**
SELLING, GENERAL AND ADMINISTRATIVE COSTS			
Labour cost	5,333	5,536	10,232
Advertising expenses	7,323	9,268	25,244
Commissions	2,389	3,212	6,419
Other expenses	6,974	6,076	13,404
	22,019	**24,092**	**55,299**
OPERATING PROFIT	**7,238**	**13,786**	**19,013**
Financial charges (income), net	1,390	2,267	5,535
Writedown of investments	0	0	25
Other (income) and charges	(591)	(688)	(1,861)
	799	**1,579**	**3,699**
PROFIT BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	**6,439**	**12,207**	**15,314**
EXTRAORDINARY ITEMS	2,980	4,706	7,164
PROFIT BEFORE INCOME TAXES	3,459	7,501	8,150
Income taxes			(5,118)
NET PROFIT FOR THE YEAR			3,032

Attachment 2

Reclassified Balance Sheet (in millions of Lire)

ASSETS	*30 june 1999*	*30 june 1998*	*31 december 1998*
CURRENT ASSETS Cash and banks	13,047	2,261	254
Trade receivables	72,095	80,696	100,774
Due from subsidiary and associated companies	1,012	794	738
Other receivables	4,411	11,007	4,322
Inventories	66,556	97,679	68,947
Accrued income and prepayments	2,303	4,111	5,040
Own shares	981	0	0
FIXED ASSETS	**160,405**	**196,548**	**180,075**
IMMOBILIZZAZIONI Financial fixed assets:			
Financial receivables	235	231	235
Equity investments	1,567	55	1,567
Total financial fixed assets	**1,802**	**286**	**1,802**
Tangible fixed assets	70,712	61,147	71,614
Intangible fixed assets	2,298	4,110	3,118
TOTAL FIXED ASSETS	**74,812**	**65,543**	**76,534**
TOTAL ASSETS	**235,217**	**262,091**	**256,609**

LIABILITIES & SHAREHOLDERS'EQUITY	*30 june 1999*	*30 june 1998*	*31 december 1998*
CURRENT LIABILITIES Short-term bank borrowings	27,866	39,343	48,220
Current portion of medium/long term debt	21,100	10,601	21,523
Trade payables	51,613	69,424	69,420
Taxes payable	448	343	1,006
Other payables	4,797	5,978	2,553
Accrued liabilities and deferred income	104	561	677
TOTAL CURRENT LIABILITIES	**105,928**	**126,250**	**143,399**
MEDIUM/LONG TERM LIABILITIES Medium long term debt, net of the current portion	32,241	37,914	18,992
Severance indemnities	6,600	5,578	6,014
Other provisions	2,001	1,660	1,996
TOTAL MED/LONG-TERM LIABILITIES	**40,842**	**45,152**	**27,002**
TOTAL LIABILITIES	**146,770**	**171,402**	**170,401**
SHAREHOLDERS' EQUITY Share capital	24,500	24,500	24,500
Legal reserve	2,201	2,049	2,049
Share premium reserve	35,000	35,000	35,000
Other reserves	23,287	21,639	21,627
Net profit for the year*	3,459	7,501	3,032
TOTAL SHAREHOLDERS' EQUITY	**88,447**	**90,689**	**86,208**
SHAREHOLDERS' EQUITY	**235,217**	**262,091**	**256,609**

MEMORANDUM ACCOUNTS	**50,074**	**62,541**	**55,485**

* The figures as at 30 June 1999 and 1998 are before income taxes

Attachment 3

Comments on the reclassified financial statements

1. Analysis of the results for the six months ended 30 June 1999 with comparative figures for the six months ended 30 June 1998

Pre-tax profit for the half-year ended 30 June 1999 amounts to Lire 3,459 million, compared with Lire 7,501 million in the same period a year earlier.

Net sales - Net sales for the first half of 1999 totalled Lire 85,144 million, down with respect to the same period in the prior year by Lire 28,701 million (-25.2%). Exports in the first half of 1999 amounted to around 46% of overall sales. These include Lire 24,562 million in exports to Western European countries, Lire 12,748 million to countries in Eastern Europe and Lire 1,834 million to other countries.

The decrease in sales during the first half of 1999 is essentially due to the decrease in quantities sold, with average selling price substantially unchanged.

The decrease in sales is mainly attributable to the reduction in volumes sold directly or indirectly on the Russian market. Direct sales on that market, which remains one of the key areas for the Company, amounted to Lire 8.7 billion, and a positive evolution of the market is envisaged for the second part of 1999. On the other hand, indirect sales through domestic wholesalers showed weaker signs of recovery.

All in all, considering that sales to that area almost completely dried up in the last quarter of 1998, the Russian market is now showing tangible signs of recovery. Sales volumes have picked up considerably, though they are still only half what they were in the same period of the prior year.

Cost of sales - Cost of sales for the first half of 1999 amounts to Lire 55,887 million, a decrease of Lire 20,080 million (-26%) compared with the prior year. Cost of sales represents 65.6% of net sales during the first half of the year compared with 66.7% a year earlier. This decrease is mainly attributable to the initial benefits of new capital investments and the consequent internationalization of part of our production which in 1998 had been outsourced. In the first six months of 1998, subcontracted production represented 56% of total output, whereas in the first half of 1999 this was reduced to 11%.

Compared with the corresponding period of the prior year, the partial start-up of the new machinery, together with the internationalization of production, resulted in a 39% increase in internal production despite a slight reduction in the number of employees involved in production.

Labour costs have decreased by Lire 967 million compared with the same period in the prior year. The decrease is mainly due to the reduction in employees, as mentioned previously.

Depreciation, Lire 4,279 million (5% of net sales), has risen by Lire 927 million compared with the previous year. The increase is due to capital investments in tangible fixed assets which entered production during the year.

Inventories have decreased by Lire 2,390 million, reflecting the trend toward greater inventory rationalization.

Gross profit - Gross profit, Lire 29,257 million, has decreased by Lire 8,621 million (-23%) on the first half of 1998, representing 34.4% of net sales as against 33.3%.

Selling, general and administrative costs – Selling, general and administrative costs, Lire 22,019 million, have decreased by Lire 2,073 million on the first half of 1998. They represent 25.9% of net sales, compared with 21.2% in the first half of 1998. The increased incidence of such costs on net sales is mainly due to the reduction of volumes sold.

The main items in this category are more or less stable, in line with the prior year figures, with the exception of "Other costs", which increased by Lire 898 million. The increase is mainly due to costs incurred for the implementation of the Company's development strategy, which will see CSP International engaged in evaluating possible acquisitions and/or alliances.

Operating profit – Operating profit amounts to Lire 7,238 million, versus Lire 13,786 million a year earlier. As a percentage of net sales, it comes to 8.5%.

Financial charges (income), net – Net financial charges, Lire 1,390 million, have fallen by Lire 877 million compared with the prior year; as a percentage of sales they have dropped by 0.4 percentage points to 1.6%.

Extraordinary charges (income) – Extraordinary items, Lire 2,980 million, comprise accelerated depreciation (Lire 2,305 million) provided by the Company in compliance with current tax legislation, and amortization of charges incurred for quotation on the Milan Stock Exchange's screen-based trading system (Lire 675 million).

Pre-tax profit – Pre-tax profit amounts to Lire 3,459 million, compared with Lire 7,501 million in the same period a year earlier; as a percentage of net sales the pre-tax profit comes to 4.1%.

Income taxes – the half-year financial statements do not include any provision for income taxes, as permitted by current Consob regulations.

2. Analysis of the net financial position as of 30 June 1999

Net indebtedness at 30 June 1999 amounts to Lire 68,160 million compared with Lire 85,597 million at 30 June 1998. The Company's financial position is analysed as follows (in million of Lire):

	30 june	
	1999	*1998*
Short-term bank borrowings	27,866	39,343
Current portion of medium/long-term debt	21,100	10,601
Cash and banks	(13,047)	(2,261)
Net short-term debt	**35,919**	**47,683**
Medium/long-term debt, net of the current portion	32,241	37,914
Total net debt	**68,160**	**85,597**

Net indebtedness has fallen mainly as a result of reducing working capital, inventories in particular, which have dropped by Lire 31,123 million (-32%).

3. Analysis of the trend in net working capital and free cash flow for the six months ended 30 June 1999

Net working capital at 30 June 1999 and 1998 is summarised in the following table (in millions of Lire):

	30 june	
	1999	*1998*
Trade receivables	73,107	81,490
Other current assets	7,695	15,118
Inventories	66,556	97,679
	147,358	**194,287**
Trade payables	(51,613)	(69,424)
Other payables, accrued liabilities and deferred income	(5,349)	(6,882)
	(56,962)	**(76,306)**
Working capital	**90,396**	**117,981**
Net short-term borrowings	(35,919)	(47,683)
Net working capital	**54,477**	**70,298**

Net working capital at 30 June 1999 has decreased significantly compared with the same period a year earlier.

In particular, current assets have fallen by Lire 46,929 million, principally as a result of the decrease in inventories. The decrease is consequent to the rationalization process undertaken by the Company.

During the first half of 1999, the Company generated cash flow of Lire 28,081 million (gross of the related tax effect not included in these interim accounts) which has been used to reduce net indebtedness.

Lastly, the Company distributed dividends during the period of Lire 1,220 million.

Overall, the six months ended 30 June 1999 have resulted in a Lire 33,565 million decrease in financing requirement.

CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.

FINANCIAL STATEMENTS AS AT 30 JUNE 1999

BALANCE SHEET (stated in Lire)

ASSETS:	*30.06.1999*	*31.12.1998*	*30.06.1998*
A) RECEIVABLES FROM SHAREHOLDERS:	0	0	0
B) FIXED ASSETS			
I. Intangible fixed assets			
3. industrial patents and intellectual property rights	797,044,102	779,518,210	935,434,181
4. concessions, licences, trade marks and similar rights	14,345,138	17,214,165	24,719,381
5. goodwill	492,470,689	656,540,627	820,023,596
6. construction in progress and advances	0	0	0
7. others	993,984,144	1,664,231,412	2,329,413,039
Total I.	**2,297,844,073**	**3,117,504,414**	**4,109,590,197**
II. Tangible fixed assets			
1. land and buildings	33,867,654,367	27,068,145,058	26,847,468,839
2. plant and machinery	34,980,210,806	28,838,397,934	28,668,871,707
3. industrial and commercial equipment	256,518,443	303,114,764	247,477,795
4. other fixed assets	1,247,909,493	1,592,216,064	1,606,377,690
5. construction in progress and advances	359,468,000	13,811,700,543	3,777,240,637
Total II.	**70,711,761,109**	**71,613,574,363**	**61,147,436,668**
III. Financial fixed assets			
1. Equity investments in:			
a) subsidiary companies	6,083,316	6,083,316	30,911,873
b) associated companies	1,553,448,068	1,553,448,068	23,868,468
d) other companies	7,202,967	7,202,967	350,000
Total 1.	**1,566,734,351**	**1,566,734,351**	**55,130,341**
2. Financial receivables:			
a) from subsidiary companies			
a.a. due within 12 months	2,195,765	2,195,765	2,195,765
b) from associated companies			
b.a. due within 12 months	123,679,882	123,679,882	119,137,957
Total 2.	**125,875,647**	**125,875,647**	**121,333,722**
Total III.	**1,692,609,998**	**1,692,609,998**	**176,464,063**
TOTAL FIXED ASSETS (B)	**74,702,215,180**	**76,423,688,775**	**65,433,490,928**

	30.06.1999	31.12.1998	30.06.1998
C) CURRENT ASSETS			
I. Inventories:			
1. raw, ancillary and consumable materials	11,073,215,829	14,612,769,438	22,023,644,924
2. semi-finished products, work-in-progress	18,465,670,934	20,408,216,388	25,667,982,614
4. finished products and goods	37,017,603,822	33,925,661,641	49,987,635,620
Total I.	**66,556,490,585**	**68,946,647,467**	**97,679,263,158**
II. Receivables:			
1. trade accounts:			
1.a. due within 12 months	72,094,656,321	100,775,832,290	80,808,083,996
2. subsidiary companies:			
2.a. due within 12 months	618,760,160	0	0
3. associated companies			
3.a. due within 12 months	393,147,425	738,347,892	793,631,550
5. others:			
5.a. due within 12 months	4,411,700,066	4,322,418,684	10,916,382,190
5.b. due beyond 12 months	109,227,358	109,027,358	109,222,926
Total 5.	**4,520,927,424**	**4,431,446,042**	**11,025,605,116**
Total II.	**77,627,491,330**	**105,945,626,224**	**92,627,320,662**
III. Current financial assets:			
5. own shares	981,053,700	0	0
IV. Liquid funds:			
1. cash at banks and post offices	12,945,284,003	150,135,016	2,152,717,050
2. cheques	0	0	0
3. cash and equivalents on hand	102,026,096	103,605,565	87,084,818
Total IV.	**13,047,310,099**	**253,740,581**	**2,239,801,868**
TOTAL CURRENT ASSETS (C)	**158,212,345,714**	**175,146,014,272**	**192,546,385,688**
D. ACCRUED INCOME AND PREPAYMENTS	2,302,622,092	5,039,713,704	4,110,671,701
TOTAL ASSETS	**235,217,182,986**	**256,609,416,751**	**262,090,548,317**

BALANCE SHEET (stated in Lire)

LIABILITIES	*30.06.1999*	*31.12.1998*	*30.06.1998*
A) SHAREHOLDERS' EQUITY:			
I. Share capital	24,500,000,000	24,500,000,000	24,500,000,000
II. Share premium reserve	35,000,000,000	35,000,000,000	35,000,000,000
III. Revaluation reserves	1,195,810,187	1,195,810,187	1,195,810,187
IV. Legal reserve	2,201,077,443	2,049,478,741	2,049,478,741
V. Reserve for own shares	981,053,700	0	0
VI. Statutory reserves	0	0	0
VII. Other reserves:			
a. undistributed profit	20,711,390,451	20,032,393,807	20,032,393,807
b. capital grants reserve	398,324,000	398,324,000	398,324,000
c. reserve for gains on disposals	0	0	12,641,635
Total VII.	**21,109,714,451**	**20,430,717,807**	**20,443,359,442**
VIII. Profit carried forward	0	0	0
IX. Net profit for the year (*)	3,458,888,935	3,031,974,046	7,500,804,679
TOTAL SHAREHOLDERS' EQUITY (A)	**88,446,544,716**	**86,207,980,781**	**90,689,453,049**
B) RESERVES FOR CONTINGENCIES AND OTHER CHARGES:			
2. taxation	754,167,131	754,167,131	481,136,859
3. others	1,311,335,722	1,347,687,573	1,178,399,016
TOTAL RESERVES FOR CONTINGENCIES AND OTHER CHARGES (B)	**2,065,502,853**	**2,101,854,704**	**1,659,535,875**
C) RESERVE FOR SEVERANCE INDEMNITIES	6,600,351,190	6,014,314,904	5,578,453,787
D) PAYABLES:			
3. banks:			
a. due within 12 months	48,966,476,773	69,743,482,034	49,943,346,215
b. due beyond 12 months	32,241,261,824	18,991,980,539	37,913,517,146
Total 3.	**81,207,738,597**	**88,735,462,573**	**87,856,863,361**
5. advances:			
a. due within 12 months	0	0	0
6. trade accounts:			
a. due within 12 months	51,611,715,710	69,418,799,089	69,402,046,373

	30.06.1999	31.12.1998	30.06.1998
8. payables to subsidiary companies:			
a. due within 12 months	0	0	0
11. taxes payable:			
a. due within 12 months	447,883,574	1,006,446,486	342,864,951
12. payables to social security institutions:			
a. due within 12 months	602,937,237	1,500,137,530	670,784,969
13. other payables:			
a. due within 12 months	4,130,843,809	947,080,038	5,330,021,050
TOTAL PAYABLES (D)	**138,001,118,927**	**161,607,925,716**	**163,602,580,704**
E) ACCRUED LIABILITIES AND DEFERRED INCOME	103,665,300	677,340,646	560,524,902
TOTAL LIABILITIES	**235,217,182,986**	**256,609,416,751**	**262,090,548,317**

MEMORANDUM ACCOUNTS	*30.06.1999*	*31.12.1998*	*30.06.1998*
- Lease payments due	0	30,132,000	50,842,000
- Value of leased assets	0	240,000,000	240,000,000
- Mortgages for loans	40,000,000,000	45,000,000,000	45,000,000,000
- Guarantees given to third parties	559,866,000	563,366,000	105,000,000
- Assets held by third parties	565,440,000	590,040,000	1,202,970,000
- Currency sales hedging contracts	2,880,000,000	0	0
- Purchasing commitments	2,057,000,000	4,180,000,000	9,186,000,000
- Assets deposited with third parties	3,744,804,107	4,621,145,488	6,322,641,951
- Third party assets	266,567,949	259,945,280	434,016,932
- Total	**50,073,678,056**	**55,484,628,768**	**62,541,470,883**

(*) The figures as at 30 June 1999 and 1998 are before income taxes.

CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.

FINANCIAL STATEMENTS AS AT 30 JUNE 1999

STATEMENT OF INCOME (stated in Lire)

	30.06.1999	*30.06.1998*	*31.12.1998*
A) PRODUCTION VALUE			
1. Revenues from sale of goods and services	97,020,235,088	134,066,522,100	264,829,511,138
2. Changes in inventories of work-in-progress, semi-finished and finished products	1,149,396,727	13,416,058,515	-7,905,681,690
5. Other income:			
a. other income	886,398,830	2,143,789,452	4,406,997,496
b. operating grants	0	0	0
TOTAL PRODUCTION VALUE (A)	**99,056,030,645**	**149,626,370,067**	**261,330,826,944**
B) PRODUCTION COSTS:			
6. Raw, ancillary and consumable materials and goods	38,497,399,014	78,853,050,249	118,523,056,129
7. Services	24,435,367,885	30,867,636,843	65,918,281,388
8. Use of third party assets	28,483,840	193,205,307	267,138,915
9. Labour costs:			
a. wages and salaries	12,699,984,354	13,498,017,416	25,322,173,105
b. social security contributions	4,296,257,582	4,676,520,207	8,736,603,058
c. severance indemnities	922,309,279	903,691,592	1,867,979,991
e. other costs	1,090,909	5,450,000	43,563,417
Total 9.	**17,919,642,124**	**19,083,679,215**	**35,970,319,571**
10. Depreciation, amortisation and writedowns			
a. amortisation of intangible fixed assets	1,234,168,287	1,302,418,399	2,745,908,565
b. depreciation of tangible fixed assets	6,975,971,727	5,307,068,434	11,520,043,077
d. writedown of doubtful accounts included in current assets	970,000,000	3,675,000,000	4,400,155,502
Total 10.	**9,180,140,014**	**10,284,486,833**	**18,666,107,144**
11. Changes in inventories of raw, ancillary and consumable materials and goods	3,539,553,609	675,563,923	8,086,439,409
12. Provisions for contingencies and other charges	56,532,583	87,569,990	187,126,654
14. Other operating expenses	750,215,447	1,176,226,172	1,528,878,104
TOTAL PRODUCTION COST (B)	**94,407,334,516**	**141,221,418,532**	**249,147,347,314**
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS (A-B)	**4,648,696,129**	**8,404,951,535**	**12,183,479,630**

	30.06.1999	30.06.1998	31.12.1998
C) FINANCIAL INCOME AND (CHARGES)			
15. Income from investments:			
a. in subsidiary companies	0	0	0
16. Other financial income:			
c. income from securities booked under current assets that do not constitute equity investments	53,282,377	0	0
d. other than above:			
d. from third parties	437,091,220	326,638,606	406,973,409
Total 16.	**490,373,597**	**326,638,606**	**406,973,409**
17. Interest and other financial charges:			
d. from third parties	-1,681,270,647	-2,430,785,462	-5,615,170,665
TOTAL OTHER FINANCIAL INCOME (CHARGES) (C)	**-1,190,897,050**	**-2,104,146,856**	**-5,208,197,256**
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS:			
19. Writedowns:			
a. of equity investments	0	0	-24,828,557
b. of financial fixed assets that do not constitute equity investments;	0	0	0
Total 19.	**0**	**0**	**-24,828,557**
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)	**0**	**0**	**-24,828,557**
E) NON-RECURRING INCOME AND CHARGES:			
20. Non-recurring income:			
b. other non-recurring income	1,089,856	1,200,000,000	1,200,000,000
Total 20.	**1,089,856**	**1,200,000,000**	**1,200,000,000**
21. Non-recurring charges:			
c. other non-recurring charges	0	0	0
Total 21.	**0**	**0**	**0**
TOTAL NON-RECURRING INCOME AND (CHARGES) (E)	**1,089,856**	**1,200,000,000**	**1,200,000,000**
PROFIT BEFORE TAXES (A-B+/-C+/-D+/-E)	**3,458,888,935**	**7,500,804,679**	**8,150,453,817**
22. Income taxes for the year	(*)	(*)	-5,118,479,771
23. NET PROFIT FOR THE YEAR	**3,458,888,935**	**7,500,804,679**	**3,031,974,046**

(*) The figure as at 30 June 1999 and 1998 are before income taxes.

CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.

FINANCIAL STATEMENTS AS AT 30 JUNE 1999

BALANCE SHEET (stated in Euro)

ASSETS:	*30.06.1999*	*31.12.1998*	*30.06.1998*
A) RECEIVABLES FROM SHAREHOLDERS:	0.00	0.00	0.00
B) FIXED ASSETS			
I. Intangible fixed assets			
3. industrial patents and intellectual property rights	411,638.93	402,587.56	483,111.44
4. concessions, licences, trade marks and similar rights	7,408.65	8,890.37	12,766.49
5. goodwill	254,339.88	339,074.94	423,506.84
6. construction in progress and advances	0.00	0.00	0.00
7. others	513,349.97	859,503.79	1,203,041.43
Total I.	**1,186,737.42**	**1,610,056.66**	**2,122,426.21**
II. Tangible fixed assets			
1. land and buildings	17,491,183.75	13,979,530.26	13,865,560.50
2. plant and machinery	18,065,771.20	14,893,789.57	14,806,236.58
3. industrial and commercial equipment	132,480.72	156,545.71	127,811.61
4. other fixed assets	644,491.47	822,310.97	829,624.84
5. construction in progress and advances	185,649.73	7,133,148.03	1,950,781.99
Total II.	**36,519,576.87**	**36,985,324.55**	**31,580,015.53**
III. Financial fixed assets			
1. Equity investments in:			
a) subsidiary companies	3,141.77	3,141.77	15,964.65
b) associated companies	802,288.97	802,288.97	12,327.03
d) other companies	3,720.02	3,720.02	180.76
Total 1.	**809,150.76**	**809,150.76**	**28,472.44**
2. Financial receivables:			
a) from subsidiary companies			
a.a. due within 12 months	1,134.02	1,134.02	1,134.02
b) from associated companies			
b.a. due within 12 months	63,875.33	63,875.33	61,529.62
Total 2.	**65,009.35**	**65,009.35**	**62,663.64**
Total III.	**874,160.11**	**874,160.11**	**91,136.08**
TOTAL FIXED ASSETS (B)	**38,580,474.41**	**39,469,541.32**	**33,793,577.82**

	30.06.1999	31.12.1998	30.06.1998
C) CURRENT ASSETS			
I. Inventories:			
1. raw, ancillary and consumable materials	5,718,838.71	7,546,865.59	11,374,263.36
2. semi-finished products, work-in-progress	9,536,723.15	10,539,964.15	13,256,406.71
4. finished products and goods	19,117,996.88	17,521,142.01	25,816,459.29
Total I.	**34,373,558.74**	**35,607,971.75**	**50,447,129.36**
II. Receivables:			
1. trade accounts:			
1.a. due within 12 months	37,233,782.64	52,046,373.85	41,733,892.48
2. subsidiary companies:			
2.a. due within 12 months	319,562.95	0.00	0.00
3. associated companies			
3.a. due within 12 months	203,043.70	381,324.86	409,876.49
5. others:			
5.a. due within 12 months	2,278,452.94	2,232,342.95	5,637,840.90
5.b. due beyond 12 months	56,411.22	56,307.93	56,408.93
Total 5.	**2,334,864.16**	**2,288,650.88**	**5,694,249.83**
Total II.	**40,091,253.46**	**54,716,349.59**	**47,838,018.80**
III. Current financial assets:			
5. own shares	506,671.95	0.00	0.00
IV. Liquid funds:			
1. cash at banks and post offices	6,685,681.23	77,538.26	1,111,785.57
2. cheques	0.00	0.00	0.00
3. cash and equivalents on hand	52,692.08	53,507.81	44,975.56
Total IV.	**6,738,373.32**	**131,046.07**	**1,156,761.13**
TOTAL CURRENT ASSETS (C)	**81,709,857.47**	**90,455,367.42**	**99,441,909.28**
D. ACCRUED INCOME AND PREPAYMENTS	1,189,205.07	2,602,794.91	2,122,984.76
TOTAL ASSETS	**121,479,536.94**	**132,527,703.65**	**135,358,471.86**

BALANCE SHEET (stated in Euro)

LIABILITIES	*30.06.1999*	*31.12.1998*	*30.06.1998*
A) SHAREHOLDERS' EQUITY:			
I. Share capital	12,653,194.03	12,653,194.03	12,653,194.03
II. Share premium reserve	18,075,991.47	18,075,991.47	18,075,991.47
III. Revaluation reserves	617,584.42	617,584.42	617,584.42
IV. Legal reserve	1,136,761.63	1,058,467.44	1,058,467.44
V. Reserve for own shares	506,671.95	0.00	0.00
VI. Statutory reserves	0.00	0.00	0.00
VII. Other reserves:			
a. undistributed profit	10,696,540.49	10,345,867.99	10,345,867.99
b. capital grants reserve	205,717.18	205,717.18	205,717.18
c. reserve for gains on disposals	0.00	0.00	6,528.86
Total VII.	**10,902,257.67**	**10,551,585.16**	**10,558,114.02**
VIII. Profit carried forward	0.00	0.00	0.00
IX. Net profit for the year (*)	1,786,367.05	1,565,883.91	3,873,842.33
TOTAL SHAREHOLDERS' EQUITY (A)	**45,678,828.22**	**44,522,706.43**	**46,837,193.70**
B) RESERVES FOR CONTINGENCIES AND OTHER CHARGES:			
2. taxation	389,494.82	389,494.82	248,486.45
3. others	677,248.38	696,022.54	608,592.30
TOTAL RESERVES FOR CONTINGENCIES AND OTHER CHARGES (B)	**1,066,743.20**	**1,085,517.36**	**857,078.75**
C) RESERVE FOR SEVERANCE INDEMNITIES	3,408,796.91	3,106,134.43	2,881,030.94
D) PAYABLES:			
3. banks:			
a. due within 12 months	25,289,074.75	36,019,502.46	25,793,585.72
b. due beyond 12 months	16,651,222.10	9,808,539.38	19,580,697.50
Total 3.	**41,940,296.86**	**45,828,041.84**	**45,374,283.22**
5. advances:			
a. due within 12 months	0.00	0.00	0.00
6. trade accounts:			
a. due within 12 months	26,655,226.65	35,851,817.72	35,843,165.66

	30.06.1999	31.12.1998	30.06.1998
8. payables to subsidiary companies:			
a. due within 12 months	0.00	0.00	0.00
11. taxes payable:			
a. due within 12 months	231,312.56	519,786.23	177,074.97
12. payables to social security institutions:			
a. due within 12 months	311,391.10	774,756.38	346,431.53
13. other payables:			
a. due within 12 months	2,133,402.78	489,126.02	2,752,726.14
TOTAL PAYABLES (D)	**71,271,629.95**	**83,463,528.18**	**84,493,681.51**
E) ACCRUED LIABILITIES AND DEFERRED INCOME	53,538.66	349,817.25	289,486.95
TOTAL LIABILITIES	**121,479,536.94**	**132,527,703.65**	**135,358,471.86**

MEMORANDUM ACCOUNTS	*30.06.1999*	*31.12.1998*	*30.06.1998*
- Lease payments due	0.00	15,561.88	26,257.70
- Value of leased assets	0.00	123,949.66	123,949.66
- Mortgages for loans	20,658,275.96	23,240,560.46	23,240,560.46
- Guarantees given to third parties	289,146.66	290,954.26	54,227.97
- Assets held by third parties	292,025.39	304,730.23	621,282.16
- Currency sales hedging contracts	1,487,395.87	0.00	0.00
- Purchasing commitments	1,062,351.84	2,158,789.84	4,744,173.08
- Assets deposited with third parties	1,934,029.92	2,386,622.47	3,265,372.06
- Third party assets	137,670.86	134,250.53	224,151.04
- Total	**25,860,896.49**	**28,655,419.32**	**32,299,974.12**

(*) The figures as at 30 June 1999 and 1998 are before income taxes.

CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.

FINANCIAL STATEMENTS AS AT 30 JUNE 1999

STATEMENT OF INCOME (stated in Euro)

	30.06.1999	*30.06.1998*	*31.12.1998*
A) PRODUCTION VALUE			
1. Revenues from sale of goods and services	50,106,769.76	69,239,580.28	136,773,028.11
2. Changes in inventories of work-in-progress, semi-finished and finished products	593,613.87	6,928,815.98	-4,082,943.85
5. Other income:			
a. other income	457,786.79	1,107,174.85	2,276,024.26
b. operating grants	0.00	0.00	0.00
TOTAL PRODUCTION VALUE (A)	**51,158,170.42**	**77,275,571.11**	**134,966,108.52**
B) PRODUCTION COSTS:			
6. Raw, ancillary and consumable materials and goods	19,882,247.32	40,724,201.82	61,212,050.04
7. Services	12,619,814.33	15,941,804.01	34,043,951.20
8. Use of third party assets	14,710.68	99,782.21	137,965.74
9. Labour costs:			
a. wages and salaries	6,558,994.54	6,971,144.22	13,077,811.00
b. social security contributions	2,218,831.87	2,415,221.12	4,512,078.92
c. severance indemnities	476,332.99	466,717.76	964,731.15
e. other costs	563.41	2,814.69	22,498.63
Total 9.	**9,254,722.80**	**9,855,897.79**	**18,577,119.70**
10. Depreciation, amortisation and writedowns			
a. amortisation of intangible fixed assets	637,394.73	672,642.97	1,418,143.42
b. depreciation of tangible fixed assets	3,602,788.73	2,740,872.11	5,949,605.72
d. writedown of doubtful accounts included in current assets	500,963.19	1,897,979.10	2,272,490.67
Total 10.	**4,741,146.64**	**5,311,494.18**	**9,640,239.81**
11. Changes in inventories of raw, ancillary and consumable materials and goods	1,828,026.88	348,899.65	4,176,297.42
12. Provisions for contingencies and other charges	29,196.64	45,226.13	96,642.85
14. Other operating expenses	387,453.94	607,470.12	789,599.64
TOTAL PRODUCTION COST (B)	**48,757,319.24**	**72,934,775.90**	**128,673,866.41**
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS (A-B)	**2,400,851.19**	**4,340,795.21**	**6,292,242.11**

	30.06.1999	30.06.1998	31.12.1998
C) FINANCIAL INCOME AND (CHARGES):			
15. Income from investments:			
a. in subsidiary companies	0.00	0.00	0.00
16. Other financial income:			
c. income from securities booked under current assets that do not constitute equity investments	27,518.05	0.00	0.00
d. other than above:			
d. from third parties	225,738.78	168,694.76	210,184.22
Total 16.	**253,256.83**	**168,694.76**	**210,184.22**
17. Interest and other financial charges:			
d. from third parties	-868,303.82	-1,255,395.92	-2,899,993.63
TOTAL OTHER FINANCIAL INCOME (CHARGES) (C)	**-615,047.00**	**-1,086,701.16**	**-2,689,809.40**
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS:			
19. Writedowns:			
a. of equity investments	0.00	0.00	-12,822.88
b. of financial fixed assets that do not constitute equity investments;	0.00	0.00	0.00
Total 19.	**0.00**	**0.00**	**-12,822.88**
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)	**0.00**	**0.00**	**-12,822.88**
E) NON-RECURRING INCOME AND CHARGES:			
20. Non-recurring income:			
b. other non-recurring income	562.86	619,748.28	619,748.28
Total 20.	**562.86**	**619,748.28**	**619,748.28**
21. Non-recurring charges:			
c. other non-recurring charges	0.00	0.00	0.00
Total 21.	**0.00**	**0.00**	**0.00**
TOTAL NON-RECURRING INCOME AND (CHARGES) (E)	**562.86**	**619,748.28**	**619,748.28**
PROFIT BEFORE TAXES (A-B+/-C+/-D+/-E)	**1,786,367.05**	**3,873,842.33**	**4,209,358.10**
22. Income taxes for the year	(*)	(*)	-2,643,474.19
23. NET PROFIT FOR THE YEAR	**1,786,367.05**	**3,873,842.33**	**1,565,883.91**

(*) The figure as at 30 June 1999 and 1998 are before income taxes.

CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.

COMMENTS ON THE BALANCE SHEET AND STATEMENT OF INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 1999

COMMENTS ON THE FINANCIAL STATEMENTS

The financial statements have been prepared using the formats established by Decree 127 of 9 April 1991 for balance sheets and statements of income. The related comments have been drawn up in compliance with CONSOB resolution No. 8195 of 30 June 1994 and subsequent legislation.

The attached financial statements have been presented on a comparative basis with 30 June 1998 and 31 December 1998.

ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the financial statements as of 30 June 1999 are consistent with those used for the full year 1998, with the exception of the following :

INVENTORIES: Inventories are stated at the lower of purchase or production cost (average cost) and estimated realisable value, taking account of market trends.

INCOME TAXES FOR THE PERIOD: the half-year financial statements do not include any provision for income taxes, nor deferred tax assets and liabilities, as provided for by the new accounting principle. These amounts will be determined at year-end.

OTHER INFORMATION

Preparation of consolidated financial statements – The company has not prepared consolidated financial statements because its subsidiary companies are not relevant to the presentation of a true and fair view. In particular, Sanpellegrino Polska, which is jointly owned with our Polish distributor, started up production during the first half of the year. Consolidation of these subsidiaries would not materially alter any of the captions in the holding company's financial statements.

Note that certain provisions made on an accruals basis have been recorded in the financial statements as of 30 June under payables or as adjustments to receivables, in order to provide consistency of comparison with the accounts as of 31 December 1998.

Comparability: the captions "Services", "Other personnel costs", "Other operating expenses" and "Other non-recurring charges" in the financial statements as of 30 June 1998 and "Revenues from sale of goods and services", "Raw, ancillary and consumable materials and goods", "Other non-recurring income" and "Other non-recurring charges" in the financial statements as of 31 December 1998 have been reclassified in order to render them comparable with the half-year statements for 1999.

A schedule reconciling these reclassifications is provided in attachment No. 5.

Year 2000: The new computer system being used since 1996 is already able to cope with problems linked to the year 2000. The company has therefore not incurred any expenses directly attributable to its operation.
Hardware and software components are Year 2000 compliant, as stated in the certifications released by the suppliers.

BALANCE SHEET *(AMOUNTS IN THOUSANDS OF LIRE)*

COMMENTS ON THE PRINCIPAL ASSET CAPTIONS

B. FIXED ASSETS

B.I. Intangible fixed assets

Movements in intangible fixed assets during the period are set out in Attachment no.1.

At 30 June 1999, intangible fixed assets amounted to Lire 2,298 million, versus Lire 3,118 million at the end of the prior year.

During the period under review this caption has decreased due to the amortisation charge and increased in relation to investment made essentially in software, totalling Lire 350 million.

B.II. Tangible fixed assets

Movements in tangible fixed assets are set out in Attachment no.2.

Increases are mainly due to the completion of the new production plant at Ceresara and to the purchase of new weaving machinery. Ordinary depreciation has been calculated using rates considered to reflect the residual useful lives of the assets concerned.

Accumulated depreciation of tangible fixed assets at 30 June 1999 includes accelerated depreciation, as permitted by article 2426.2 of the Italian Civil Code, amounting to about Lire 11,830 million.

Depreciation and tangible fixed assets at 30 June 1999 are therefore over- and understated by Lire 2,305 million and Lire 11,830 million respectively.

The list of assets by category at 30 June 1999, which under article 10 of Law no.72/83 have been subject to revaluation laws, is set out below:

Assets in existence at 30/06/99	Historical cost	Revaluation L. 576/75	Revaluation L. 72/83	Revaluation L. 413/91	Total
Buildings/temp. constrs.	39,197,486	40,409	272,906	906,291	40,417,092
Plant/machinery	74,711,544	9,100	195,958	0	74,916,602
Equipment	1,145,718	0	28,769	0	1,174,487
Furniture/office machines	2,037,599	633	15,162	0	2,053,394
Electronic office equipment	3,023,789	336	17,587	0	3,041,712
Cars/other vehicles	1,929,901	1,163	7,716	0	1,938,780

B.III - Financial fixed assets

B.III.1. Equity investments

Equity investments included within financial fixed assets have increased following the formation of the Polish subsidiary (Sanpellegrino Polska), which started operations in early 1999.

C. CURRENT ASSETS

C.I. Inventories

	30/06/1999	31/12/1998	30/06/1998
Gross value	67,293,275	69,683,431	98,160,830
Writedown reserve	(736,784)	(736,784)	(481,567)
Net value	**66,556,491**	**68,946,647**	**97,679,263**

The Lire 2,390 million decrease compared with 31 December 1998 is due to the reduced sales for the period.

C.II.1 Trade accounts

Trade receivables may be analysed as follows:

	30/06/1999	31/12/1998	30/06/1998
Trade receivables - Italy	37,967,578	55,695,059	38,323,119
Trade receivables - abroad	25,195,919	27,172,245	26,604,973
Bill subject to collection	17,598,201	26,072,818	25,358,447
Customers - invoices to be issued	550,441	758,871	297,786
Credit notes to be issued	(2,619,463)	(3,295,241)	(3,722,825)
Allowance for doubtful accounts	(6,597,920)	(5,627,920)	(6,053,416)
Total	**72,094,756**	**100,775,832**	**80,808,084**

Compared with 30 June 1998 total trade receivables have decreased due to the lower sales recorded during the period; collection terms, calculated on the basis of average monthly exposure, have stretched by approximately 20 days.

All receivables are due within 12 months.

C.II.2 Due from subsidiary companies

These are trade receivables from the Polish subsidiary S.P. Polska.

C.II.3 Due from associated companies

This item is made up as follows:

	30/06/1999	31/12/1998	30/06/1998
ROZAL	109,231	254,191	159,754
CSP HOSIERY (UK)	283,916	484,157	633,878
Total	**393,147**	**738,348**	**793,632**

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

C.II.5 Other receivables

The balance includes various receivables comprising:

	30/06/1999	31/12/1998	30/06/1998
VAT credits	1,107,248	865,745	3,274,096
Advances to suppliers	758	0	2,733,210
Advance taxes	3,257,507	3,257,507	3,620,891
Other receivables	46,187	199,167	1,288,185
Total other short-term receivables	**4,411,700**	**4,322,419**	**10,916,382**
Guarantee deposits	109,227	109,027	109,223
Total other medium/long-term receivables	**109,227**	**109,027**	**109,223**
Total other receivables	**4,520,927**	**4,431,446**	**11,025,605**

B.III.4. Own shares

As of 30 June 1999 the company owned 112,500 of its own shares (nominal value 112.5 million lire), corresponding to 0.459% of its share capital, as authorized by the Extraordinary Shareholders' meeting of 17 November 1998.

During the period were purchased 170,500 own shares and sold 58,000. This resulted in a net capital gain of Lire 53 million.

D. ACCRUED INCOME AND PREPAYMENTS

This caption comprises:

	30/06/99	31/12/98	30/06/98
Prepayment TV advertising	1,949,426	2,924,140	3,898,853
Insurance	231,522	0	192,092
Stock exchange flotation expenses	78,694	2,002,293	0
Other	42,980	113,281	19,727
Total	**2,302,622**	**5,039,714**	**4,110,672**

Prepayments for TV advertising refer to expenses incurred for an advertising campaign started in the second half of 1998. Residual costs will be charged to the statement of income over the contractual period of the rights.

Insurance prepayments represent the quota due for the second half of the year.

COMMENTS ON THE PRINCIPAL LIABILITY CAPTIONS:

A. SHAREHOLDERS' EQUITY

Movements in shareholders' equity during the period ended 30 June 1999 are detailed in Attachment no. 3.

B. RESERVES FOR CONTINGENCIES AND OTHER CHARGES

Movements in this item are set out below:

	31/12/1998	provisions	utilizations	30/06/1999
Tax reserve	754,167	0	0	754,167
Other:				
– Exchange fluctuation res.	106,622	0	(42,335)	64,287
– Agents indemnity reserve	1,241,066	55,887	(49,904)	1,247,049
Total other	**1,347,688**	**55,887**	**(92,239)**	**1,311,336**
Total	**2,101,855**	**55,887**	**(92,239)**	**2,065,503**

C. SEVERANCE INDEMNITIES

Movements during the year are analysed as follows:

	01/01/99	Utilisation	Provisions	30/06/1999
Severance indemnities	6,014,315	(317,475)	903,511	6,600,351

The total amount is shown net of advance taxes paid on severance indemnities, as per Legislative Decree 79 of 28 March 1997.

D. PAYABLES

D.3 Banks

Net borrowing has gone from Lire 88,735 million as of 31 December 1998 to Lire 81,208 million, down Lire 7,527 million; the decrease with respect to 30 June 1998 totals Lire 6,649 million.

Maturities of loans are set out below:

	within 12 months	within 5 years	beyond 5 years	Total
Loans	21,100,394	32,241,262	0	53,341,656

During the first half of the year two new loans were raised for a total of Lire 17,000 million.

Mortgage guarantees have been given as security against loans taken out prior to February 1996. These guarantees are dealt with in greater detail in the section on memorandum accounts.

D.6 Trade accounts

This balance has decreased by Lire 17,807 million compared with 31 December 1998, due to lower purchases as a result of the decline in sales.

D.13 Other payables

These comprise:

	30/06/99	31/12/98	30/06/98
Due to employees	4,088,240	858,914	4,151,761
Dividends due to shareholders	559	0	1,115,672
Other payables	42,045	88,166	62,588
Total	**4,130,844**	**947,080**	**5,330,021**

Amounts payables to employees include accrued holiday pay at 30 June 1999, the accrued portion of 13th month salaries and other amounts relating to the first half of the year.

E. ACCRUED LIABILITIES AND DEFERRED INCOME

This caption comprises accrued bank interest due.

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 11,342 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.

Currency sale commitments – At 30 June 1999, there are currency sale commitments with banks for approximately Lire 2,880 million.

Purchase commitments – At 30 June 1999, there are commitments based on signed contracts for the purchase of tangible fixed assets amounting to Lire 2,057 million. These commitments refer to the completion of new plants.

Assets with third parties – This caption refers to goods at third party in account for manufacture.

Third party assets – This caption includes third party goods held by the Company for re-dying and re-packaging.

STATEMENT OF INCOME (*AMOUNTS IN THOUSANDS OF LIRE)*

COMMENTS ON THE PRINCIPAL STATEMENT OF INCOME CAPTIONS

A. PRODUCTION VALUE

A.1 Revenues from the sale of goods and services

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

	30/06/99	30/06/98	31/12/98
Italy:			
– stockings	51,539,837	63,964,687	140,226,618
– yarns	5,541,263	17,653,126	24,629,319
– raw materials/other	188,502	247,254	580,798
Western Europe			
– stockings	24,553,719	23,743,086	49,225,813
– other	283,715	355,376	746,545
Eastern Europe			
– stockings	12,316,801	25,975,076	44,296,895
– other	727,901	151,792	470,397
Outside Europe			
– stockings	1,833,852	1,972,537	4,606,947
– other	34,645	3,588	46,179
Total	**97,020,235**	**134,066,522**	**264,829,511**

Sales of yarn, amounting to Lire 5,541 million, consist of raw materials transferred to outside contractors, who in turn reinvoice them together with the cost of the work carried out.

Revenues are shown net of returns, discounts and allowances.

A.5.a Other income

Other income includes miscellaneous amounts mainly relating to royalty income (Lire 327 million) and advertising contributions received from suppliers for putting their brand names on our products (Lire 250 million).

B. PRODUCTION COSTS

B.6 Raw, ancillary and consumable materials and goods for resale

This balance includes the cost of purchasing raw and semifinished materials destined for use in the manufacturing cycle amounting to Lire 32,297 million (Lire 69,593 million at 30 June 98) and packaging materials totalling Lire 6,200 million (Lire 9,260 million at 30 June 98).

The overall decrease in this caption with respect to 30 June 1998, Lire 40,356 million, reflects the reduction in sales and the inventory reduction programme currently being implemented.

B.7 Services

This caption comprises:

	30/06/99	30/06/98	31/12/98
Outside contractors	6,283,712	9,418,859	15,504,838
Advertising and promotion	7,881,356	9,740,434	26,792,831
Agents	2,415,766	3,261,132	6,491,325
Transport	1,530,128	2,589,868	5,072,413
Power	1,827,609	1,869,082	3,730,746
Other	4,496,797	3,988,261	8,326,128
Total	**24,435,368**	**30,867,636**	**65,918,281**

Items connected with services have all decreased, compared with the same period of the prior year, in connection with the reduced level of sales recorded in the first six months of the year. Power costs are unchanged as internal production plants have been kept in constant use in the two periods being examined. Other costs have increased, consultancy costs in particular. This is in connection with studies on potential acquisitions or partnerships, initiated in the period under review.

B.9 Labour costs

This caption includes all the costs incurred on a continual basis for employees. The detail of the caption is set out on the face of the statement of income.

Changes in personnel during the year are set out below:

	01/01/99	new hires	leavers	30/06/99	average
Managers	8	1	0	9	9
Supervisor	22	5	0	27	25
Office workers	114	25	46	93	103
Plant workers	624	5	27	602	613
Total	**768**	**36**	**73**	**731**	**750**

Note that new hires and leavers also include internal promotions.

B.10 Depreciation, amortisation and writedowns

The increase in amortisation/depreciation with respect to 30 June 1998 (Lire 1,669 million) reflects the significant investments made during the year.

The writedown of receivables, Lire 970 million, refers to the provision made against the probable insolvency of certain receivables.

B.12 Other provisions

This caption relates to the provision for contingencies and charges in relation to agents' indemnities maturing in the year.

B.14 Other operating expenses

Other operating expenses essentially comprise entertaining expenses (Lire 212 million) and miscellaneous taxes (Lire 199 million).

C. FINANCIAL INCOME AND CHARGES

C.16.c. Financial income from securities booked under current assets that do not constitute equity investments

This includes the net capital gain on the sale of own shares

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

This caption includes:

	30/06/99	30/06/98	31/12/98
Interest income on current accounts	390	11,966	53,194
Interest charged to customers	132,617	129,768	241,895
Exchange gains	302,969	183,691	109,147
Discounts & roundings receivable	1,115	1,213	2,737
Total	**437,091**	**326,638**	**406,973**

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

This item comprises:

	30/06/99	30/06/98	31/12/98
Interest expense on current accounts	325,383	669,601	1,671,454
Interest on borrowings	459,373	530,040	1,285,478
Loan interest	874,875	1,029,152	2,175,565
Exchange losses	18,207	199,444	473,411
Bank charges	3,433	2,548	9,263
Total	**1,681,271**	**2,430,785**	**5,615,171**

Ceresara, 16 September 1999

The Board of Directors

ATTACHMENTS

These attachments contain additional information to that provided in the Notes, of which they form an integral part. This information is included in the following attachments:

1. - Schedule of changes in intangible fixed assets for the period ended 30 June 1999

2. - Schedule of changes in tangible fixed assets for the period ended 30 June 1999

3. - Schedule of changes in shareholders' equity for the period ended 30 June 1999

4. - Cash flow statement for the period ended 30 June 1999

5. - Reconciliation of the statement of income for the periods ended 30 June 1998 and 31 December 1998

Attachment No.1 – SCHEDULE OF MOVEMENTS IN INTANGIBLE FIXED ASSETS AS AT 30 JUNE 1999

Description	Historical cost	Amortisation at 31.12.98	Writedowns at 31.12.98	Net book value at 31.12.98	Additions june-99	Reclassifications june-99	Amortisation june-99	Net book value at 30.06.99
Industrial patents and intellectual property rights								
– Software	1,643,778	-864,260	0	779,518	349,787	0	-332,261	797,044
Concessions, licences, trade marks & similar rights								
– CSP trade mark	28,690	-11,476	0	17,214	0	0	-2,869	14,345
Goodwill	1,640,699	-984,158	0	656,541	0	0	-164,070	492,471
Other								
– Flotation costs	4,048,148	-2,698,766	0	1,349,382	0	0	-674,691	674,691
– Deferred loan charges	88,229	-38,001	0	50,228	0	0	-7,620	42,608
– Other intangible fixed assets	461,851	-197,230	0	264,621	64,721	0	-52,657	276,685
Total others	**4,598,228**	**-2,933,997**	**0**	**1,664,231**	**64,721**	**0**	**-734,968**	**993,984**
Total	**7,911,395**	**-4,793,891**	**0**	**3,117,504**	**414,508**	**0**	**-1,234,168**	**2,297,844**

Attachment No. 2 – SCHEDULE OF MOVEMENTS IN TANGIBLE FIXED ASSETS AS AT 30 JUNE 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 june-99	Decreases june-99	Decreases revaluations	Reversal depreciations	Riclassi-fications june-99	Depreciation june-99	Historical cost	Revaluations	Accumulated depreciation at 30/06/99	Net book value at 30/06/99
Land & buildings	31,732,749	1,219,606	-5,884,211	27,068,144	1,051,437	0	0	0	6,413,300	-665,227	39,197,486	1,219,606	-6,549,438	33,867,654
Plant & machinery	62,900,101	204,743	-34,266,445	28,838,399	4,783,128	-10,617	0	-3,981	7,038,932	-5,673,612	74,711,544	204,743	-39,936,076	34,980,211
Equipment	1,075,053	28,769	-800,707	303,115	75,897	-5,232	0	-1,432	0	-118,693	1,145,718	28,769	-917,968	256,519
Other assets	7,911,678	42,912	-6,362,374	1,592,216	174,133	-11,502	0	-11,502	0	-518,440	8,074,309	42,912	-6,869,312	1,247,909
Construction in progress	13,811,700	0	0	13,811,700	0	0	0	0	-13,452,232	0	359,468	0	0	359,468
Total	**117,431,281**	**1,496,030**	**-47,313,737**	**71,613,574**	**6,084,595**	**-27,351**	**0**	**-16,915**	**0**	**-6,975,972**	**123,488,525**	**1,496,030**	**-54,272,794**	**70,711,761**

Attachment No. 3 – SCHEDULE OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 30 JUNE 1999
(in thousands of Lire)

Description	Share Capital	Share premium reserve	Riserve for own share	Revalutation reserve	Legal reserve	Other reserve	Net profit (loss) for the year	Total shareholders' equity
Balances at 1 January 1999	**24,500,000**	**35,000,000**	**0**	**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	0	0	0	0	151,599	0	-151,599	0
– Dividends distributed	0	0	0	0	0	0	-1,220,325	-1,220,325
– Dividends on own shares	0	0	0	0	0	4,675	-4,675	0
– Profits carried forward	0	0	0	0	0	1,655,375	-1,655,375	0
Other movements	0	0	981,054	0	0	-981,054	0	0
Net profit at 30.6.99 (*)	0	0	0	0	0	0	3,458,889	3,458,889
Balances at 30 June 1999	**24,500,000**	**35,000,000**	**981,054**	**1,195,810**	**2,201,077**	**21,109,715**	**3,458,889**	**88,446,545**

(*) Net profit as at 30 June 1999 is before income taxes.

Attachment No. 4 – CASH FLOW STATEMENT AS AT 30 JUNE 1999
(IN MILLIONS OF LIRE)

	30.06.1999	31.12.1998
A. OPENING NET DEBT	**-69,489**	**-17,055**
B. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES		
Net profit for the year	3,459	3,032
Depreciation, amortisation and writedowns	8,210	14,266
Losses on and writedowns of financial fixed assets	0	25
Net change in severance indemnities for employees and agents	593	1,148
Provision for contingencies and other charges	-43	380
Cash flows from operating activities before changes in working capital	**12,219**	**18,851**
(Increase) decrease in own shares held	-922	0
(Increase) decrease in current receivables	28,681	17,408
(Increase) decrease in inventories	2,391	15,992
Increase (decrease) in trade and other payables	-16,651	-58,542
Changes in other working capital items	2,363	-6,392
	28,081	**-12,683**
C. CASH FLOWS FROM (FOR) INVESTMENT ACTIVITIES		
Purchase (disposal) of fixed assets:		
Intangible	-414	-857
Tangible	-6,074	-33,315
Financial	0	-1,520
	-6,488	**-35,692**
D. CASH FLOWS FROM (FOR) FINANCING ACTIVITIES		
New borrowings net of the current portion transferred to current payables	13,250	3,463
Dividends paid	-1,220	-7,497
Other changes in shareholders' equity	0	-25
Gross capital gain on disposal of own shares	-58	0
	11,972	**-4,059**
E. TOTAL CASH FLOWS FOR THE PERIOD (B+C+D)	**33,565**	**-52,434**
F. CLOSING NET DEBT (A+E)	**-35,924**	**-69,489**

Attachment No. 5 – RECONCILIATION OF THE STATEMENT OF INCOME AS AT 31.12.98

Description	amounts	financial statement captions 31/12/98	financial statement captions 30/06/99
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 STATEMENT OF INCOME AS AT 30.06.98

Description	amounts	financial statement captions 30/06/98	financial statement captions 30/06/99
Emoluments of Directors and Statutory Auditors	519,943,150	B 14	B 7
Costs for industrial transport vehicles	34,413,902	B 14	B 7
Costs for insurance and personnel training	36,641,886	B 9 e	B 7

COMMENTS OF THE BOARD OF STATUTORY AUDITORS ON THE HALF YEAR REPORT AS OF 30th JUNE 1999

The Board of Statutory Auditors, having reviewed the six-month report prepared by the Board of Directors and approved on 16th September 1999, in conformity with CONSOB regulation related to interim financial statements as approved by Bulletin No. 8195 of 30th June 1994 and subsequent amendments,

STATES

– that the figures shown in the interim financial statements correspond to the results of the accounting records;

– that the six-month report is consistent with the Directors' report on operations;

– that there are no particular remarks to make.

Mantua - Ceresara, 23th September 1999

The Board of Statutory Auditors

ARTHUR
ANDERSEN

Arthur Andersen S.p.A.

Via Albere 19
37138 Verona

REPORT OF THE INDEPENDENT AUDITORS ON THE REVIEW

OF THE SIX-MONTH REPORT
(Translation from the Original Issued in Italian)

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

1. We have performed a review of the six-month report as of June 30, 1999, composed of the accounting schedules (balance sheet and income statement) and the related explanatory notes of CSP INTERNATIONAL INDUSTRIA CALZE S.p.A. We have also checked the section of the report related to the information on operations with the sole purpose of verifying the consistency thereof with the rest of the six-month report.

2. Our review was made in accordance with the criteria for reviews recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("CONSOB") under Bulletin No. 10867 of July 31, 1997. A review consists principally of obtaining the information regarding the items reported in the accounting schedules and the consistency of the valuation criteria through discussion with company management and the performance of analytical procedures on the data contained in the accounting schedules. A review does not include those audit procedures such as compliance tests and substantive tests of assets and liabilities and is significantly less in scope than an audit conducted in accordance with generally accepted auditing standards. As a consequence, unlike the auditors' report accompanying the statutory financial statements, we do not express an opinion on the six-month report.

3. The statutory financial statements as of December 31, 1998, and the report for the six-month period ended June 30, 1998, are presented for comparative purposes; for our opinion thereon reference should be made to our reports dated March 26, 1999 and September 22, 1998, respectively.

Sede Legale: Via della Moscova 3 20121 Milano
Reg Imp 297992 7540 42 R.E.A. 960046
Cod Fisc 02466670581 Part Iva 09869140153
Capitale Sociale Lire 3.000.000.000 int. versato

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ARTHUR
ANDERSEN

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4. Based on our review, we are not aware of any material modifications or additions that should be made to the accounting schedules and related notes identified in paragraph 1. of this report, for them to be in conformity with the standards and procedures set out by the CONSOB regulation related to six-month reports as approved by Bulletin N. 8195 of June 30, 1994, and subsequent amendments.

5. For a better understanding of the six-month report, attention is drawn to the following information described in that report:

   a. As allowed by paragraph 5. of article 3 of the CONSOB regulation related to six-month reports as approved by Bulletin n. 8195 of June 30, 1994, the Company presented the result of the six-month period gross of the related income taxes and it has not accounted any asset or liability for deferred taxes pursuant to the application of the new Italian accounting principle on income taxes.

   b. The Company in the current six-month period and in prior years, in addition to ordinary depreciation of tangible assets, provided for accelerated depreciation to take advantage of the tax benefits allowed by existing tax legislation in Italy. This accounting resulted in a reduction of net equity at June 30, 1999, and of pre-tax profit for the period then ended of Lire 7.901 million and Lire 2.305 million. The reduction of the net equity is net of the related tax effect; the effect of said accounting for the six-month period ended June 30, 1999, has not been determined pursuant to paragraph 5.a. above.

ARTHUR ANDERSEN S.p.A.

Giancarlo De Marchi

Giancarlo De Marchi - Partner

Verona, Italy,
September 20, 1999

Note: The six-month report has been translated into English from the original version in Italian. It has been prepared in accordance with the CONSOB regulation related to interim reports, interpreted and integrated by the accounting principles established or adopted 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 generally accepted accounting principles in other countries.