

**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**

**FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2000**  
**DIRECTORS' REPORT ON OPERATIONS**

Shareholders,

The financial statements for the half-year ended 30 June 2000 are submitted for your attention. The key figures are presented as follows in Italian Lire:

- sales for statutory purposes of Lire 95.8 billion;
- net sales of Lire 78.4 billion;
- depreciation and amortisation of Lire 7.5 billion, of which Lire 1.8 billion is accelerated;
- operating profit of Lire 7.5 billion, equal to 9.6% of net sales;
- pre-tax profit of Lire 4,950 million, representing 6.3% of net sales.

**1. Comparison with the same period in the prior year**

- 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, which represent the bulk of turnover, have fallen by 8.2%, compared with the first half of 1999.

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

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

| <b>Year</b> | <b>Net sales<br/>full year</b> | <b>Net sales<br/>1<sup>st</sup> half</b> | <b>% of total net sales<br/>1<sup>st</sup> half</b> |
|-------------|--------------------------------|--|---|
| 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        | 185.8 billion                  | 85.5 billion                             | 46%   |
| 2000        |                                | 78.4 billion                             |   |

Starting from 2000, the sales figure also includes royalties.

The 8% reduction in sales during the first half of the year, compared with the same period last year, is mainly attributable to the following factors:

- a general decline in the market for stockings in Italy: -12.2% in volume and -10.3% in value in the first four months of the year, compared with the same period in 1999 (source: Istituto Sita/AC Nielsen);
- a general decline in the main export markets, estimated at around 15% in volume this year compared with last year (source: Sistema Moda Italia);

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

| Year | Operating profit full year | % of net sales | Operating profit 1 <sup>st</sup> 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 | 19.0 billion               | 8.2%           | 13.8 billion                          | 12.1%          |
| 1999 | 17.8 billion               | 9.6%           | 7.6 billion                           | 8.9%           |
| 2000 |                            |                | 7.5 billion                           | 9.6%           |

Although net sales were lower than the same period in 1999, the operating profit rose in percentage terms. Profit before tax increased from Lire 3,459 million in the 1<sup>st</sup> half of 1999 to Lire 4,950 million in the 1<sup>st</sup> half of 2000. Pre-tax profit as a percentage of net sales also increased from 4.1% to 6.3%.

## **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 as a percentage of net sales is 66.3%, compared with 65.4% in the first half of 1999. The increase is due to the diverse mix of articles.
- Selling, general and administrative costs, net of advertising costs, are down to Lire 12.9 billion compared with Lire 14.7 billion in the first half of 1999. As a percentage of sales they have come down to 16.4% compared with 17.2% in the same period in 1999.
- Advertising expenditure has fallen to Lire 6.1 billion compared with Lire 7.3 billion in the first half of 1999. It is also down as a percentage of sales to 7.8% compared with 8.6% in the same prior year period.
- Financial charges totalled Lire 1.6 billion, compared with Lire 1.4 billion in the first half of 1999. The increase of one percentage point in respect of net sales is attributable to two reasons: the higher cost of money and the financing of acquisitions
- Depreciation over the years has been as follows:

| Year                    | Half year depreciation | Of which accelerated |
|-------------------------|------------------------|----------------------|
| 1 <sup>st</sup> half 96 | 2.6 billion            | 0.2 billion          |
| 1 <sup>st</sup> half 97 | 4.2 billion            | 0.8 billion          |
| 1 <sup>st</sup> half 98 | 6.6 billion            | 1.6 billion          |
| 1 <sup>st</sup> half 99 | 8.2 billion            | 2.3 billion          |
| 1 <sup>st</sup> half 00 | 7.5 billion            | 1.8 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 2000 and 1999, are as follows:

- Inventories have increased from Lire 66.6 billion to Lire 70.1 billion.
- Net bank borrowings have risen from Lire 68.2 billion to Lire 101.7 billion. The difference of Lire 33.5 billion is due primarily to the cost of the two acquisitions of Le Bourget, totalling Lire 25 billion, and Lepel, for the sum of Lire 22 billion.
- Trade receivables have decreased to Lire 55.2 billion from Lire 72.1 billion.
- Trade payables fell from Lire 51.6 billion to Lire 50.3 billion.
- Changes in working capital are as follows (in billions of Lire):

| In billions of Lire         | Balance at 30 June |             |              |             |             |
|-----------------------------|--------------------|-------------|--------------|-------------|-------------|
|                             | 30.06.00           | 30.06.99    | 30.06.98     | 30.06.97    | 30.06.96    |
| Trade receivables           | 65.9               | 73.1        | 81.5         | 81.5        | 56.7        |
| + Inventories               | 70.1               | 66.6        | 97.7         | 65.7        | 50.8        |
| + Other current assets      | 15.0               | 7.7         | 15.1         | 10.7        | 10.1        |
| = Total                     | 151                | 147.4       | 194.3        | 157.9       | 117.6       |
| Operating liabilities       | 52.1               | 51.6        | 69.4         | 80.7        | 46.9        |
| + Other current liabilities | 9.4                | 5.4         | 6.9          | 12.5        | 9.7         |
| = Total                     | 61.5               | 57.0        | 76.3         | 93.2        | 56.6        |
| <b>Working capital</b>      | <b>89.5</b>        | <b>90.4</b> | <b>118.0</b> | <b>64.7</b> | <b>61.0</b> |

The table shows how working capital has changed compared with previous years.

#### **4. 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 2000.

The figures in the next table were provided by the Nielsen Hosiery Consumer Index; changes are reported compared with previous years.

| <u>Year</u>      | <u>Consumption/quantity</u> | <u>Consumption/Value</u> |
|------------------|-----------------------------|--------------------------|
| 1992:            | - 6.2%                      | N.A.                     |
| 1993:            | -10.7%                      | N.A.                     |
| 1994:            | - 3.0%                      | + 4.9%                   |
| 1995:            | - 2.0%                      | + 4.6%                   |
| 1996:            | + 0.4%                      | + 5.5%                   |
| 1997:            | - 8.3%                      | - 10.7%                  |
| 1998:            | - 4.5%                      | - 0.6%                   |
| 1999:            | -9.0%                       | - 8.1%                   |
| 2000 (Jan/Apr.): | -12.2%                      | - 10.3%                  |

Assuming the market in 1991 to be 100, consumption in 2000 in terms of quantity is equal to 56. This is due to the accumulated loss in consumption. The value now is 79, thanks to a partial recovery in prices.

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

|                 |    |
|-----------------|----|
| USA:            | 65 |
| Western Europe: | 50 |
| Japan:          | 45 |

#### **5. 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 2000, is as follows.

| <u>Year</u>    | <u>Market share in quantity</u> | <u>Market share in value</u> | <u>Price Premium</u> |
|----------------|---------------------------------|------------------------------|----------------------|
| 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%               |
| 2000 Jan/Apr.: | 9.6%                            | 12.2%                        | + 27.4%              |

These figures show a growth in market share in terms of both quantity and value. They also confirm CSP's price premium with respect to our competitors.

## **6. CSP International's activities abroad**

Foreign sales are analysed below:

| <b>Year</b> | <b>Foreign sales per year</b> | <b>Foreign sales in 1<sup>st</sup> half</b> |
|-------------|-------------------------------|---|
| 1993        | 30 billion                    |   |
| 1994        | 40 billion                    |   |
| 1995        | 63 billion                    |   |
| 1996        | 89 billion                    |   |
| 1997        | 100 billion                   | 47 billion                                  |
| 1998        | 97 billion                    | 52 billion                                  |
| 1999        | 76 billion                    | 39 billion                                  |
| 2000        |                               | 39 billion                                  |

The sales breakdown by geographical area is as follows:

| <b>Year</b>    | <b>2000 1<sup>st</sup> half</b> | <b>1999 1<sup>st</sup> half</b> | <b>1998 1<sup>st</sup> half</b> |
|----------------|---------------------------------|---------------------------------|---------------------------------|
| Western Europe | 20.8 billion                    | 24.6 billion                    | 23.7 billion                    |
| Eastern Europe | 16.4 billion                    | 12.7 billion                    | 26.0 billion                    |
| Outside Europe | 1.9 billion                     | 1.8 billion                     | 2.0 billion                     |

## **7. CSP International's 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 level between Oroblù and Sanpellegrino. It is the most innovative and youthful brand.
- 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:

| <b>Brand</b>                      | <b>1<sup>st</sup> half 2000</b> | <b>1<sup>st</sup> half 1999</b> | <b>1<sup>st</sup> half 1998</b> |
|-----------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Sanpellegrino                     | 60.2%                           | 54.8%                           | 65.6%                           |
| Oroblù                            | 25.5%                           | 30.9%                           | 28.1%                           |
| Star Way                          | 3.5%                            | 3.3%                            | 3.8%                            |
| Private label                     | 3.8%                            | 11.0%                           | 2.5%                            |
| Semi-finished products and others | 7.0%                            | --                              | --                              |

## **8. Innovative research and development**

The following table lists the most successful new product launches in recent years, along with certain new concepts that were launched in 2000:

| <b>YEAR</b> | <b>SANPELLEGRINO</b>                            | <b>OROBLÙ</b>                         | <b>STAR WAY</b>                       |
|-------------|---|---------------------------------------|---------------------------------------|
| 1993        | <b>SLIM</b>                                     | <b>REPOS</b>                          |                                       |
|             |   | <b>SILHOUETTE</b>                     |                                       |
| 1994        | <b>SUPPORT</b>                                  | <b>CARAT</b>                          |                                       |
| 1995        | <b>BRAZIL EFFECT</b>                            | <b>SHOCK UP</b>                       |                                       |
|             |   | <b>REMEDE</b>                         |                                       |
| 1996        | <b>DAY</b>                                      | <b>GEO</b>                            |                                       |
|             |   | <b>EXCELL</b>                         |                                       |
| 1997        | <b>CELLU-LINE</b>                               | <b>EXCELL LIGHT</b>                   |                                       |
|             |   | <b>BODY COLLECTION</b>                |                                       |
| 1997/98     | <b>PLANET 3DIMENSION</b>                        | <b>PROGRESS 3 DIMENSION</b>           | <b>3 DIMENSION WORLD</b>              |
| 1998        | <b>RIO- LIBERTE'-<br/>BENEFIT<br/>BABY GIRL</b> | <b>CHARME<br/>MASTER</b>              | <b>ROMANTIC</b>                       |
| 1999        | <b>MICROPAQUE<br/>COMODO</b>                    | <b>INTRIGO<br/>SILVERADO</b>          | <b>BABY STAR<br/>ABSOLUTE COMFORT</b> |
| 2000        | <b>INTIMO SEAMLESS</b>                          | <b>DOLCE VITA<br/>INTIMO SEAMLESS</b> | <b>INTIMO SEAMLESS</b>                |

Product innovation has been one of the constant features of Company operations. The contribution made to sales by new products is illustrated by the following figures:

| <b>Year</b>                 | <b>Contribution of products launched the previous year</b> |
|-----------------------------|--|
| 1996:                       | 27%  |
| 1997:                       | 26%  |
| 1998:                       | 24%  |
| 1999:                       | 17%  |
| 1999 (1 <sup>st</sup> half) | 12%  |
| 2000 (1 <sup>st</sup> half) | 12%  |

## **9. Licensing activities**

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

| <b>BRAND</b>  | <b>COLLECTION</b>                        | <b>LICENSEE</b>                |
|---------------|--|--------------------------------|
| Oroblù        | • Men's socks                            | Niga Calze                     |
|               | • Casual & Sport Socks                   | Hosiery Center (Olanda)        |
|               | • Casual & Sport Socks                   | Syversen (Scandinavia)         |
|               | • Lingerie                               | Compagnia Italiana dell'Intimo |
|               | • Swimwear                               | Compagnia Italiana dell'Intimo |
|               | • Knitwear                               | Compagnia Italiana dell'Intimo |
| Sanpellegrino | • Men's socks                            | Niga Calze                     |
|               | • Kid's socks                            | Niga Calze                     |
|               | • Corsetry                               | Ladyberg                       |
|               | • GDO knitted lingerie                   | Mabrat                         |
|               | • Knitted lingerie, Retail and Wholesale | Compagnia Italiana dell'Intimo |
|               | • Pyjamas                                | Irge                           |
| Star Way      | • Men's socks                            | Calze Scanzi                   |

Royalties accrued by the above licences amounted to:

|                               |                  |
|-------------------------------|------------------|
| 1997:                         | Lire 188 million |
| 1998:                         | Lire 527 million |
| 1999:                         | Lire 821 million |
| 1999 (1 <sup>st</sup> half.): | Lire 327 million |
| 2000 (1 <sup>st</sup> half):  | Lire 609 million |

## **10. 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 the market. In addition, there is the new Sanpellegrino Polska plant, which was set up in 1998 and commenced production in 1999. In the last four-years the company has implemented a technical and production investment plan designed to automate the production process and raise production capacity.

The next table shows the sequence of the investments made and related production capacity:

| Year  | Investments        | Production capacity   |
|-------|--------------------|---|
| 1996: | 21.9 billion       | 4.2 million dozen<br>6.7 million dozen<br>7.0 million dozen |
| 1997: | 17.5 billion       |   |
| 1998: | 32.5 billion       |   |
| 1999: | 9.1 billion        |   |
| 2000: | Estimate 6 billion |   |
| 2001: | Estimate 5 billion |   |
| 2002: | Estimate 5 billion |   |

In compliance with Law 626/94, we have introduced the measures required for the safety of employees in the workplace. All required action is carried out periodically.

## **11. Workforce**

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

| Year                     | Average no. of employees | Cost         | Percentage of sales |
|--------------------------|--------------------------|--------------|---------------------|
| 1994:                    | 429                      | 18.7 billion | <b>15.5%</b>        |
| 1995:                    | 463                      | 21.3 billion | <b>12.6%</b>        |
| 1996:                    | 570                      | 26.9 billion | <b>13.3%</b>        |
| 1997:                    | 717                      | 35.1 billion | <b>13.7%</b>        |
| 1998:                    | 776                      | 36.1 billion | <b>15.6%</b>        |
| 1999:                    | 751                      | 35.7 billion | <b>19.3%</b>        |
| 1 <sup>st</sup> half 97: | 671                      | 17.4 billion | <b>16.6%</b>        |
| 1 <sup>st</sup> half 98: | 775                      | 19.1 billion | <b>16.8%</b>        |
| 1 <sup>st</sup> half 99: | 750                      | 17.9 billion | <b>21.0%</b>        |
| 1 <sup>st</sup> half 00: | 713                      | 18.3 billion | <b>23.4%</b>        |

The above figures reveal the following:

- the reduction in the number of employees;
- our dependence on outside contractors fell in the first half of 2000 to 13% of total production, against 61% in the first half of 1997, 44% in 1998 and 18% in 1999.

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

## **12. 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 125 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 staff are organised into five Sales Forces, working in the different distribution channels as follows: Oroblù (Retail Sales), Star Way (Retail Sales), Sanpellegrino (Wholesale Sales) and Sanpellegrino (Chain Store Sales) and Sanpellegrino Elite (Retail Sales).

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

## **13. Promotion and advertising**

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

Advertising expenditure is concentrated at around 1/3 in the first half of the year and 2/3 in the second half.

Advertising expenditure has developed as follows in recent years:

| <b>Year</b>               | <b>Advertising expenditure (in Lire)</b> | <b>Percentage of sales</b> |
|---------------------------|--|----------------------------|
| • 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%                       |
| • 1 <sup>st</sup> half 96 | 4.9 billion                              | 5.5%                       |
| • 1 <sup>st</sup> half 97 | 5.3 billion                              | 5.1%                       |
| • 1 <sup>st</sup> half 98 | 9.3 billion                              | 9.2%                       |
| • 1 <sup>st</sup> half 99 | 7.3 billion                              | 8.6%                       |
| • 1 <sup>st</sup> half 00 | 6.1 billion                              | 7.8%                       |

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.

## **14. Equity investments**

The company's controlling or major interests are in:

- the Le Bourget group
- SP Polska
- Lepel Srl

These equity investments are explained in the Report on Operations that forms part of these interim consolidated financial statements.

CSP International holds two minority (20%) investments in its French and British dealership companies. These are currently being replaced, in France with Le Bourget and in Britain with a new operating structure for Le Bourget and CSP International combined.

## **15. Related party disclosures**

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

## **16. 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.

The shareholders' meeting of 27 April 2000 authorised the purchase of own shares up to a ceiling of 10% of share capital.

As of 30 June 2000 the company owns 569,000 of its own shares, purchased in accordance with the above mentioned resolution.

## **17. Prospects**

CSP International's strategy follows these main guidelines:

- A. The traditional stockings and tights market.** In this market the company's operations are based on product innovation and geographical expansion:
- The latest two product launches exemplify this innovation strategy: Sanpellegrino Comodo (a range of particularly comfortable and non-constrictive tights) and Oroblù Silverado (a collection of tights made with silver filigree)
  - One example of geographical expansion is the recent acquisition of Le Bourget that holds 15% of the tights market in France.
- B. Licences.** The purpose of licensing is to use the Sanpellegrino, Oroblù and Star Way labels also in markets and product areas other than stockings and tights. The last few years have seen the signing of licensing contracts for men's socks, lingerie, corsetry, knitted lingerie and swimwear. The latest licence was agreed with Irge, the leading Italian manufacturer of pyjamas, for a collection of pyjamas under the Sanpellegrino label, with the name of Sanpellegrino Notte.
- C. Diversification.** CSP International went into the lingerie market using the new Seamless production technology. The company is launching lingerie items, ranging from panties to bras, made with the seamless method, under the four labels, Sanpellegrino, Oroblù, Star Way and Le Bourget, with nine different collections for the various consumer targets and distribution channels, in Italy and abroad. The Sanpellegrino and Oroblù seamless lingerie collections will be advertised from Autumn 2000 and Le Bourget seamless collection from 2001.
- The Lepel acquisition is an integral part of CSP International's plans to diversify into the lingerie market. Diversification is both internal, with the seamless product launch, and external, with Lepel. Lepel accelerates the diversification process, since it occupies an established position on the corsetry market and, more particularly, has specialist expertise in the bra market.

## **18. Significant events in the second half of 2000**

- Diversification into the lingerie sector was the most significant event at the beginning of the second half of 2000. Products produced using the Seamless technology, with collections under the Sanpellegrino, Oroblù and Star Way labels were launched onto the market.
- This new product range, presented during the first half of the year, is to be marketed in the Autumn, backed up by an aggressive promotional and advertising campaign.
- Three sales outlets were opened under the Oroblù label, on a franchising basis.
- We have set up Internet sites for information and sales purposes although, at the moment, volumes have been insignificant.
- The workforce fell by 46 at the end of August, compared with the corresponding month in the previous year.
- Sales at the end of the first half of the year had fallen 8% compared to the same period in 1999; however, figures for July and August 2000 show that sales levels had recovered to match those recorded in the same two months in 1999.

## **19. Expected results**

The Parent Company's net sales for 2000 will be below the 1999 figure, even though consolidated sales will increase significantly as the result of the Le Bourget and Lepel acquisitions.

Despite the fall in sales, the operating margin, before interest payable and taxation, will improve, continuing the trend which started in 1998.



The pre-tax profit will be in line with the 1999 result. This is due to the increase in interest payable, the higher cost of money and the expenditure on the Le Bourget and Lepel acquisitions

## **20. Conclusion**

We invite the members of the Board of Directors to approve the half-year Report as presented, along with Arthur Andersen's limited examination 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, 13 September 2000

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)**

|   | <b>30 June 2000</b> | <b>30 June 1999</b> | <b>31 December 1999</b> |
|---|---------------------|---------------------|-------------------------|
| Net revenues - stockings                                  | 77 834              | 85 144              | 185 020                 |
| Royalty income  | 609                 | 327                 | 821                     |
| <b>NET SALES</b>  | <b>78 443</b>       | <b>85 471</b>       | <b>185 841</b>          |
| <b>COST OF SALES</b>                                      |                     |                     |                         |
| Purchases   | 32 775              | 26 898              | 60 125                  |
| Labour cost   | 12 810              | 12 617              | 25 393                  |
| Services  | 6 320               | 6 288               | 12 950                  |
| Depreciation & amortisation                               | 4 696               | 4 279               | 8 828                   |
| Other costs   | 4 597               | 3 415               | 7 541                   |
| (Increase) decrease in inventories                        | -9 232              | 2 390               | 8 096                   |
|   | <b>51 966</b>       | <b>55 887</b>       | <b>122 933</b>          |
| <b>GROSS PROFIT</b>                                       | <b>26 477</b>       | <b>29 584</b>       | <b>62 908</b>           |
| <b>SELLING, GENERAL AND ADMINISTRATIVE COSTS</b>          |                     |                     |                         |
| Labour cost   | 5 524               | 5 333               | 10 283                  |
| Advertising expenses                                      | 6 078               | 7 323               | 17 069                  |
| Commissions   | 1 852               | 2 389               | 4 864                   |
| Depreciation & amortisation                               | 1 029               | 952                 | 2 107                   |
| Other expenses  | 4 466               | 6 022               | 10 778                  |
|   | <b>18 949</b>       | <b>22 019</b>       | <b>45 101</b>           |
| <b>OPERATING PROFIT</b>                                   | <b>7 528</b>        | <b>7 565</b>        | <b>17 807</b>           |
| Financial charges (income), net                           | 1 634               | 1 390               | 2 837                   |
| Writedown of investments                                  | 0                   | 0                   | 5                       |
| Other (income) and charges                                | - 874               | - 264               | - 721                   |
|   | <b>760</b>          | <b>1 126</b>        | <b>2 121</b>            |
| <b>PROFIT BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS</b> | <b>6 768</b>        | <b>6 439</b>        | <b>15 686</b>           |
| <b>ACCELERATED DEPRECIATION</b>                           | 1 818               | 2 305               | 4 834                   |
| <b>EXTRAORDINARY INCOME AND EXPENSES</b>                  | 0                   | 675                 | - 247                   |
| <b>PROFIT BEFORE INCOME TAXES</b>                         | <b>4 950</b>        | <b>3 459</b>        | <b>11 099</b>           |
| Income taxes (*)  |                     |                     | -4 854                  |
| <b>NET PROFIT FOR THE YEAR</b>                            | <b>4 950</b>        | <b>3 459</b>        | <b>6 245</b>            |

\* The figures as at 30 June 1999 and 2000 are before income taxes

**Attachment 2****Reclassified Balance Sheet - Assets**  
**(in millions of Lire)**

|  | <b>30 June 2000</b> | <b>30 June 1999</b> | <b>31 December 1999</b> |
|--|---------------------|---------------------|-------------------------|
| <b>CURRENT ASSETS</b>                        |                     |                     |                         |
| Cash and banks                               | 7 040               | 13 047              | 2 947                   |
| Trade receivables                            | 55 220              | 72 095              | 85 871                  |
| Due from subsidiary and associated companies | 10 723              | 1 012               | 2 688                   |
| Other receivables                            | 8 989               | 4 411               | 3 186                   |
| Inventories                                  | 70 082              | 66 556              | 60 850                  |
| Accrued income and prepayments               | 750                 | 2 303               | 1 178                   |
| Own shares                                   | 5 214               | 981                 | 1 852                   |
| <b>TOTAL CURRENT ASSETS</b>                  | <b>158 018</b>      | <b>160 405</b>      | <b>158 572</b>          |
| <b>FIXED ASSETS</b>                          |                     |                     |                         |
| Financial fixed assets:                      |                     |                     |                         |
| Financial receivables                        | 782                 | 235                 | 934                     |
| Equity investments                           | 49 858              | 1 567               | 26 819                  |
| Total financial fixed assets                 | <b>50 640</b>       | <b>1 802</b>        | <b>27 753</b>           |
| Tangible fixed assets                        | 63 309              | 70 712              | 66 801                  |
| Intangible fixed assets                      | 2 140               | 2 298               | 1 447                   |
| <b>TOTAL FIXED ASSETS</b>                    | <b>116 089</b>      | <b>74 812</b>       | <b>96 001</b>           |
| <b>TOTAL ASSETS</b>                          | <b>274 107</b>      | <b>235 217</b>      | <b>254 573</b>          |

**LIABILITIES & SHAREHOLDERS' EQUITY**

(in millions of Lire)

|   | 30 June 2000   | 30 June 1999   | 31 December 1999 |
|---|----------------|----------------|------------------|
| <b>CURRENT LIABILITIES</b>                            |                |                |                  |
| Short-term bank borrowings                            | 47 413         | 27 866         | 16 652           |
| Current portion of medium/long term debt              | 26 327         | 21 100         | 25 196           |
| Trade payables  | 50 338         | 51 613         | 75 243           |
| Payables to subsidiary and associated companies       | 1 791          | 0              | 592              |
| Taxes payable   | 931            | 448            | 983              |
| Other payables  | 8 204          | 4 797          | 4 138            |
| Accrued liabilities and deferred income               | 224            | 104            | 624              |
| <b>TOTAL CURRENT LIABILITIES</b>                      | <b>135 228</b> | <b>105 928</b> | <b>123 428</b>   |
| <b>MEDIUM/LONG TERM LIABILITIES</b>                   |                |                |                  |
| Medium long term debt,<br>net of the current portion  | 34 997         | 32 241         | 29 952           |
| Severance indemnities                                 | 8 121          | 6 600          | 7 856            |
| Other provisions                                      | 1 974          | 2 001          | 2 104            |
| <b>TOTAL MED/LONG-TERM LIABILITIES</b>                | <b>45 092</b>  | <b>40 842</b>  | <b>39 912</b>    |
| <b>TOTAL LIABILITIES</b>                              | <b>180 320</b> | <b>146 770</b> | <b>163 340</b>   |
| <b>SHAREHOLDERS' EQUITY</b>                           |                |                |                  |
| Share capital   | 24 500         | 24 500         | 24 500           |
| Legal reserve   | 2 513          | 2 201          | 2 201            |
| Share premium reserve                                 | 35 000         | 35 000         | 35 000           |
| Other reserves  | 26 824         | 23 287         | 23 287           |
| Net profit for the year*                              | 4 950          | 3 459          | 6 245            |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                     | <b>93 787</b>  | <b>88 447</b>  | <b>91 233</b>    |
| <b>TOTAL LIABILITIES AND<br/>SHAREHOLDERS' EQUITY</b> | <b>274 107</b> | <b>235 217</b> | <b>254 573</b>   |

\* The figures as at 30 June 1999 and 2000 are before income taxes

**MEMORANDUM ACCOUNTS**
**51 323**
**50 074**
**43 103**

**Comment on the reclassified financial statements**

**1. Analysis of the results for the half-year ended 30 June 2000 compared with the half-year ended 30 June 1999**

The pre-tax profit for the half-year ended 30 June 2000 came to Lire 4,950 million compared with Lire 3,459 million for the same period in 1999.

*Net sales* - Net sales for the first half of 2000 totalled Lire 78,443 million (including Lire 609 million in royalties), a reduction on the previous year of Lire 7,028 million (- 8.2%). In the first half of 2000 exports amounted to approximately 50% of total sales. These included Lire 20.8 billion to countries in Western Europe, Lire 16.4 million to Eastern Europe and Lire 1.9 million to other countries.

The decline in net sales in the first half of 2000, despite constant volumes, was mainly due to a change in the mix of products sold. These were affected by sales to Le Bourget consisting primarily of semi-finished goods.

*Cost of sales* - The cost of sales in the first half of 2000 totalled Lire 51,966 million, a fall, compared with the same period of the previous year, of Lire 3,921 million (- 7%). Cost of sales as a percentage of net sales was 66.3% in the first half of 2000 compared with 65.4% in the same period in 1999.

Amortisation and depreciation, totalling Lire 4,696 million (6% of net sales), increased by Lire 417 million compared with the previous year, as the result of the new plants coming online.

Inventories increased by Lire 9,232 million. This was due primarily to the boost in production from April to June designed to ensure optimum delivery times for the coming Autumn/Winter season. The brands most affected were Sanpellegrino and Oroblù but, most of all, the Le Bourget label, which is distributed in the main through the extremely demanding French chain store outlets.

*Gross Margin* - Gross margin, totalling Lire 26,477 million, represents 33.8% of net sales compared with 34.6% for the corresponding period in 1999.

*Selling, general and administrative costs* - Selling, general and administrative costs, amounting to Lire 18,949 million, fell by Lire 3,070 million compared with the corresponding period in the previous year, a reduction from 25.8% to 24.2% of net sales.

The main items included in this category are substantially stable and in line with the corresponding values in the previous year. The sole exception is the *other costs* item

which fell by Lire 1,556 million. This was due primarily to the reduced use of consultancy services relating to the implementation of the development strategy, which saw the Company looking for possible acquisitions and alliances.

*Operating profit* – Operating profit came to Lire 7,528 million, representing 9.6% of net sales compared with 8.85% in the corresponding period in 1999.

*Financial income (charges), net* – Net financial charges, amounting to Lire 1,634 million, increased by Lire 244 million compared with the previous year. This was due primarily to the rise in interest rates and represents 2.1% of net sales.

*Income taxes* – The financial statements for the first half of 2000 do not include the income tax calculation, as allowed by current CONSOB regulations.

## 2. Analysis of the net financial position for the half-year ended 30 June 2000

Net debt at 30 June 2000 amounted to Lire 101,697 million compared with Lire 68,160 million at 30 June 1999. The Company's financial position is as follows (in millions of Lire):

|   | 30 June<br>2000 | 30 June<br>1999 |
|---|-----------------|-----------------|
| Short-term bank borrowings                      | 47,413          | 27,866          |
| Current portion of medium/long-term debt        | 26,327          | 21,100          |
| Cash and banks                                  | (7,040)         | (13,047)        |
| <u>Net short-term debt</u>                      | <u>66,700</u>   | <u>35,919</u>   |
| Medium/long-term lending net of current portion | 34,997          | 32,241          |
| <u>Total net debt</u>                           | <u>101,697</u>  | <u>68,160</u>   |

Net debt increased mainly due to the acquisition of 55% of Lepel (Lire 22 billion), completed on 28 June 2000.

### 3. Analysis of the trend in net working capital and free cash flow for the half-year ended 30 June 2000

Net working capital at 30 June 2000 and 30 June 1999 is summarised in the table below (in millions of Lire):

|   | 30 June<br><u>2000</u> | 30 June<br><u>1999</u> |
|---|------------------------|------------------------|
| Trade receivables                                       | 65,943                 | 73,107                 |
| Other working capital items                             | 14,953                 | 7,695                  |
| Inventories   | 70,082                 | 66,556                 |
|   | <hr/>                  | <hr/>                  |
|   | 150,978                | 147,358                |
| Trade payables  | (52,129)               | (51,613)               |
| Other payables, accrued liabilities and deferred income | (9,359)                | (5,349)                |
|   | <hr/>                  | <hr/>                  |
|   | (61,488)               | (56,962)               |
| <b>Working capital</b>                                  | <hr/>                  | <hr/>                  |
|   | <b>89,490</b>          | <b>90,396</b>          |
| Net short-term debt                                     | (66,700)               | (35,919)               |
|   | <hr/>                  | <hr/>                  |
| <b>Net working capital</b>                              | <b>22,790</b>          | <b>54,477</b>          |

There has been little change in working capital compared with the same period in the previous year.

Finance requirements rose by Lire 27,799 million compared with 31.12.1999 due almost entirely to the Lepel acquisition.





|    |   |                |                |                |
|----|---|----------------|----------------|----------------|
|    | <b>Total III.</b>                           | <b>50 532</b>  | <b>27 645</b>  | <b>1 692</b>   |
|    | TOTAL FIXED ASSETS (B)                      | <b>115 981</b> | <b>95 891</b>  | <b>74 701</b>  |
| C) | CURRENT ASSETS                              |                |                |                |
|    | I. Inventories:                             |                |                |                |
|    | 1. raw, ancillary and consumable materials  | 11 114         | 13 004         | 11 073         |
|    | 2. semi-finished products, work-in-progress | 21 374         | 15 290         | 18 466         |
|    | 4. finished products and goods              | 37 594         | 32 556         | 37 018         |
|    | <b>Total I.</b>                             | <b>70 082</b>  | <b>60 850</b>  | <b>66 557</b>  |
|    | II. Receivables:                            |                |                |                |
|    | 1. trade accounts:                          |                |                |                |
|    | 1.a. due within 12 months                   | 55 219         | 85 870         | 72 095         |
|    | 2. subsidiary companies:                    |                |                |                |
|    | 2.a. due within 12 months                   | 7 679          | 654            |                |
|    | 3. associated companies                     |                |                |                |
|    | 3.a. due within 12 months                   | 3 044          | 2 034          | 1 012          |
|    | 5. others:                                  |                |                |                |
|    | 5.a. due within 12 months                   | 8 989          | 3 186          | 4 412          |
|    | 5.b. due beyond 12 months                   | 108            | 108            | 109            |
|    | <b>Total 5.</b>                             | <b>9 097</b>   | <b>3 294</b>   | <b>4 521</b>   |
|    | <b>Total II.</b>                            | <b>75 039</b>  | <b>91 852</b>  | <b>77 628</b>  |
|    | III. Current financial assets:              |                |                |                |
|    | 5. own shares                               | 5 214          | 1 852          | 981            |
|    | IV. Liquid funds:                           |                |                |                |
|    | 1. cash at banks and post offices           | 6 908          | 2 839          | 12 945         |
|    | 2. cheques                                  | 1              | 1              | 0              |
|    | 3. cash and equivalents on hand             | 131            | 108            | 102            |
|    | <b>Total IV.</b>                            | <b>7 040</b>   | <b>2 948</b>   | <b>13 047</b>  |
|    | TOTAL CURRENT ASSETS (C)                    | <b>157 375</b> | <b>157 502</b> | <b>158 213</b> |
| D. | ACCRUED INCOME AND PREPAYMENTS              | <b>750</b>     | <b>1 178</b>   | <b>2 303</b>   |
|    | <b>TOTAL ASSETS</b>                         | <b>274 106</b> | <b>254 571</b> | <b>235 217</b> |

**LIABILITIES**

|   | <b>30.06.2000</b> | <b>31.12.1999</b> | <b>30.06.1999</b> |
|---|-------------------|-------------------|-------------------|
| A) SHAREHOLDERS' EQUITY:                                  |                   |                   |                   |
| I. Share capital  | 24 500            | 24 500            | 24 500            |
| II. Share premium reserve                                 | 35 000            | 35 000            | 35 000            |
| III. Revaluation reserves                                 | 1 196             | 1 196             | 1 196             |
| IV. Legal reserve   | 2 513             | 2 201             | 2 201             |
| V. Reserve for own shares                                 | 5 214             | 1 852             | 981               |
| VI. Statutory reserves                                    |                   |                   |                   |
| VII. Other reserves:                                      |                   |                   |                   |
| a. undistributed profit                                   | 20 016            | 19 840            | 20 711            |
| b. capital grants reserve                                 | 398               | 398               | 398               |
| c. reserve for gains on disposals                         |                   |                   |                   |
| <b>Total VII.</b>   | <b>20 414</b>     | <b>20 238</b>     | <b>21 109</b>     |
| VIII. Profit carried forward                              |                   |                   |                   |
| IX. Net profit for the period (*)                         | 4 950             | 6 245             | 3 459             |
| <b>TOTAL SHAREHOLDERS' EQUITY (A)</b>                     | <b>93 787</b>     | <b>91 232</b>     | <b>88 446</b>     |
| B) RESERVES FOR CONTINGENCIES AND OTHER CHARGES:          |                   |                   |                   |
| 2. taxation   | 644               | 644               | 754               |
| 3. other  | 1 350             | 1 461             | 1 311             |
| <b>TOTAL RESERVES FOR CONTINGENCIES AND OTHER CHARGES</b> | <b>1 994</b>      | <b>2 105</b>      | <b>2 065</b>      |
| C) RESERVE FOR SEVERANCE INDEMNITIES                      | <b>8 121</b>      | <b>7 856</b>      | <b>6 600</b>      |
| D) PAYABLES:  |                   |                   |                   |
| 3. banks:   |                   |                   |                   |
| a. due within 12 months                                   | 73 740            | 41 848            | 48 966            |
| b. due beyond 12 months                                   | 34 997            | 29 952            | 32 241            |
| <b>Total 3.</b>   | <b>108 737</b>    | <b>71 800</b>     | <b>81 207</b>     |
| 5. advances:  |                   |                   |                   |
| a. due within 12 months                                   | 0                 | 260               | 0                 |
| 6. trade accounts:  |                   |                   |                   |
| a. due within 12 months                                   | 50 337            | 75 241            | 51 612            |
| 8. payables to subsidiary companies:                      |                   |                   |                   |
| a. due within 12 months                                   | 809               | 230               | 0                 |
| 9. payables to associated companies:                      |                   |                   |                   |
| a. due within 12 months                                   | 982               | 362               | 0                 |
| 11. taxes payable:  |                   |                   |                   |
| a. due within 12 months                                   | 931               | 2 091             | 448               |
| 12. payables to social security institutions              |                   |                   |                   |

|     |   |                |                |                |
|-----|---|----------------|----------------|----------------|
|     | a. due within 12 months                 | 958            | 1 386          | 603            |
| 13. | other payables:                         |                |                |                |
|     | a. due within 12 months                 | 7 226          | 1 384          | 4 132          |
|     | TOTAL PAYABLES (D)                      | <b>169 980</b> | <b>152 754</b> | <b>138 002</b> |
| E)  | ACCRUED LIABILITIES AND DEFERRED INCOME | <b>224</b>     | <b>624</b>     | <b>104</b>     |
|     | TOTAL LIABILITIES                       | <b>274 106</b> | <b>254 571</b> | <b>235 217</b> |

(\*) The figures as at 30 June 2000 and 1999 are before income taxes.

**MEMORANDUM ACCOUNTS**

|                                       | <b>30.06.2000</b> | <b>31.12.1999</b> | <b>30.06.1999</b> |
|---------------------------------------|-------------------|-------------------|-------------------|
| - Mortgages for loans                 | 36 000            | 36 000            | 40 000            |
| - Guarantees given to third parties   | 5 595             | 577               | 560               |
| - Assets held by third parties        | 765               | 606               | 565               |
| - Currency sales hedging contracts    | 1 594             | 0                 | 2 880             |
| - Purchasing commitments              | 2 552             | 1 404             | 2 057             |
| - Assets deposited with third parties | 4 779             | 4 374             | 3 745             |
| - Third party assets                  | 38                | 142               | 267               |
| <b>- Total</b>                        | <b>51 323</b>     | <b>43 103</b>     | <b>50 074</b>     |

(in millions of lire)

**STATEMENT OF INCOME**

|           | <b>30.06.2000</b>                          | <b>30.06.1999</b> | <b>31.12.1999</b> |
|-----------|--|-------------------|-------------------|
| <b>A)</b> | <b>PRODUCTION VALUE</b>                    |                   |                   |
| 1.        | 95 774                                     | 97 020            | 216 190           |
| 2.        | 11 122                                     | 1 149             | -6 488            |
| 5.        | Other income:                              |                   |                   |
| a.        | 1 641                                      | 886               | 2 177             |
| b.        | operating grants                           |                   |                   |
|           | <b>108 537</b>                             | <b>99 055</b>     | <b>211 879</b>    |
| <b>B)</b> | <b>PRODUCTION COSTS</b>                    |                   |                   |
| 6.        | 50 554                                     | 38 497            | 90 766            |
| 7.        | 22 943                                     | 24 435            | 52 004            |
| 8.        | 3  | 28                | 39                |
| 9.        | Labour costs:                              |                   |                   |
| a.        | 12 909                                     | 12 700            | 25 085            |
| b.        | 4 385                                      | 4 296             | 8 423             |
| c.        | 929  | 922               | 1 916             |
| e.        | 1  | 1                 | 25                |
|           | <b>18 224</b>                              | <b>17 919</b>     | <b>35 449</b>     |
| 10.       | Depreciation, amortisation and writedowns: |                   |                   |
| a.        | 715  | 1 234             | 2 638             |
| b.        | 6 827                                      | 6 976             | 14 481            |
| c.        | 0  | 0                 | 0                 |
| d.        | 388  | 970               | 1 394             |
|           | <b>7 930</b>                               | <b>9 180</b>      | <b>18 513</b>     |
| 11.       | 1 890                                      | 3 540             | 1 609             |
| 12.       | 68   | 57                | 336               |
| 14.       | 608  | 750               | 1 242             |
|           | <b>102 220</b>                             | <b>94 406</b>     | <b>199 958</b>    |
|           | <b>6 317</b>                               | <b>4 649</b>      | <b>11 921</b>     |
| <b>C)</b> | <b>FINANCIAL INCOME AND (CHARGES)</b>      |                   |                   |
| 15.       | Income from investments:                   |                   |                   |
| a.        | 0  | 0                 | 0                 |
| 16.       | Other financial income:                    |                   |                   |
| c.        | 161  | 53                | 116               |
| d.        | other than above:                          |                   |                   |

|    |  |               |               |               |
|----|--|---------------|---------------|---------------|
|    | d. from third parties  | 182           | 437           | 782           |
|    | <b>Total 16.</b>   | <b>343</b>    | <b>490</b>    | <b>898</b>    |
|    | 17. Interest and other financial charges:                              |               |               |               |
|    | d. from third parties  | -1 712        | -1 681        | -3 317        |
|    | TOTAL OTHER FINANCIAL INCOME (CHARGES) (C)                             | <b>-1 369</b> | <b>-1 191</b> | <b>-2 419</b> |
| D) | ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS:                          |               |               |               |
|    | 19. Writedowns:  |               |               |               |
|    | a. of equity investments   | 0             | 0             | - 5           |
|    | b. of financial fixed assets that do not constitute equity investments | 0             | 0             | 0             |
|    | <b>Total 19.</b>   | <b>0</b>      | <b>0</b>      | <b>- 5</b>    |
|    | TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)                 | <b>0</b>      | <b>0</b>      | <b>- 5</b>    |
| E) | NON-RECURRING INCOME AND CHARGES:                                      |               |               |               |
|    | 20. Non-recurring income   |               |               |               |
|    | b. other non-recurring income  | 2             | 1             | 1 602         |
|    | <b>Total 20.</b>   | <b>2</b>      | <b>1</b>      | <b>1 602</b>  |
|    | 21. Non-recurring charges:   |               |               |               |
|    | c. other non-recurring charges   | 0             | 0             | 0             |
|    | <b>Total 21.</b>   | <b>0</b>      | <b>0</b>      | <b>0</b>      |
|    | TOTAL NON-RECURRING INCOME AND (CHARGES) (E)                           | <b>2</b>      | <b>1</b>      | <b>1 602</b>  |
|    | PROFIT BEFORE TAXES (A-B+/-C+/-D+/-E)                                  | <b>4 950</b>  | <b>3 459</b>  | <b>11 099</b> |
|    | 22. Income taxes for the year  | (*)           | (*)           | -4 854        |
|    | 23. NET PROFIT FOR THE PERIOD  | <b>4 950</b>  | <b>3 459</b>  | <b>6 245</b>  |

(\*) The figure as at 30 June 2000 and 1999 are before income taxes.

# CSP INTERNATIONAL INDUSTRIA CALZE S.P.A.

FINANCIAL STATEMENTS AS AT 30 JUNE 2000

(in thousands of Euro)

## **BALANCE SHEET**

### **ASSETS:**

A) RECEIVABLES FROM SHAREHOLDERS:

0                      0                      0

B) FIXED ASSETS

I. Intangible fixed assets

3. industrial patents and intellectual property rights

850                      407                      412

4. concessions, licences, trade marks and similar rights

4                              6                              7

5. goodwill

85                              169                              254

6. construction in progress and advances

7. others

166                              165                              513

**Total I.**

**1 105                      747                      1 186**

II. Tangible fixed assets

1. land and buildings

17 146                      17 481                      17 491

2. plant and machinery

14 585                      16 126                      18 066

3. industrial and commercial equipment

230                              203                              133

4. other fixed assets

551                              498                              645

5. construction in progress and advances

185                              191                              185

**Total II.**

**32 697                      34 499                      36 520**

III. Financial fixed assets

1. Equity investments in:

a) subsidiary companies

24 574                      13 047                      3

b) associated companies

1 172                              800                              802

d) other companies

4                                      4                                      4

**Total 1.**

**25 750                      13 851                      809**

2. Financial receivables:

a) from subsidiary companies

a.a. due within 12 months

0                                      47                                      1

b) from associated companies

b.a. due within 12 months

66                                      64                                      64

**Total 2.**

**66                                      111                                      65**

3. Other securities

282                                      316                                      0

|   |                |                |                |
|---|----------------|----------------|----------------|
| <b>Total III.</b>                           | <b>26 098</b>  | <b>14 278</b>  | <b>874</b>     |
| TOTAL FIXED ASSETS (B)                      | <b>59 900</b>  | <b>49 524</b>  | <b>38 580</b>  |
| C) CURRENT ASSETS                           |                |                |                |
| I. Inventories:                             |                |                |                |
| 1. raw, ancillary and consumable materials  | 5 740          | 6 716          | 5 719          |
| 2. semi-finished products, work-in-progress | 11 039         | 7 897          | 9 537          |
| 4. finished products and goods              | 19 416         | 16 814         | 19 118         |
| <b>Total I.</b>                             | <b>36 195</b>  | <b>31 427</b>  | <b>34 374</b>  |
| II. Receivables:                            |                |                |                |
| 1. trade accounts:                          |                |                |                |
| 1.a. due within 12 months                   | 28 518         | 44 348         | 37 234         |
| 2. subsidiary companies:                    |                |                |                |
| 2.a. due within 12 months                   | 3 966          | 338            | 0              |
| 3. associated companies                     |                |                |                |
| 3.a. due within 12 months                   | 1 572          | 1 050          | 523            |
| 5. others:                                  |                |                |                |
| 5.a. due within 12 months                   | 4 641          | 1 645          | 2 278          |
| 5.b. due beyond 12 months                   | 56             | 56             | 55             |
| <b>Total 5.</b>                             | <b>4 697</b>   | <b>1 701</b>   | <b>2 333</b>   |
| <b>Total II.</b>                            | <b>38 753</b>  | <b>47 437</b>  | <b>40 090</b>  |
| III. Current financial assets:              |                |                |                |
| 5. own shares                               | 2 693          | 956            | 507            |
| IV. Liquid funds:                           |                |                |                |
| 1. cash at banks and post offices           | 3 568          | 1 466          | 6 686          |
| 2. cheques                                  | 1              | 1              | 0              |
| 3. cash and equivalents on hand             | 68             | 56             | 53             |
| <b>Total IV.</b>                            | <b>3 637</b>   | <b>1 523</b>   | <b>6 739</b>   |
| TOTAL CURRENT ASSETS (C)                    | <b>81 278</b>  | <b>81 343</b>  | <b>81 710</b>  |
| D. ACCRUED INCOME AND PREPAYMENTS           | 387            | 608            | 1 189          |
| <b>TOTAL ASSETS</b>                         | <b>141 565</b> | <b>131 475</b> | <b>121 479</b> |



**LIABILITIES**

|   | <b>30.06.2000</b> | <b>31.12.1999</b> | <b>30.06.1999</b> |
|---|-------------------|-------------------|-------------------|
| A) SHAREHOLDERS' EQUITY:                                  |                   |                   |                   |
| I. Share capital  | 12 653            | 12 653            | 12 653            |
| II. Share premium reserve                                 | 18 076            | 18 076            | 18 076            |
| III. Revaluation reserves                                 | 618               | 618               | 618               |
| IV. Legal reserve   | 1 298             | 1 137             | 1 137             |
| V. Reserve for own shares                                 | 2 693             | 956               | 507               |
| VI. Statutory reserves                                    |                   |                   |                   |
| VII. Other reserves:                                      |                   |                   |                   |
| a. undistributed profit                                   | 10 337            | 10 247            | 10 696            |
| b. capital grants reserve                                 | 206               | 206               | 206               |
| c. reserve for gains on disposals                         |                   |                   |                   |
| <b>Total VII.</b>   | <b>10 543</b>     | <b>10 453</b>     | <b>10 902</b>     |
| VIII. Profit carried forward                              |                   |                   |                   |
| IX. Net profit for the period (*)                         | 2 556             | 3 225             | 1 786             |
| <b>TOTAL SHAREHOLDERS' EQUITY (A)</b>                     | <b>48 437</b>     | <b>47 118</b>     | <b>45 679</b>     |
| B) RESERVES FOR CONTINGENCIES AND OTHER CHARGES:          |                   |                   |                   |
| 2. taxation   | 333               | 333               | 389               |
| 3. other  | 697               | 754               | 677               |
| <b>TOTAL RESERVES FOR CONTINGENCIES AND OTHER CHARGES</b> | <b>1 030</b>      | <b>1 087</b>      | <b>1 066</b>      |
| C) RESERVE FOR SEVERANCE INDEMNITIES                      | <b>4 194</b>      | <b>4 057</b>      | <b>3 409</b>      |
| D) PAYABLES:  |                   |                   |                   |
| 3. banks:   |                   |                   |                   |
| a. due within 12 months                                   | 38 084            | 21 613            | 25 289            |
| b. due beyond 12 months                                   | 18 074            | 15 469            | 16 651            |
| <b>Total 3.</b>   | <b>56 158</b>     | <b>37 082</b>     | <b>41 940</b>     |
| 5. advances:  |                   |                   |                   |
| a. due within 12 months                                   | 0                 | 134               | 0                 |
| 6. trade accounts:  |                   |                   |                   |
| a. due within 12 months                                   | 25 997            | 38 859            | 26 655            |
| 8. payables to subsidiary companies:                      |                   |                   |                   |
| a. due within 12 months                                   | 418               | 119               | 0                 |
| 9. payables to associated companies:                      |                   |                   |                   |
| a. due within 12 months                                   | 507               | 187               | 0                 |
| 11. taxes payable:  |                   |                   |                   |
| a. due within 12 months                                   | 481               | 1 080             | 231               |
| 12. payables to social security institutions              |                   |                   |                   |

|  |                |                |                |
|--|----------------|----------------|----------------|
| a. due within 12 months                    | 495            | 716            | 311            |
| 13. other payables:                        |                |                |                |
| a. due within 12 months                    | 3 732          | 714            | 2 134          |
| TOTAL PAYABLES (D)                         | <b>87 788</b>  | <b>78 891</b>  | <b>71 271</b>  |
| E) ACCRUED LIABILITIES AND DEFERRED INCOME | <b>116</b>     | <b>322</b>     | <b>54</b>      |
| TOTAL LIABILITIES                          | <b>141 565</b> | <b>131 475</b> | <b>121 479</b> |

(\*) The figures as at 30 June 2000 and 1999 are before income taxes.

**MEMORANDUM ACCOUNTS**

|                                       | <b>30.06.2000</b> | <b>31.12.1999</b> | <b>30.06.1999</b> |
|---------------------------------------|-------------------|-------------------|-------------------|
| - Mortgages for loans                 | 18 592            | 18 592            | 20 658            |
| - Guarantees given to third parties   | 2 890             | 298               | 289               |
| - Assets held by third parties        | 395               | 313               | 292               |
| - Currency sales hedging contracts    | 823               | 0                 | 1 487             |
| - Purchasing commitments              | 1 318             | 725               | 1 062             |
| - Assets deposited with third parties | 2 468             | 2 259             | 1 934             |
| - Third party assets                  | 20                | 73                | 138               |
| - <b>Total</b>                        | <b>26 506</b>     | <b>22 260</b>     | <b>25 860</b>     |

(in thousands of Euro)

**STATEMENT OF INCOME**

|   | 30.06.2000    | 30.06.1999    | 31.12.1999     |
|---|---------------|---------------|----------------|
| <b>A) PRODUCTION VALUE</b>  |               |               |                |
| 1. Revenues from sale of goods and services   | 49 463        | 50 107        | 111 653        |
| 2. Changes in inventories of work-in-progress, semi-finished and finished products              | 5 744         | 593           | -3 351         |
| 5. Other income:  |               |               |                |
| a. other income   | 848           | 458           | 1 124          |
| b. operating grants   |               |               |                |
| <b>TOTAL PRODUCTION VALUE (A)</b>   | <b>56 055</b> | <b>51 158</b> | <b>109 426</b> |
| <b>B) PRODUCTION COSTS</b>  |               |               |                |
| 6. Raw, ancillary and consumable materials and goods  | 26 109        | 19 882        | 46 877         |
| 7. Services   | 11 849        | 12 620        | 26 858         |
| 8. Use of third party assets  | 2             | 14            | 20             |
| 9. Labour costs:  |               |               |                |
| a. wages and salaries   | 6 667         | 6 559         | 12 955         |
| b. social security contributions  | 2 265         | 2 219         | 4 350          |
| c. severance indemnities  | 480           | 476           | 990            |
| e. other costs  | 1             | 1             | 13             |
| <b>Total 9.</b>   | <b>9 413</b>  | <b>9 255</b>  | <b>18 308</b>  |
| 10. Depreciation, amortisation and writedowns:  |               |               |                |
| a. amortisation of intangible fixed assets  | 369           | 637           | 1 362          |
| b. depreciation of tangible fixed assets  | 3 526         | 3 603         | 7 479          |
| c. other writedowns of fixed assets   | 0             | 0             | 0              |
| d. writedown of doubtful accounts included in current assets                                    | 200           | 501           | 720            |
| <b>Total 10.</b>  | <b>4 095</b>  | <b>4 741</b>  | <b>9 561</b>   |
| 11. Changes in inventories of raw, ancillary and consumable materials and goods                 | 976           | 1 828         | 831            |
| 12. Provisions for contingencies and other charges  | 35            | 29            | 174            |
| 14. Other operating expenses  | 314           | 389           | 640            |
| <b>TOTAL PRODUCTION COSTS (B)</b>   | <b>52 793</b> | <b>48 758</b> | <b>103 269</b> |
| <b>DIFFERENCE BETWEEN PRODUCTION VALUE AND PROD. COSTS (A-B)</b>                                | <b>3 262</b>  | <b>2 400</b>  | <b>6 157</b>   |
| <b>C) FINANCIAL INCOME AND (CHARGES)</b>  |               |               |                |
| 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 | 83            | 27            | 60             |
| d. other than above:  |               |               |                |

|  |              |              |               |
|--|--------------|--------------|---------------|
| d. from third parties  | 94           | 226          | 404           |
| <b>Total 16.</b>   | <b>177</b>   | <b>253</b>   | <b>464</b>    |
| 17. Interest and other financial charges:                              |              |              |               |
| d. from third parties  | - 884        | - 868        | -1 713        |
| TOTAL OTHER FINANCIAL INCOME (CHARGES) (C)                             | <b>- 707</b> | <b>- 615</b> | <b>-1 249</b> |
| D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS:                       |              |              |               |
| 19. Writedowns:  |              |              |               |
| a. of equity investments   | 0            | 0            | - 3           |
| b. of financial fixed assets that do not constitute equity investments | 0            | 0            | 0             |
| <b>Total 19.</b>   | <b>0</b>     | <b>0</b>     | <b>- 3</b>    |
| TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)                 | <b>0</b>     | <b>0</b>     | <b>- 3</b>    |
| E) NON-RECURRING INCOME AND CHARGES:                                   |              |              |               |
| 20. Non-recurring income   |              |              |               |
| b. other non-recurring income  | 1            | 1            | 827           |
| <b>Total 20.</b>   | <b>1</b>     | <b>1</b>     | <b>827</b>    |
| 21. Non-recurring charges:   |              |              |               |
| c. other non-recurring charges   | 0            | 0            | 0             |
| <b>Total 21.</b>   | <b>0</b>     | <b>0</b>     | <b>0</b>      |
| TOTAL NON-RECURRING INCOME AND (CHARGES) (E)                           | <b>1</b>     | <b>1</b>     | <b>827</b>    |
| PROFIT BEFORE TAXES (A-B+/-C+/-D+/-E)                                  | <b>2 556</b> | <b>1 786</b> | <b>5 732</b>  |
| 22. Income taxes for the year  | (*)          | (*)          | -2 507        |
| 23. NET PROFIT FOR THE PERIOD  | <b>2 556</b> | <b>1 786</b> | <b>3 225</b>  |

(\*) The figure as at 30 June 2000 and 1999 are before income taxes.

# **CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2000**

#### **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. 11971 of 14 May 1999 and subsequent legislation.

The attached financial statements have been presented on a comparative basis with 30 June 1999 and 31 December 1999.

#### **ACCOUNTING POLICIES**

The accounting policies adopted for the preparation of the financial statements as of 30 June 2000 are consistent with those used for the full year 1999, 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.

These amounts will be determined at year-end.

#### **OTHER INFORMATION**

**Preparation of consolidated financial statements** -- In accordance with Decree 127/1991, the Company has prepared consolidated financial statements.

## **BALANCE SHEET**

*(AMOUNTS IN MILLIONS 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 2000, intangible fixed assets amounted to Lire 2,140 million, versus Lire 1,446 million at 31 December 1999.

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 1,335 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 production equipment and to the purchase of machinery for the new Ceresara plant.

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 2000 includes accelerated depreciation, as permitted by article 2426.2 of the Italian Civil Code, amounting to Lire 16,177 million.

Depreciation and tangible fixed assets at 30 June 2000 are therefore over- and understated by Lire 1,818 million and Lire 16,177 million respectively.

The list of assets by category at 30 June 2000, which under article 10 of Law no.72/83 have been subject to revaluation laws, is set out below:

| Assets in existence at 30/06/2000 | Historical cost | Revaluation L. 576/75 | Revaluation L. 72/83 | Revaluation L. 413/91 | Total  |
|-----------------------------------|-----------------|-----------------------|----------------------|-----------------------|--------|
| Buildings/temporary constructions | 39,969          | 40                    | 273                  | 906                   | 41,188 |
| Plant and machinery               | 78,519          | 19                    | 186                  | 0                     | 78,666 |
| Equipment                         | 1,700           | 0                     | 29                   | 0                     | 1,730  |
| Furniture and office machines     | 2,256           | 1                     | 15                   | 0                     | 2,272  |
| Electronic office equipment       | 3,553           | 0                     | 18                   | 0                     | 3,571  |
| Cars and other vehicles           | 2,443           | 1                     | 8                    | 0                     | 2,452  |

### ■ B.III- Financial fixed assets

#### B.III.1. Equity investments

Equity investments included within financial fixed assets have increased compared with 31 December 1999 following the purchase of 55% of Lepel Srl (Lire 22,180 million), the increase in the Polish subsidiary's share capital (Sanpellegrino Polska) by Lire 721 million and the conclusion of the Residual Public Offer for the acquisition of the remaining 0.45% of Le Bourget S.a. (Lire 138 million).

### ■ C. CURRENT ASSETS

#### ■ C.I. Inventories

|                   | 30/06/00 | 31/12/99 | 30/06/99 |
|-------------------|----------|----------|----------|
| Gross value       | 71,102   | 61,652   | 67,293   |
| Writedown reserve | (1,020)  | (801)    | (737)    |
| Net value         | 70,082   | 60,850   | 66,557   |

The increase of Lire 9,232 million compared with 31 December 1999 and of Lire 3,525 million compared with 30 June 1999 is due to the start-up of the production for Le Bourget.



### C.II.1. Trade accounts

Trade receivables may be analysed as follows:

|                                   | 30/06/00 | 31/12/99 | 30/06/99 |
|-----------------------------------|----------|----------|----------|
| Trade receivables - Italy         | 35,954   | 49,479   | 37,968   |
| Trade receivables - abroad        | 14,023   | 17,894   | 25,196   |
| Bill subject to collection        | 10,197   | 23,332   | 17,598   |
| Customers - invoices to be issued | 733      | 1,199    | 550      |
| Credit notes to be issued         | (2,000)  | (2,733)  | (2,619)  |
| Allowance for doubtful accounts   | (3,688)  | (3,301)  | (6,598)  |
| Total                             | 55,219   | 85,870   | 72,095   |

Compared with 30 June 1999 total trade receivables have decreased due to the lower sales recorded during the period.

All receivables are due within 12 months.

### C.II.2. Due from subsidiary companies

This item is made up as follows:

|                 | 30/06/00 | 31/12/99 | 30/06/99 |
|-----------------|----------|----------|----------|
| LE BOURGET S.a. | 6,198    | 654      | 0        |
| SOGED S.a.      | 1,457    | 0        | 0        |
| S.A.R.L. BUC    | 21       | 0        | 0        |
| BO.MO Srl       | 3        | 0        | 0        |
| Total           | 7,679    | 654      | 0        |

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

### C.II.3. Due from associated companies

This item is made up as follows:

|                              | 30/06/00 | 31/12/99 | 30/06/99 |
|------------------------------|----------|----------|----------|
| ROZAL S.a.r.l.               | 194      | 194      | 109      |
| CSP HOSIERY Ltd (UK)         | 261      | 261      | 284      |
| SANPELLEGRINO POLSKA Sp.z.oo | 2,589    | 1,579    | 619      |
| Total                        | 3,044    | 2,034    | 1,012    |

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:

|  | 30/06/00 | 31/12/99 | 30/06/99 |
|--|----------|----------|----------|
| VAT credits                              | 4,092    | 674      | 1,107    |
| Income taxes for the period              | 0        | 0        | 0        |
| Advances to suppliers                    | 24       | 72       | 1        |
| Employees' travel advances               | 13       | 12       | 0        |
| Deferred tax assets                      | 2,328    | 2,328    | 0        |
| Advance taxes                            | 2,459    | 0        | 3,258    |
| Other current receivables                | 29       | 58       | 46       |
| Foreign VAT credits                      | 44       | 42       | 0        |
| Total other short-term receivables       | 8,989    | 3,186    | 4,412    |
| Guarantee deposits                       | 108      | 108      | 109      |
| Total other medium/long-term receivables | 108      | 108      | 109      |
| Total other receivables                  | 9,097    | 3,294    | 4,521    |

#### **B.III.4. Own shares**

As of 30 June 2000 the company owned 569,000 of its own shares (nominal value 569 million Lire), corresponding to 2.322% of its share capital, as authorized by the Ordinary Shareholders' meeting of 27 April 2000.

During the period 501,000 own shares were purchased and 134,500 sold. This resulted in a net capital gain of Lire 161 million.

#### **■ D. ACCRUED INCOME AND PREPAYMENTS**

This caption comprises:

|                           | 30/06/00 | 31/12/99 | 30/06/99 |
|---------------------------|----------|----------|----------|
| Prepayment TV advertising | 0        | 975      | 1,949    |
| Insurance                 | 196      | 0        | 232      |
| Prepayments               | 522      | 175      | 79       |
| Other                     | 32       | 28       | 43       |
| Total                     | 750      | 1,178    | 2,303    |

Insurance prepayments represent the portion 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 2000 are detailed in Attachment no. 3.

### **B. RESERVES FOR CONTINGENCIES AND OTHER CHARGES**

Movements in this item are set out below:

|                                      | 01/01/00 | provisions | utilizations | 30/06/00 |
|--------------------------------------|----------|------------|--------------|----------|
| Tax reserve                          | 644      | 0          | 0            | 644      |
| Other:                               |          |            |              |          |
| -Exchange fluctuation reserve        | 0        | 19         | 0            | 19       |
| - Provision for future contingencies | 200      | 0          | 0            | 200      |
| -Agents indemnity reserve            | 1,261    | 43         | (173)        | 1,131    |
| Total other                          | 1,461    | 62         | (173)        | 1,350    |
| Total                                | 2,105    | 62         | (173)        | 1,994    |

### **■ C. SEVERANCE INDEMNITIES**

Movements during the year are analysed as follows:

|                         | 01/01/00 | Utilisation | Provisions | 30/06/00 |
|-------------------------|----------|-------------|------------|----------|
| - Severance indemnities | 7,856    | (51)        | 316        | 8,121    |

### **■ D. PAYABLES**

#### **■ D.3. Banks**

Net borrowing has gone from Lire 71,800 million as of 31 December 1999 to Lire 108,737 million, up Lire 36,937 million; the increase is due to the outlay for the acquisition of Lepel Srl.

Maturities of loans are set out below:

|       | within 12<br>months | within 5 years. | beyond 5<br>years | total  |
|-------|---------------------|-----------------|-------------------|--------|
| Loans | 26,327              | 34,997          | 0                 | 61,324 |

During the first half of the year a new loan was raised for a total of Lire 10,000 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 24,904 million compared with 31 December 1999.

This is explained by the different proportion of manufacturing activities in the two periods and by the marginal presence of suppliers of capital goods (the company has practically concluded its hefty production expansion plan, which was started a few years ago).

On the other hand, the balance is substantially in line with what it was at the end of June 1999.

#### ■ D.13 Other payables

These comprise:

|                               | 30/06/00 | 31/12/99 | 30/06/99 |
|-------------------------------|----------|----------|----------|
| Due to employees              | 4,796    | 1,302    | 4,088    |
| Dividends due to shareholders | 2,395    | 0        | 1        |
| Other payables                | 35       | 82       | 43       |
| Total                         | 7,226    | 1,384    | 4,132    |

Amounts payable to employees include accrued holiday pay at 30 June 2000, 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 7,741 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 2000, there are currency sale commitments with banks for approximately Lire 1,594 million.

**Purchase commitments --** At 30 June 2000, there are commitments based on signed contracts for the purchase of fixed assets amounting to Lire 2,552 million. These commitments refer to the completion of new plants as well as software.

**Assets with third parties --** This caption refers to goods in the hands of subcontractors for processing.

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

# STATEMENT OF INCOME

*(AMOUNTS IN MILLIONS 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:

|                      | 30/06/00 | 31/12/99 | 30/06/99 |
|----------------------|----------|----------|----------|
| - Italy:             |          |          |          |
| -stockings           | 45,704   | 122,484  | 51,540   |
| -yarns               | 5,623    | 14,808   | 5,541    |
| -raw materials/other | 816      | 500      | 189      |
| - Western Europe     |          |          | 0        |
| -stockings           | 16,318   | 43,236   | 24,554   |
| -yarns               | 2,028    |          |          |
| -other               | 4,822    | 1,160    | 284      |
| - Eastern Europe     |          |          | 0        |
| -stockings           | 16,253   | 27,263   | 12,317   |
| -yarns               | 1,624    |          |          |
| -other               | 632      | 2,237    | 728      |
| - Outside Europe     |          |          | 0        |
| -stockings           | 1,945    | 4,445    | 1,834    |
| -other               | 9        | 57       | 35       |
| Total                | 95,774   | 216,190  | 97,020   |

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 609 million) and advertising contributions received from suppliers for putting their brand names on our products (Lire 175 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 43,352 million (Lire 32,297 million at 30 June 99) and packaging materials totalling Lire 7,202 million (Lire 6,200 million at 30 June 99).

### ■ **B.7. Services**

This caption comprises:

|                             | 30/06/00 | 31/12/99 | 30/06/99 |
|-----------------------------|----------|----------|----------|
| - Outside contractors       | 6,320    | 12,941   | 6,284    |
| - Advertising and promotion | 6,500    | 18,271   | 7,881    |
| - Agents                    | 1,902    | 4,913    | 2,416    |
| - Transport                 | 1,348    | 3,348    | 1,530    |
| - Power                     | 2,397    | 3,882    | 1,828    |
| - Other                     | 4,476    | 8,649    | 4,497    |
| Total                       | 22,943   | 52,004   | 24,435   |

### ■ **B.9. Labour costs**

This caption includes all the costs incurred on an ongoing 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:

|                  | 01/01/00 | new hires | leavers | 30/06/00 | average |
|------------------|----------|-----------|---------|----------|---------|
| - Managers       | 8        | 4         | 0       | 12       | 10      |
| - Supervisors    | 26       | 0         | 3       | 23       | 24      |
| - Office workers | 106      | 1         | 15      | 94       | 100     |
| - Plant workers  | 593      | 11        | 39      | 565      | 579     |
| Total            | 733      | 16        | 57      | 692      | 713     |

Note that new hires and leavers also include internal promotions.



#### ■ B.10. Depreciation, amortisation and writedowns

This caption decreased by Lire 668 million with respect to 30 June 1999.

The writedown of receivables, Lire 388 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 141 million) and miscellaneous taxes (Lire 164 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:

|                                       | 30/06/00 | 31/12/99 | 30/06/99 |
|---------------------------------------|----------|----------|----------|
| - Interest income on current accounts | 12       | 40       | 0        |
| - Interest charged to customers       | 62       | 219      | 133      |
| - Exchange gains                      | 92       | 492      | 303      |
| - Other interest receivable           |          | 29       | 0        |
| - Discounts and roundings             | 16       | 2        | 1        |
| Total                                 | 182      | 782      | 437      |

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

This item comprises:

|   | 30/06/00     | 31/12/99     | 30/06/99     |
|---|--------------|--------------|--------------|
| - Interest expense on current accounts          | 188          | 558          | 325          |
| - Interest on borrowings                        | 373          | 853          | 459          |
| - Loan interest                                 | 1,062        | 1,761        | 875          |
| - Other interest and charges                    | 15           | 28           |              |
| - Exchange losses                               | 54           | 118          | 18           |
| - Provision to the exchange fluctuation reserve | 20           | 0            |              |
| - Bank charges                                  |              |              | 3,433        |
| <b>Total</b>                                    | <b>1,712</b> | <b>3,317</b> | <b>1,681</b> |

Ceresara, 13 September 2000

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 2000
2. - Schedule of changes in tangible fixed assets for the period ended 30 June 2000
3. - Schedule of changes in financial fixed assets for the period ended 30 June 2000
4. - Statement of changes in shareholders' equity for the period ended 30 June 2000
5. - Cash flow statement for the period ended 30 June 2000
6. - List of equity investments for the period ended 30 June 2000

**Attachment No.1****Schedule of movements in intangible fixed assets as at 30 June 2000***in millions of Lire*

| Description  | Historical cost | Amortisation at 31.12.99 | Writedowns at 31.12.99 | Net book value at 31.12.99 | Additions June 2000 | Reclassifications June 2000 | Amortisation June 2000 | Net book value at 30.06.2000 |
|--|-----------------|--------------------------|------------------------|----------------------------|---------------------|-----------------------------|------------------------|------------------------------|
| <b>Industrial patents and intellectual property rights</b> |                 |                          |                        |                            |                     |                             |                        |                              |
| -Software  | 3 675           | -2 887                   | 0                      | 788                        | 1 335               |                             | - 477                  | 1 646                        |
| <b>Trade marks &amp; similar rights</b>                    |                 |                          |                        |                            |                     |                             |                        |                              |
| - CSP trade mark   | 75              | - 64                     | 0                      | 11                         | 0                   | 0                           | - 3                    | 8                            |
| <b>Goodwill</b>  | 1 641           | -1 313                   | 0                      | 328                        | 0                   | 0                           | - 164                  | 164                          |
| <b>Other</b>   |                 |                          |                        |                            |                     |                             |                        |                              |
| - Flotation costs  | 4 048           | -4 048                   | 0                      | 0                          | 0                   |                             | 0                      | 0                            |
| - Deferred loan charges                                    | 126             | - 55                     | 0                      | 71                         | 0                   |                             | - 11                   | 60                           |
| - Other intangible fixed                                   | 557             | - 309                    | 0                      | 248                        | 74                  |                             | - 60                   | 262                          |
| Total others   | 4 731           | -4 412                   | 0                      | 319                        | 74                  | 0                           | - 71                   | 322                          |
| <b>Total</b>   | <b>10 122</b>   | <b>-8 676</b>            | <b>0</b>               | <b>1 446</b>               | <b>1 409</b>        | <b>0</b>                    | <b>- 715</b>           | <b>2 140</b>                 |

## Attachment No. 2

## Schedule of movements in tangible fixed assets as at 30 June 2000

*in millions of Lire*

| Summary of assets        |                  |              |                                      |                            |                           |                     |                       |                       |                             |                        |                  |              |                                     |                           |
|--------------------------|------------------|--------------|--------------------------------------|----------------------------|---------------------------|---------------------|-----------------------|-----------------------|-----------------------------|------------------------|------------------|--------------|-------------------------------------|---------------------------|
| Description              | Opening balances |              |                                      |                            | Movements during the year |                     |                       |                       |                             |                        | Closing balances |              |                                     |                           |
|                          | Historical cost  | Revaluations | Accumulated depreciation at 31.12.99 | Net book value at 31.12.99 | Additions June 2000       | Decreases June 2000 | Decrease revaluations | Reversal depreciation | Reclassifications June 2000 | Depreciation June 2000 | Historical cost  | Revaluations | Accumulated depreciation at 30.6.00 | Net book value at 30.6.00 |
| Land & buildings         | 39 891           | 1 220        | -7 262                               | 33 848                     | 70                        | - 2                 | 0                     | - 1                   | 10                          | - 729                  | 39 969           | 1 220        | -7 990                              | 33 199                    |
| Plant & machinery        | 76 747           | 205          | -45 726                              | 31 225                     | 2 719                     | - 947               | 0                     | - 775                 | 0                           | -5 533                 | 78 519           | 205          | -50 484                             | 28 240                    |
| Equipment                | 1 478            | 29           | -1 113                               | 394                        | 227                       | - 5                 | 0                     | - 5                   | 0                           | - 176                  | 1 700            | 29           | -1 284                              | 445                       |
| Other assets             | 8 484            | 43           | -7 562                               | 964                        | 490                       | - 49                | 0                     | - 49                  | 0                           | - 389                  | 8 925            | 43           | -7 902                              | 1 066                     |
| Construction in progress | 369              | 0            | 0                                    | 369                        | 0                         | 0                   | 0                     | 0                     | - 10                        | 0                      | 359              | 0            | 0                                   | 359                       |
| <b>Total</b>             | <b>126 969</b>   | <b>1 497</b> | <b>-61 663</b>                       | <b>66 800</b>              | <b>3 506</b>              | <b>-1 003</b>       | <b>0</b>              | <b>- 830</b>          | <b>0</b>                    | <b>-6 827</b>          | <b>129 472</b>   | <b>1 497</b> | <b>-67 660</b>                      | <b>63 309</b>             |

Attachment no.3

**Schedule of changes in financial fixed assets for the period ended 30 June 2000**

IN THOUSANDS OF LIRE

| FIXED ASSETS   | OPENING BALANCES |              |              |                            | MOVEMENTS DURING THE YEAR |                   |           |              |              | CLOSING BALANCES             |                       |
|--|------------------|--------------|--------------|----------------------------|---------------------------|-------------------|-----------|--------------|--------------|------------------------------|-----------------------|
|  | HISTORICAL COST  | REVALUATIONS | DEPRECIATION | NET BOOK VALUE AT 31.12.99 | ADDITIONS                 | RECLASSIFICATIONS | DECREASES | REVALUATIONS | DEPRECIATION | NET BOOK VALUE AT 30.06.2000 | OF WHICH REVALUATIONS |
| <b>EQUITY INVESTMENTS</b>  |                  |              |              |                            |                           |                   |           |              |              |                              |                       |
| <b>SUBSIDIARY COMPANIES</b>  |                  |              |              |                            |                           |                   |           |              |              |                              |                       |
| LEPEL SRL - CARPI (MO)<br>Via nuova Ponente, 25/b                    |                  |              |              | 0                          | 22 180                    |                   |           |              |              | 22 180                       |                       |
| E.D.I. - LYON (F)<br>Boulevard Vivier Merle, 1                       | 12 901           |              |              | 12 901                     |                           |                   |           |              |              | 12 901                       |                       |
| LE BOURGET S.A<br>FRESNOY LE GRAND (F)                               | 12 362           |              |              | 12 362                     | 138                       |                   |           |              |              | 12 500                       |                       |
| <b>TOTAL SUBSIDIARY COMPANIES</b>                                    | <b>25 263</b>    | <b>0</b>     | <b>0</b>     | <b>25 263</b>              | <b>22 318</b>             | <b>0</b>          | <b>0</b>  | <b>0</b>     | <b>0</b>     | <b>47 581</b>                | <b>0</b>              |
| <b>ASSOCIATED COMPANIES</b>  |                  |              |              |                            |                           |                   |           |              |              |                              |                       |
| ROZAL SARL - PARIS (F)<br>Rue Turbigo, 30                            | 18               |              |              | 18                         |                           |                   |           |              |              | 18                           |                       |
| CSP HOSIERY (UK) LTD - LONDON (UK)<br>Acton Park, 28                 | 5                |              | - 5          | 0                          |                           |                   |           |              |              | 0                            |                       |
| SANPELLEGRINO POLSKA SP.z.oo<br>Ul.Laska, 7-KONSTANTYNOW (LODZ) (PL) | 1 531            |              |              | 1 531                      | 721                       |                   |           |              |              | 2 252                        |                       |
| <b>TOTAL ASSOCIATED COMPANIES</b>                                    | <b>1 554</b>     | <b>0</b>     | <b>- 5</b>   | <b>1 549</b>               | <b>721</b>                | <b>0</b>          | <b>0</b>  | <b>0</b>     | <b>0</b>     | <b>2 270</b>                 | <b>0</b>              |
| <b>OTHER COMPANIES</b>   |                  |              |              |                            |                           |                   |           |              |              |                              |                       |
| CASSA RUR.ED ART. CASTELGOFFREDO (MN)<br>Via Giotto, 2               | 1                |              |              | 1                          |                           |                   |           |              |              | 1                            |                       |
| FONDO PENSIONE PREVIMODA - MILAN<br>Viale Sarca, 223                 | 3                |              |              | 3                          |                           |                   |           |              |              | 3                            |                       |
| CONAI - ROME<br>Viale dell'Astronomia, 30                            | 3                |              |              | 3                          |                           |                   |           |              |              | 3                            |                       |
| <b>TOTAL OTHER COMPANIES</b>   | <b>7</b>         | <b>0</b>     | <b>0</b>     | <b>7</b>                   | <b>0</b>                  | <b>0</b>          | <b>0</b>  | <b>0</b>     | <b>0</b>     | <b>7</b>                     | <b>0</b>              |
| <b>TOTAL EQUITY INVESTMENTS</b>                                      | <b>26 824</b>    | <b>0</b>     | <b>- 5</b>   | <b>26 819</b>              | <b>23 039</b>             | <b>0</b>          | <b>0</b>  | <b>0</b>     | <b>0</b>     | <b>49 858</b>                | <b>0</b>              |

**Attachment No. 4**

**SCHEDULE OF CHANGES IN SHAREHOLDERS' EQUITY**

**AS AT 30 JUNE 2000**

**(in millions 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 shareholders' equity |
|---|---------------|-----------------------|------------------------|----------------------|---------------|----------------|--------------------------------|----------------------------|
| <b>Balances at 1 January 2000</b>                                   | 24 500        | 35 000                | 1 852                  | 1 196                | 2 201         | 20 238         | 6 245                          | 91 232                     |
| Allocation of 1999 net profit<br>(General meeting of 27 April 2000) |               |                       |                        |                      |               |                |                                |                            |
| - 5% allocation to legal reserve                                    |               |                       |                        |                      | 312           |                | - 312                          | 0                          |
| - Dividends distributed   |               |                       |                        |                      |               |                | -2 395                         | -2 395                     |
| - Dividends on own shares   |               |                       |                        |                      |               | 55             | - 55                           | 0                          |
| - Profits carried forward   |               |                       |                        |                      |               | 3 483          | -3 483                         | 0                          |
| Other movements   |               |                       | 3 362                  |                      |               | -3 362         |                                | 0                          |
| Net profit at 30.6.00 (*)   |               |                       |                        |                      |               |                | 4 950                          | 4 950                      |
| <b>Balances at 30 June 2000</b>                                     | <b>24 500</b> | <b>35 000</b>         | <b>5 214</b>           | <b>1 196</b>         | <b>2 513</b>  | <b>20 414</b>  | <b>4 950</b>                   | <b>93 787</b>              |

(\*) Net profit as at 30 June 2000 is before income taxes

**Attachment No. 5**

**CASH FLOW STATEMENT**  
**at 30 June 2000 and 31 December 1999**  
**(in millions of Lire)**

|   | <b>30.06.2000</b> | <b>31.12.1999</b> |
|---|-------------------|-------------------|
| A. OPENING NET DEBT   | -38 901           | -69 489           |
| B. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES                             |                   |                   |
| Net profit for the period   | 4 950             | 6 245             |
| Depreciation, amortisation and writedowns                                 | 7 542             | 17 119            |
| Losses on and writedowns of financial fixed assets                        | 0                 | 5                 |
| Net change in severance indemnities for employees and agents              | 135               | 1 269             |
| Provision for contingencies and other charges                             | 19                | - 17              |
| Cash flows from operating activities before changes in working capital    | 12 646            | 24 621            |
| (Increase) decrease in current receivables                                | 21 895            | 12 953            |
| (Increase) decrease in inventories  | -9 232            | 8 097             |
| Increase (decrease) in trade and other payables                           | -22 506           | 8 030             |
| Changes in other working capital items                                    | -8 736            | 3 146             |
|   | -5 933            | 56 847            |
| C. CASH FLOWS FROM (FOR) INVESTMENT ACTIVITIES                            |                   |                   |
| Purchase (disposal) of fixed assets:                                      |                   |                   |
| Intangible  | -1 409            | - 967             |
| Tangible  | -3 336            | -9 668            |
| Financial   | -22 166           | -25 364           |
|   | -26 911           | -35 999           |
| D. CASH FLOWS FROM (FOR) FINANCING ACTIVITIES                             |                   |                   |
| New borrowings net of the current portion transferred to current payables | 5 045             | 10 960            |
| Dividends paid  | 0                 | -1 220            |
| Other changes in shareholders' equity                                     | 0                 | 0                 |
|   | 5 045             | 9 740             |
| E. TOTAL CASH FLOWS FOR THE PERIOD (B+C+D)                                | -27 799           | 30 588            |
| F. CLOSING NET DEBT (A+E)   | -66 700           | -38 901           |



### List of equity investments as at 30 June 2000

( in accordance with CONSOB resolution no. 11971 art. 125 dated 14 May 1999 ; CONSOB explanation dated 14 July 2000)

| <i>Name</i>   | <i>Number of shares</i> | <i>share capital %</i> | <i>Currency</i> | <i>Nominal value</i> | <i>Type of control</i>                         | <i>Type of equity investment</i> | <i>Title</i> |
|---|-------------------------|------------------------|-----------------|----------------------|--|----------------------------------|--------------|
| E.D.I. S.A. Boulevard Vivier Merle, 1<br>69003 Lyon France      | 104,146                 | 100                    | FF              | 269                  | By right                                       | Direct                           | Ownership    |
| Le Bourget S.A 02230 Fresnoy Le Grand France                    | 1,307,376               | 99.996                 | FF              | 12                   | By right                                       | Direct and indirect*             | Ownership    |
| Lepel SrL<br>Via Nuova Ponente, 25/B<br>41012 Carpi MO (Italy)  | 2,116,400               | 55                     | Euro            | 1                    | By right                                       | Direct                           | Ownership    |
| San Pellegrino Polska SP.z.00 Via UI Laska<br>90-646 Ldz Poland | 60,000                  | 50                     | Zloty           | 50                   | By appointment and revocation of the directors | Direct                           | Ownership    |
| Rozal SARL 30 Rue de Turbigo<br>75003 PARIS FRANCE              | 600                     | 20                     | FF              | 100                  | By right                                       | Direct                           | Ownership    |
| CSP Hosiery UK - 28, Acton Park Estate W37QE London UK          | 2,000                   | 20                     | £stg            | 1                    | By right                                       | Direct                           | Ownership    |

\* Indirectly held through E.D.I. S.A which holds, and owns, 703373 shares, namely 50.83% of the share capital.

Note: the share capital is made up only of ordinary shares with voting rights.

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

**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2000**

**DIRECTORS' REPORT ON OPERATIONS**

This half-yearly report at 30 June 2000 is drawn up in accordance with Consob regulations (Resolution no. 11971 of 14 May 1999, as amended by Resolution no. 12475 of 6 April 2000). It contains the Group's consolidated financial statements in Lire and Euro, with the explanatory notes, and the Parent Company's financial statements and notes.

The Parent Company has made the following acquisitions:

- The Le Bourget Group in the second half of 1999
- A controlling interest in Lepel S.r.l. in the first half of 2000.

The attached consolidated six-monthly report therefore includes the reports for CSP International (Parent Company), Le Bourget and Lepel; SP Polska is still stated in the half-yearly report as an equity investment. As illustrated in the explanatory notes to the financial statements and as permitted by the reference regulations, the figures reported do not include comparisons with the corresponding period in the previous year since this is the first consolidated half-yearly report that the Company has prepared.

**1. Key figures**

The Consolidated Financial Statements show a 63.4% increase in sales, rising from Parent Company sales of Lire 85.5 billion for the first half of the year in 1999, to Lire 139.6 billion in the first half of 2000.

Sales, before inter-company consolidation eliminations, consist of:

- Lire 78.4 billion by the parent company CSP International, including 50% export sales
- Lire 29.9 billion by Le Bourget, mainly in the French hosiery market
- Lire 32.8 billion by Lepel, in the Italian corsetry market.

**2. The result before tax**

The consolidated pre-tax profit was equal to Lire 166 million in the first half of 2000, as against Lire 3.5 billion for the Parent Company in the first half of 1999. A breakdown of the result for the three companies shows that:

- CSP International has increased pre-tax profit from Lire 3,459 million to Lire 4,950 million, rising as a percentage of sales from 4.1% to 6.3%. The Operating Margin also rose from 8.9% in the first half of 1999 to 9.6% in the same period in 2000.
- Le Bourget has reported a pre-tax loss of Lire 7.1 billion, for two main reasons:
  - In the French hosiery market the first half of the year is, historically, seasonally negative, since sales for the first half represent only 1/3 of total sales for the year (the majority of which relate to the first quarter).
  - Measures adopted to improve Le Bourget's profitability at the beginning of 2000 will take effect in the second half of the year. In particular, we will see the positive effects of the containment of production costs and the increases in list prices.
- Lepel made a pre-tax profit of Lire 2.6 billion in the first half of the year, representing 8% of sales.

**3. The statement of income**

A detailed analysis of the balance sheet and statement of income is given in a note attached to the reclassified consolidated financial statements. This Report comments only on certain key figures:

- Cost of sales as a percentage of net sales is 64.4%.
- Selling, general and administrative costs, net of advertising costs, are 21.6% of sales.

- Promotional and advertising expenditure amounts to 12.3% of sales.
- Operating profit amounts to 1.7% of sales.
- Financial charges amount to 1.8% of sales.

#### **4. The Balance Sheet**

The key figures in the consolidated Balance Sheet, expressed in Lire, are as follows:

- Inventories amount to Lire 102.2 billion.
- Tangible and intangible assets total Lire 124.1 billion.
- Net bank borrowings amount to Lire 125.4 billion.
- Stockholders' equity is equal to Lire 95.9 billion.

#### **5. Acquisition of Le Bourget**

The key stages in the Le Bourget acquisition 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 (about Lire 86 billion):

- 21 September 1999: CSP International acquired 100% of EDI, which owns 51% of Le Bourget.
- 9 November 1999: CSP International completed its public bid for the minority shareholding, thus reaching 99.54% of the total shares.
- 12 January 2000: CSP International made its residual bid (*Offre Publique de Retraite*) for the remaining shares and the de-listing of Le Bourget from the stock market.

The prime 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.

The acquisition of the Le Bourget Group has led CSP International to book goodwill of Lire 26.5 billion in the balance sheet. This will be amortised over ten years, starting from the date it is first included in the consolidated financial statements.

#### **6. Prior year results of Le Bourget**

Le Bourget Group underwent restructuring in the years leading up to its acquisition. This involved reducing the headcount from a peak of 1,100 employees to 450.

The group reported a loss of FF 26.4 million (Lire 7.8 billion) in 1998, partly as a result of restructuring costs. The losses were cut to FF 10.4 million in 1999 (Lire 3.1 billion).

#### **7. 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 youngest and most innovative brand; it is currently sold in 25 countries, mainly outside Europe
- 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.

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:

| <u>Brand</u>    | <u>Price Index</u> |
|-----------------|--------------------|
| Oroblù          | 220                |
| Le Bourget      | 150                |
| Star Way        | 140                |
| Sanpellegrino   | 100                |
| Bomo            | 90                 |
| New Opportunity | 80                 |

### **8. Key figures for Lepel**

This company manufactures and sells corsetry under the Lepel label. It has developed a particular specialisation in the bra market.

Lepel's sales in 1999 totalled Lire 52.4 billion, with a pre-tax profit of Lire 4.9 billion.

The company brands include:

- Lepel, sold through Wholesale channels.
- Pretty Lepel, sold through Chain stores.
- Claudia Lemes, the lowest-price collection.

The Lepel brand enjoys an excellent reputation and brand image, due to constant television, press and billboard advertising and the use of well-known testimonials such as Francesca Dellera, Paola Barale and Ornella Muti.

The company's registered office is in Carpi (Modena). It employs 160 staff, manufactures 25% of its products in its own factory in Poggio Rusco (Mantua), subcontracts 35% to Italian producers and 40% to production facilities in North Africa, Eastern Europe and the Far East.

The key figures in recent years' financial statements are as follows:

- Stockholders' equity above Lire 30 billion.
- Inventories kept to 15% of annual sales.
- No bank borrowings.
- Cash of around Lire 10 billion.
- Pre-tax profit of between 10% and 20% of sales.

### **9. The Lepel acquisition**

The shareholding was purchased on the basis of a whole-company value of Lire 40 billion. CSP International acquired a 55% controlling interest, paying a price of Lire 22 billion. The 45% minority holding is held by Anglotex. The Lepel acquisition was finalised on 28 June 2000, while the tax and statutory effects came into force from 1 January 2000. In the consolidated financial statements, in view of the date on which the Company actually came under Group control, the statement of income for the first half of the year was consolidated considering the operating profit (Lire 2.6 billion gross and Lire 1.2 billion net of related taxes) in the allocation of the purchase price or attributed to the minority shareholders, in accordance with consolidation principles. The Lepel acquisition resulted in goodwill of Lire 6.2 billion being booked to the Group balance sheet. This will be amortised over 10 years, starting from the second half of 2000.

### **10. Objectives of the Lepel acquisition**

The Lepel acquisition will allow CSP International to accelerate its diversification into the lingerie market and will provide Lepel with additional development opportunities, through product and distribution synergies.

Lepel is emerging in the corsetry market as a company having the following excellent qualities:

- positive brand awareness and image
- a very successful launch on the Italian market
- the collection's excellent quality/price ratio (value for money).

Lepel's potential will be further developed through a variety of initiatives, including:

- optimal coverage of the distribution channels, while respecting channel diversity, to ensure maximum benefit is drawn from the labels and advertising media
- the launch of new technology products, to complete and complement existing collections
- entry into the Russian and French markets, which are two of CSP International's strengths
- additional geographical expansion into other export markets, using the distribution coverage provided by CSP International and Le Bourget.

Combining Lepel's corporate history of product expertise with CSP International's distribution and technological resources will ensure that Lepel continues along its development path.

### **11. Sanpellegrino Polska**

Sanpellegrino Polska was set up in 1998 and began production operations in the first half of 1999, including processing of raw materials and semi-finished products supplied by CSP International. Since September 1999, it has been able to supply finished products to CSP.

The mission of Sanpellegrino Polska is to produce, in a country with low 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.

### **12. Related party disclosures**

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

### **13. 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. The Shareholders' Meeting held on 27 April 2000 authorised the purchase of its own shares up to 10% of share capital. As of 30 June 2000 the company held 569,000 of its own shares, purchased in accordance with the shareholders' resolution.

### **14. Prospects**

CSP International's strategy follows these main guidelines:

- The traditional stockings and tights market.** In this market the Group's operations are based on product innovation and geographical expansion:
  - The latest two product launches exemplify this innovation strategy: Sanpellegrino Comodo (a range of particularly comfortable and non-constrictive tights) and Oroblù Silverado (a collection of tights made with silver filigree)
  - One example of geographical expansion is the recent acquisition of Le Bourget that holds 15% of the tights market in France.
- Licences.** The purpose of the licensing operation is to use the Sanpellegrino, Oroblù and Star Way labels also in markets and product areas other than stockings and tights. The last few years have seen the signing of licensing contracts for men's socks, lingerie, corsetry, knitted lingerie and swimwear. The latest licence was agreed with Irge, the leading Italian manufacturer of pyjamas, for a collection of pyjamas under the Sanpellegrino label, known as Sanpellegrino Notte.
- Diversification.** CSP International went into the lingerie market using the new Seamless production technology. The company is launching lingerie items, ranging from panties to bras, made with the seamless method, under the four Sanpellegrino, Oroblù, Star Way and Le Bourget labels, and with nine different collections, for the various consumer targets and distribution channels, in Italy and abroad. The Sanpellegrino and Oroblù seamless lingerie collections will be advertised from Autumn 2000 and Le Bourget seamless collection from 2001.

The Lepel acquisition is an integral part of CSP International's plans to diversify into the lingerie market. Diversification is both internal, with the seamless product launch, and external, with Lepel.

Lepel accelerates the diversification process, since it occupies an established position on the corsetry market and, more particularly, has specialist expertise in the bra market.

### **15. Significant events in the second half of 2000**

The most significant events for the various members of the Group are as follows:

- for CSP International, the launch of lingerie collections, made with the Seamless technology, under the Sanpellegrino, Oroblù and Star Way labels
- for Le Bourget, diversification into lingerie, with the seamless product collections, known as Le Bourget Skinwear and Le Bourget Juste en dessous, and the gradual integration of production, organisation and distribution functions with CSP International in order to achieve the expected cost reductions
- for Lepel, enhancement of corsetry collections with new technology products and operating integration with CSP International, for the pursuit of distribution synergies.

### **16. Expected results**

The Group's net sales for 2000 will be around Lire 300 billion, represented by Lire 170 billion for CSP International, Lire 80 billion for Le Bourget and Lire 50 billion for Lepel.

Expected profitability for 2000, for the different corporate components, will be as follows:

- for CSP International the Operating Margin will improve, continuing the trend started in 1998
- for Le Bourget, an Operating Margin close to breakeven, representing a significant improvement on the half year's loss
- for Lepel, an Operating Margin in the region of 10% of net sales.

### **17. Conclusion**

We invite the members of the Board of Directors to approve the half-year Report as presented, along with Arthur Andersen's "limited examination" report.

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, 13 September 2000

Attachments:

1. Reclassified consolidated statement of income
2. Reclassified consolidated balance sheet
3. Comments on the reclassified consolidated half-year results

## Reclassified Consolidated Statement of Income

(in millions of Lire)

|   | 30 June 2000   | 31 December 1999 |
|---|----------------|------------------|
| Net revenues  | 138 894        | 213 325          |
| Royalty income  | 734            | 821              |
| <b>NET SALES</b>  | <b>139 628</b> | <b>214 146</b>   |
| <b>COST OF SALES</b>  |                |                  |
| Purchases   | 64 399         | 70 799           |
| Labour cost   | 21 031         | 27 709           |
| Services  | 12 537         | 14 079           |
| Depreciation & amortization                                 | 5 954          | 9 520            |
| Other costs   | 6 203          | 8 240            |
| (Increase) decrease in inventories                          | -20 181        | 11 006           |
|   | <b>89 943</b>  | <b>141 353</b>   |
| <b>GROSS PROFIT</b>   | <b>49 685</b>  | <b>72 793</b>    |
| <b>SELLING, GENERAL AND ADMINISTRATIVE COSTS</b>            |                |                  |
| Labour cost   | 13 263         | 14 656           |
| Advertising expenses  | 17 194         | 19 193           |
| Commissions   | 3 379          | 5 027            |
| Depreciation & amortization                                 | 2 579          | 2 819            |
| Other expenses  | 10 964         | 13 211           |
|   | <b>47 379</b>  | <b>54 906</b>    |
| <b>OPERATING PROFIT</b>                                     | <b>2 306</b>   | <b>17 887</b>    |
| Financial charges (income), net                             | 2 441          | 3 399            |
| Writedown (writeup) of investments                          | - 60           | - 98             |
| Other (income) and charges                                  | - 954          | - 778            |
|   | <b>1 427</b>   | <b>2 523</b>     |
| <b>PROFIT BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS</b>   | <b>879</b>     | <b>15 364</b>    |
| <b>EXTRAORDINARY ITEMS</b>                                  | 713            | -1 118           |
| <b>PROFIT BEFORE INCOME TAXES</b>                           | <b>166</b>     | <b>16 482</b>    |
| Income taxes (*)  | 0              | -6 560           |
| <b>NET PROFIT FOR THE PERIOD</b>                            | <b>166</b>     | <b>9 922</b>     |
| PRE-ACQUISITION PROFITS OF LEPEL, BEFORE TAXES              | -2 636         |                  |
| <b>NET (PROFIT) LOSS ATTRIBUTABLE TO MINORITY INTERESTS</b> | 15             | - 18             |
| <b>NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE GROUP</b>  | <b>-2 455</b>  | <b>9 904</b>     |

The figures as at 30 June 2000 are before income taxes.

## Reclassified Consolidated Balance Sheet - Assets

(in millions of Lire)

|  | 30 June 2000   | 31 December 1999 |
|--|----------------|------------------|
| <b>CURRENT ASSETS</b>                        |                |                  |
| Cash and banks                               | 12 184         | 5 157            |
| Trade receivables                            | 94 081         | 123 003          |
| Due from subsidiary and associated companies | 3 044          | 2 034            |
| Other receivables                            | 13 570         | 6 696            |
| Inventories                                  | 102 166        | 75 303           |
| Accrued income and prepayments               | 1 547          | 1 618            |
| Own shares                                   | 5 214          | 1 852            |
| <b>TOTAL CURRENT ASSETS</b>                  | <b>231 806</b> | <b>215 663</b>   |
| <b>FIXED ASSETS</b>                          |                |                  |
| Financial fixed assets:                      |                |                  |
| Financial receivables                        | 1 485          | 1 321            |
| Equity investments                           | 2 246          | 1 465            |
| <b>Total financial fixed assets</b>          | <b>3 731</b>   | <b>2 786</b>     |
| Tangible fixed assets                        | 88 882         | 87 477           |
| Intangible fixed assets                      | 35 232         | 28 962           |
| <b>TOTAL FIXED ASSETS</b>                    | <b>127 845</b> | <b>119 225</b>   |
| <b>TOTAL ASSETS</b>                          | <b>359 651</b> | <b>334 888</b>   |



## LIABILITIES & SHAREHOLDERS' EQUITY

(in millions of Lire)

|   | 30 June 2000   | 31 December 1999 |
|---|----------------|------------------|
| <b>CURRENT LIABILITIES</b>                            |                |                  |
| Short-term bank borrowings                            | 60 249         | 38 490           |
| Current portion of medium/long term debt              | 29 603         | 28 523           |
| Trade payables due to third parties                   | 71 112         | 89 330           |
| Trade payables due to subsidiary/associated companies | 982            | 362              |
| Taxes payable   | 1 786          | 1 080            |
| Other payables  | 16 930         | 10 472           |
| Accrued liabilities and deferred income               | 250            | 624              |
| <b>TOTAL CURRENT LIABILITIES</b>                      | <b>180 912</b> | <b>168 881</b>   |
| <b>MEDIUM/LONG-TERM LIABILITIES</b>                   |                |                  |
| Medium/long-term debt,<br>net of the current portion  | 47 683         | 44 901           |
| Bills payable   | 0              | 2 181            |
| Severance indemnities                                 | 10 663         | 8 178            |
| Other provisions                                      | 10 651         | 9 880            |
| <b>TOTAL MEDIUM/LONG-TERM LIABILITIES</b>             | <b>68 997</b>  | <b>65 140</b>    |
| <b>TOTAL LIABILITIES</b>                              | <b>249 909</b> | <b>234 022</b>   |
| MINORITY INTERESTS IN CAPITAL AND RESERVES            | 13 855         | 90               |
| <b>SHAREHOLDERS' EQUITY</b>                           |                |                  |
| Share capital   | 24 500         | 24 500           |
| Legal reserve   | 2 513          | 2 201            |
| Share premium reserve                                 | 35 000         | 35 000           |
| Other reserves  | 36 329         | 29 171           |
| Net profit for the period (*)                         | -2 455         | 9 904            |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                     | <b>95 887</b>  | <b>100 776</b>   |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>     | <b>359 651</b> | <b>334 888</b>   |

(\*) The figures as at 30 June 2000 are before income taxes.

MEMORANDUM ACCOUNTS

66 620

66 740

**1. Analysis of the results for the half-year ended 30 June 2000**

The following remarks refer to the consolidated half-year report to 30 June 2000. The half-year report at that date is also presented on a consolidated basis for the first time; this is because the companies making up the consolidation area were purchased in September 1999 (Le Bourget) and June 2000 (Lepel). The commentary will not therefore include comparisons with the corresponding period in the previous year.

Where possible, the consolidated figures are broken down to show the contribution of the individual consolidated companies.

The pre-tax profit for the half-year to 30 June 2000 amounted to Lire 166 million. The pre-tax results for the half-year in question for the main Group companies were as follows:

- CSP International – Lire 4,950 million compared with Lire 3,459 million for the corresponding period in the previous year
- Le Bourget Group – Lire –7,032 million. Although it is not possible to make a comparison with the corresponding period in the previous year, given the high costs of the restructuring and strategic re-direction of Group operations during the first half of 2000, movements are generally in line with the historical trends recorded in the French market. In fact, the first half of the year represents only 1/3 of total annual sales with a normally negative return being offset in the second half of the year
- Lepel – Lire 2,636 million, substantially in line with the corresponding period in the previous year.

*Net sales* - Net sales in the first half of 2000 amounted to Lire 139,628 million.

Net sales for the half-year in question for the main Group companies, gross of eliminations for inter-company transactions, were as follows:

- CSP International – Lire 78,443 million
- Le Bourget Group – Lire 29,924 million
- Lepel – Lire 32,795 million.

*Cost of sales* - The cost of sales in the first half of 2000 amounted to Lire 89,943 million, representing 64.4% of net sales.

Industrial labour costs were 15.1% of net sales.

*Gross Margin* – Gross margin was 35.6% of net sales.

*Selling, general and administrative costs* – Selling, general and administrative costs, amounting to Lire 47,379 million, represented 33.9% of net sales for the half-year.

The most significant items were labour costs and advertising and promotional expenses, representing in total 21.8% of net sales. In particular:

- For the Le Bourget Group labour costs came to about 24% of net sales due to reduced turnover in the first half of the year compared with the second half. The annual percentage labour cost will be significantly lower.
- The Le Bourget Group and the Lepel company incurred significant costs for promotional activities in the first half of 2000. This expenditure reflected completion of the Autumn/Winter campaign started in 1999, as far as Le Bourget was concerned, and a continuation of an historical trend for Lepel (which carries out most of its advertising in the Spring). The volume and amount of promotional expenditure in the second half of the year will be significantly lower and, as a percentage of costs, will be close to the historical level maintained by the Parent Company.

*Operating Profit* – The operating profit amounted to Lire 2,306 million and the operating margin came to 1.7% .

*Financial income (charges), net* – Net financial charges equalled Lire 2,441 million, amounting to 1.8% of net sales.

*Extraordinary charges (income)* – Extraordinary income and charges, totalling Lire 713 million, consist primarily of the estimated costs of liquidating the consolidated company Le Bourget UK.

*Income taxes*– The six-monthly report for the first half of 2000 does not include any calculation of income taxes, as permitted by current CONSOB regulations.

*Lepel's pre-tax profit* – The pre-tax profit made by Lepel, control of which was acquired in June 2000, totalled Lire 2,636 million. This Company was included in the consolidation area so that the operating structure and business of the CSP Group could be better illustrated. The relevant pre-tax result was identified separately so that the Group's results for the first half of 2000 could be expressed correctly.

## **2. Analysis of capital expenditure for the half-year ended 30 June 2000**

The Parent Company completed its four-year capital expenditure programme and, after the acquisition of the Le Bourget Group, undertook a diversification strategy through its investment in Lepel, a company specialising in the corsetry business.

## **3. Analysis of the net financial position for the half-year ended 30 June 2000**

Net debt at 30 June 2000 totalled Lire 125,351 million. The Group's financial position is analysed as follows (in millions of Lire):

|  | 30 June<br>2000 |
|--|-----------------|
| Short-term bank borrowings                           | 60,249          |
| Current portion of medium/long-term debt             | 29,603          |
| Cash and banks                                       | (12,184)        |
| <u>Net short-term debt</u>                           | <u>77,668</u>   |
| Medium/long-term lending, net of the current portion | 47,683          |
| <u>Total net debt</u>                                | <u>125,351</u>  |

#### **4. Analysis of the trend in net working capital and free cash flow for the half-year ended 30 June 2000**

Net working capital at 30 June 2000 is analysed in the following table (in millions of Lire):

|   | 30 June<br>2000       |
|---|-----------------------|
| Trade receivables                                       | 97,125                |
| Other receivables, accrued income and prepayments       | 20,331                |
| Inventories   | 102,166               |
|   | <u>219,622</u>        |
| Trade payables  | (72,094)              |
| Other payables, accrued liabilities and deferred income | (18,966)              |
|   | <u>(91,060)</u>       |
| <b>Working capital</b>                                  | <b><u>128,562</u></b> |
| Net short-term debt                                     | (77,668)              |
| <b>Net working capital</b>                              | <b><u>50,894</u></b>  |

# CSP INTERNATIONAL INDUSTRIA CALZE S.P.A.

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## CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2000

(in millions of Lire)

### BALANCE SHEET

#### ASSETS:

A) RECEIVABLES FROM SHAREHOLDERS:

B) FIXED ASSETS

I. Intangible fixed assets

|    |   |        |        |
|----|---|--------|--------|
| 3. | industrial patents and intellectual property rights   | 1 766  | 911    |
| 4. | concessions, licences, trade marks and similar rights | 224    | 218    |
| 5. | goodwill  | 164    | 437    |
| 6. | consolidation difference                              | 32 756 | 27 077 |
| 7. | others  | 322    | 319    |

**Total I.**

**35 232**      **28 962**

II. Tangible fixed assets

|    |                                       |        |        |
|----|---------------------------------------|--------|--------|
| 1. | land and buildings                    | 40 492 | 37 569 |
| 2. | plant and machinery                   | 42 388 | 43 622 |
| 3. | industrial and commercial equipment   | 2 326  | 2 710  |
| 4. | other fixed assets                    | 3 281  | 3 207  |
| 5. | construction in progress and advances | 395    | 369    |

**Total II.**

**88 882**      **87 477**

III. Financial fixed assets

|    |                         |       |       |
|----|-------------------------|-------|-------|
| 1. | Equity investments in:  |       |       |
|    | a) subsidiary companies | 0     | 0     |
|    | b) associated companies | 2 222 | 1 441 |
|    | d) other companies      | 24    | 24    |

**Total 1.**

**2 246**      **1 465**

2. Financial receivables:

|    |                           |     |     |
|----|---------------------------|-----|-----|
| a) | from subsidiary companies |     |     |
|    | a.a. due within 12 months | 0   | 0   |
| b) | from associated companies |     |     |
|    | b.a. due within 12 months | 128 | 126 |

**Total 2.**

**128**      **126**

3. Other securities

750      611

**Total III.**

**3 124**      **2 202**

TOTAL FIXED ASSETS (B)

**127 238**      **118 641**

C) CURRENT ASSETS

|   |                |                |
|---|----------------|----------------|
| I. Inventories:                             |                |                |
| 1. raw, ancillary and consumable materials  | 15 220         | 14 693         |
| 2. semi-finished products, work-in-progress | 22 187         | 15 250         |
| 4. finished products and goods              | 64 759         | 45 360         |
| 5. advances                                 | 0              | 0              |
| <b>Total I.</b>                             | <b>102 166</b> | <b>75 303</b>  |
| II. Receivables:                            |                |                |
| 1. trade accounts:                          |                |                |
| 1.a. due within 12 months                   | 94 034         | 122 874        |
| 2. subsidiary companies                     |                |                |
| 2.a. due within 12 months                   | 0              | 0              |
| 3. associated companies                     |                |                |
| 3.a. due within 12 months                   | 3 044          | 2 034          |
| 4. parent companies                         |                |                |
| 4.a. due within 12 months                   | 0              | 0              |
| 5. others:                                  |                |                |
| 5.a. due within 12 months                   | 13 570         | 6 697          |
| 5.b. due beyond 12 months                   | 607            | 584            |
| <b>Total 5.</b>                             | <b>14 177</b>  | <b>7 281</b>   |
| <b>Total II.</b>                            | <b>111 255</b> | <b>132 189</b> |
| III. Current financial assets               |                |                |
| 5. own shares                               | 5 214          | 1 852          |
| <b>Total III.</b>                           | <b>5 214</b>   | <b>1 852</b>   |
| IV. Liquid funds:                           |                |                |
| 1. cash at banks and post offices           | 12 012         | 5 016          |
| 2. cheques                                  | 47             | 128            |
| 3. cash and equivalents on hand             | 172            | 141            |
| <b>Total IV.</b>                            | <b>12 231</b>  | <b>5 285</b>   |
| TOTAL CURRENT ASSETS (C)                    | <b>230 866</b> | <b>214 629</b> |
| D. ACCRUED INCOME AND PREPAYMENTS           | <b>1 547</b>   | <b>1 618</b>   |
| <b>TOTAL ASSETS</b>                         | <b>359 651</b> | <b>334 888</b> |

**LIABILITIES**

## A) SHAREHOLDERS' EQUITY:

|  |        |        |
|--|--------|--------|
| I. Share capital                       | 24 500 | 24 500 |
| II. Share premium reserve              | 35 000 | 35 000 |
| III. Revaluation reserves              | 1 196  | 1 196  |
| IV. Legal reserve                      | 2 513  | 2 201  |
| V. Reserve for own shares in portfolio | 5 214  | 1 852  |
| VI. Statutory reserves                 | 0      | 0      |
| VII. Other reserves:                   |        |        |
| a. undistributed profit                | 29 521 | 25 724 |
| b. capital grants reserve              | 398    | 398    |

**Total VII.**

|                                   |        |       |
|-----------------------------------|--------|-------|
| VIII. Profit carried forward      | 0      | 0     |
| IX. Net profit for the period (*) | -2 455 | 9 904 |

## TOTAL (A)

|  |               |                |
|--|---------------|----------------|
|  | <b>95 887</b> | <b>100 775</b> |
|--|---------------|----------------|

**MINORITY INTERESTS IN CAPITAL AND RESERVES**

|  |        |    |
|--|--------|----|
|  | 13 855 | 90 |
|--|--------|----|

## B) RESERVES FOR CONTINGENCIES AND OTHER CHARGES:

|                                     |       |       |
|-------------------------------------|-------|-------|
| 1. pensions and similar commitments | 1 210 | 1 210 |
| 2. taxation                         | 6 602 | 6 583 |
| 3. other                            | 2 859 | 2 088 |

## TOTAL (B)

|  |               |              |
|--|---------------|--------------|
|  | <b>10 671</b> | <b>9 881</b> |
|--|---------------|--------------|

## C) RESERVE FOR SEVERANCE INDEMNITIES

|  |               |              |
|--|---------------|--------------|
|  | <b>10 663</b> | <b>8 178</b> |
|--|---------------|--------------|

## D) PAYABLES:

|                         |        |        |
|-------------------------|--------|--------|
| 3. banks:               |        |        |
| a. due within 12 months | 89 852 | 67 012 |
| b. due beyond 12 months | 47 683 | 44 902 |

**Total 3.**

|  |                |                |
|--|----------------|----------------|
|  | <b>137 535</b> | <b>111 914</b> |
|--|----------------|----------------|

|                         |    |     |
|-------------------------|----|-----|
| 5. advances             |    |     |
| a. due within 12 months | 30 | 260 |

|                         |        |        |
|-------------------------|--------|--------|
| 6. trade accounts:      |        |        |
| a. due within 12 months | 71 112 | 89 329 |

|                  |   |       |
|------------------|---|-------|
| 7. notes payable | 0 | 2 181 |
|------------------|---|-------|

|                         |   |   |
|-------------------------|---|---|
| 8. subsidiary companies |   |   |
| a. due within 12 months | 0 | 0 |

|                         |     |     |
|-------------------------|-----|-----|
| 9. associated companies |     |     |
| a. due within 12 months | 982 | 362 |

|                         |   |   |
|-------------------------|---|---|
| 10. parent companies    |   |   |
| a. due within 12 months | 0 | 0 |

|                         |       |       |
|-------------------------|-------|-------|
| 11. taxes payable:      |       |       |
| a. due within 12 months | 1 786 | 2 188 |

|  |                |                |
|--|----------------|----------------|
| 12. social security institutions           |                |                |
| a. due within 12 months                    | 3 855          | 4 148          |
| 13. other payables:                        |                |                |
| a. due within 12 months                    | 13 025         | 4 958          |
| TOTAL PAYABLES (D)                         | <b>228 325</b> | <b>215 340</b> |
| E) ACCRUED LIABILITIES AND DEFERRED INCOME | <b>250</b>     | <b>624</b>     |
| TOTAL LIABILITIES                          | <b>359 651</b> | <b>334 888</b> |

(\*The figures as at 30 June 2000 are before income taxes.



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**MEMORANDUM ACCOUNTS**

|  | <b>30.06.2000</b> | <b>31.12.1999</b> |
|--|-------------------|-------------------|
| - Mortgages for loans                              | 36 000            | 36 000            |
| - Guarantees given by third parties                | 1 750             | 0                 |
| - Guarantees given to third parties                | 5 595             | 577               |
| - Assets held by third parties                     | 765               | 606               |
| - Commitments for the purchase of foreign currency | 1 594             | 0                 |
| - Purchasing commitments                           | 2 552             | 1 404             |
| - Assets deposited with third parties              | 4 779             | 4 374             |
| - Trade receivables in guarantee                   | 13 547            | 23 637            |
| - Third party assets                               | 38                | 142               |
| <b>Total</b>                                       | <b>66 620</b>     | <b>66 740</b>     |

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**STATEMENT OF INCOME**

|  | <b>30.06.2000</b> | <b>31.12.1999</b> |
|--|-------------------|-------------------|
| <b>A) PRODUCTION VALUE</b>   |                   |                   |
| 1. Revenues from sale of goods and services  | 150 384           | 243 973           |
| 2. Changes in inventories of work-in-progress, semi-finished and finished products   | 21 889            | -9 193            |
| 4. Additions to fixed assets by internal production                                  | 0                 | 5                 |
| 5. Other income:   |                   |                   |
| a. other income  | 2 018             | 2 522             |
| <b>TOTAL PRODUCTION VALUE (A)</b>  | <b>174 291</b>    | <b>237 307</b>    |
| <b>B) PRODUCTION COSTS</b>   |                   |                   |
| 6. Raw, ancillary and consumable materials and goods                                 | 76 116            | 101 036           |
| 7. Services  | 47 990            | 58 202            |
| 8. Use of third party assets   | 991               | 475               |
| 9. Labour costs:   |                   |                   |
| a. wages and salaries  | 23 117            | 29 373            |
| b. social security contributions   | 9 798             | 10 798            |
| c. severance indemnities   | 1 139             | 1 920             |
| e. other costs   | 1                 | 25                |
| <b>Total 9.</b>  | <b>34 055</b>     | <b>42 116</b>     |
| 10. Depreciation, amortisation and writedowns:                                       |                   |                   |
| a. amortisation of intangible fixed assets   | 2 347             | 3 426             |
| b. depreciation of tangible fixed assets   | 6 186             | 10 262            |
| c. other writedowns of fixed assets  | 20                | 15                |
| d. writedown of doubtful accounts included in current assets and of liquid funds     | 459               | 1 394             |
| <b>Total 10.</b>   | <b>9 012</b>      | <b>15 097</b>     |
| 11. Changes in inventories of raw, ancillary and consumable materials and goods      | 1 708             | 1 814             |
| 12. Provisions for contingencies and other charges                                   | 112               | 336               |
| 13. Other provisions   | 0                 | 0                 |
| 14. Other operating expenses   | 1 599             | 1 587             |
| <b>TOTAL PRODUCTION COSTS (B)</b>  | <b>171 583</b>    | <b>220 663</b>    |
| <b>DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS (A-B)</b>                | <b>2 708</b>      | <b>16 644</b>     |
| <b>C) FINANCIAL INCOME AND (CHARGES)</b>   |                   |                   |
| 15. Income from investments:   |                   |                   |
| a. in subsidiary companies   | 0                 | 0                 |
| 16. Other financial income:  |                   |                   |
| a. income from securities held as current assets                                     |                   |                   |
| c. parent companies  | 0                 | 0                 |
| c. income from securities held as current assets not representing equity investments | 170               | 122               |

|  |  |               |               |
|--|--|---------------|---------------|
| d.   | other than above:  |               |               |
|  | d. from third parties  | 477           | 867           |
|  | <b>Total 16.</b>   | <b>647</b>    | <b>989</b>    |
| 17.  | Interest and other financial charges:                                  |               |               |
|  | d. from third parties  | -2 693        | -3 827        |
|  | TOTAL FINANCIAL INCOME AND (CHARGES) (C)                               | <b>-2 046</b> | <b>-2 838</b> |
| D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS: |  |               |               |
| 18.  | Writeups:  |               |               |
|  | a. of equity investments   | 60            | 109           |
| 19.  | Writedowns:  |               |               |
|  | a. of equity investments   | 0             | - 11          |
|  | TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)                 | <b>60</b>     | <b>98</b>     |
| E) NON-RECURRING INCOME AND CHARGES:             |  |               |               |
| 20.  | Non-recurring income   |               |               |
|  | a. gains on disposals  | 0             | 0             |
|  | b. other non-recurring income  | 248           | 2 605         |
|  | <b>Total 20.</b>   | <b>248</b>    | <b>2 605</b>  |
| 21.  | Non-recurring charges:   |               |               |
|  | c. other non-recurring charges   | - 804         | - 28          |
|  | <b>Total 21.</b>   | <b>- 804</b>  | <b>- 28</b>   |
|  | TOTAL NON-RECURRING INCOME AND (CHARGES) (E)                           | <b>- 556</b>  | <b>2 577</b>  |
|  | PROFIT BEFORE TAXES (A-B+/-C+/-D+/-E)                                  | <b>166</b>    | <b>16 481</b> |
| 22.  | Income taxes for the year (*)  | <b>0</b>      | <b>-6 559</b> |
|  | 26. NET PROFIT FOR THE PERIOD  | <b>166</b>    | <b>9 922</b>  |
|  | PRE-ACQUISITION PROFITS OF LEPEL, BEFORE TAXES                         | <b>-2 636</b> |               |
|  | <b>(PROFIT) LOSS FOR THE PERIOD ATTRIBUTABLE TO MINORITY INTERESTS</b> | <b>15</b>     | <b>- 18</b>   |
|  | NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE GROUP (*)                | <b>-2 455</b> | <b>9 904</b>  |

(\*)The figures as at 30 June 2000 are before income taxes.

# CSP INTERNATIONAL INDUSTRIA CALZE S.P.A.

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## CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2000

(in thousands of euro)

### BALANCE SHEET

#### ASSETS:

A) RECEIVABLES FROM SHAREHOLDERS:

B) FIXED ASSETS

I. Intangible fixed assets

3. industrial patents and intellectual property rights

912 470

4. concessions, licences, trade marks and similar rights

116 113

5. goodwill

85 226

6. consolidation difference

16 917 13 984

7. others

166 165

**Total I.**

**18 196 14 958**

II. Tangible fixed assets

1. land and buildings

20 912 19 403

2. plant and machinery

21 892 22 529

3. industrial and commercial equipment

1 201 1 400

4. other fixed assets

1 694 1 656

5. construction in progress and advances

204 191

**Total II.**

**45 903 45 179**

III. Financial fixed assets

1. Equity investments in:

a) subsidiary companies

0 0

b) associated companies

1 148 744

d) other companies

12 12

**Total 1.**

**1 160 756**

2. Financial receivables:

a) from subsidiary companies

a.a. due within 12 months

0 0

b) from associated companies

b.a. due within 12 months

66 65

**Total 2.**

**66 65**

3. Other securities

387 316

**Total III.**

**1 613 1 137**

TOTAL FIXED ASSETS (B)

**65 712 61 274**

C) CURRENT ASSETS

|   |                |                |
|---|----------------|----------------|
| I. Inventories:                             |                |                |
| 1. raw, ancillary and consumable materials  | 7 860          | 7 588          |
| 2. semi-finished products, work-in-progress | 11 459         | 7 876          |
| 4. finished products and goods              | 33 445         | 23 426         |
| 5. advances                                 | 0              | 0              |
| <b>Total I.</b>                             | <b>52 764</b>  | <b>38 890</b>  |
| II. Receivables:                            |                |                |
| 1. trade accounts:                          |                |                |
| 1.a. due within 12 months                   | 48 565         | 63 459         |
| 2. subsidiary companies                     |                |                |
| 2.a. due within 12 months                   | 0              | 0              |
| 3. associated companies                     |                |                |
| 3.a. due within 12 months                   | 1 572          | 1 050          |
| 4. parent companies                         |                |                |
| 4.a. due within 12 months                   | 0              | 0              |
| 5. others:                                  |                |                |
| 5.a. due within 12 months                   | 7 009          | 3 458          |
| 5.b. due beyond 12 months                   | 313            | 302            |
| <b>Total 5.</b>                             | <b>7 322</b>   | <b>3 760</b>   |
| <b>Total II.</b>                            | <b>57 459</b>  | <b>68 269</b>  |
| III. Current financial assets               |                |                |
| 5. own shares                               | 2 693          | 956            |
| <b>Total III.</b>                           | <b>2 693</b>   | <b>956</b>     |
| IV. Liquid funds:                           |                |                |
| 1. cash at banks and post offices           | 6 204          | 2 591          |
| 2. cheques                                  | 24             | 66             |
| 3. cash and equivalents on hand             | 89             | 73             |
| <b>Total IV.</b>                            | <b>6 317</b>   | <b>2 730</b>   |
| TOTAL CURRENT ASSETS (C)                    | <b>119 233</b> | <b>110 845</b> |
| D. ACCRUED INCOME AND PREPAYMENTS           | <b>799</b>     | <b>836</b>     |
| <b>TOTAL ASSETS</b>                         | <b>185 744</b> | <b>172 955</b> |

**LIABILITIES**

## A) SHAREHOLDERS' EQUITY:

|  | 30.06.2000 | 31.12.1999 |
|--|------------|------------|
| I. Share capital                       | 12 653     | 12 653     |
| II. Share premium reserve              | 18 076     | 18 076     |
| III. Revaluation reserves              | 618        | 618        |
| IV. Legal reserve                      | 1 298      | 1 137      |
| V. Reserve for own shares in portfolio | 2 693      | 956        |
| VI. Statutory reserves                 | 0          | 0          |
| VII. Other reserves:                   |            |            |
| a. undistributed profit                | 15 246     | 13 285     |
| b. capital grants reserve              | 206        | 206        |

**Total VII.**

|                                   |        |       |
|-----------------------------------|--------|-------|
| VIII. Profit carried forward      | 0      | 0     |
| IX. Net profit for the period (*) | -1 268 | 5 115 |

## TOTAL (A)

**49 522**      **52 046****MINORITY INTERESTS IN CAPITAL AND RESERVES**

7 156      46

## B) RESERVES FOR CONTINGENCIES AND OTHER CHARGES:

|                                     |       |       |
|-------------------------------------|-------|-------|
| 1. pensions and similar commitments | 625   | 625   |
| 2. taxation                         | 3 410 | 3 400 |
| 3. other                            | 1 477 | 1 078 |

## TOTAL (B)

**5 512**      **5 103**

## C) RESERVE FOR SEVERANCE INDEMNITIES

**5 507**      **4 224**

## D) PAYABLES:

|                         |        |        |
|-------------------------|--------|--------|
| 3. banks:               |        |        |
| a. due within 12 months | 46 405 | 34 609 |
| b. due beyond 12 months | 24 626 | 23 190 |

**Total 3.****71 031**      **57 799**

|                         |        |        |
|-------------------------|--------|--------|
| 5. advances             |        |        |
| a. due within 12 months | 15     | 134    |
| 6. trade accounts:      |        |        |
| a. due within 12 months | 36 726 | 46 135 |
| 7. notes payable        | 0      | 1 126  |
| 8. subsidiary companies |        |        |
| a. due within 12 months | 0      | 0      |
| 9. associated companies |        |        |
| a. due within 12 months | 507    | 187    |
| 10. parent companies    |        |        |
| a. due within 12 months | 0      | 0      |
| 11. taxes payable:      |        |        |
| a. due within 12 months | 922    | 1 130  |

|  |                |                |
|--|----------------|----------------|
| 12. social security institutions           |                |                |
| a. due within 12 months                    | 1 991          | 2 142          |
| 13. other payables:                        |                |                |
| a. due within 12 months                    | 6 726          | 2 561          |
| TOTAL PAYABLES (D)                         | <b>117 918</b> | <b>111 214</b> |
| E) ACCRUED LIABILITIES AND DEFERRED INCOME | <b>129</b>     | <b>322</b>     |
|  | =====          | =====          |
| TOTAL LIABILITIES                          | <b>185 744</b> | <b>172 955</b> |
|  | =====          | =====          |

(\*The figures as at 30 June 2000 are before income taxes.

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**MEMORANDUM ACCOUNTS**

|  | <b>30.06.2000</b> | <b>31.12.1999</b> |
|--|-------------------|-------------------|
| - Mortgages for loans                              | 18 592            | 18 592            |
| - Guarantees given by third parties                | 904               | 0                 |
| - Guarantees given to third parties                | 2 890             | 298               |
| - Assets held by third parties                     | 395               | 313               |
| - Commitments for the purchase of foreign currency | 823               | 0                 |
| - Purchasing commitments                           | 1 318             | 725               |
| - Assets deposited with third parties              | 2 468             | 2 259             |
| - Trade receivables in guarantee                   | 6 996             | 12 207            |
| - Third party assets                               | 20                | 73                |
| <b>Total</b>                                       | <b>34 406</b>     | <b>34 467</b>     |

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**STATEMENT OF INCOME**

|  | <b>30.06.2000</b> | <b>31.12.1999</b> |
|--|-------------------|-------------------|
| <b>A) PRODUCTION VALUE</b>   |                   |                   |
| 1. Revenues from sale of goods and services  | 77 667            | 126 002           |
| 2. Changes in inventories of work-in-progress, semi-finished and finished products   | 11 305            | -4 748            |
| 4. Additions to fixed assets by internal production                                  | 0                 | 3                 |
| 5. Other income:   |                   |                   |
| a. other income  | 1 042             | 1 303             |
| <b>TOTAL PRODUCTION VALUE (A)</b>  | <b>90 014</b>     | <b>122 560</b>    |
| <b>B) PRODUCTION COSTS</b>   |                   |                   |
| 6. Raw, ancillary and consumable materials and goods                                 | 39 311            | 52 181            |
| 7. Services  | 24 785            | 30 059            |
| 8. Use of third party assets   | 512               | 245               |
| 9. Labour costs:   |                   |                   |
| a. wages and salaries  | 11 939            | 15 170            |
| b. social security contributions   | 5 060             | 5 577             |
| c. severance indemnities   | 588               | 992               |
| e. other costs   | 1                 | 13                |
| <b>Total 9.</b>  | <b>17 588</b>     | <b>21 752</b>     |
| 10. Depreciation, amortisation and writedowns:                                       |                   |                   |
| a. amortisation of intangible fixed assets   | 1 212             | 1 769             |
| b. depreciation of tangible fixed assets   | 3 195             | 5 300             |
| c. other writedowns of fixed assets  | 10                | 8                 |
| d. writedown of doubtful accounts included in current assets and of liquid funds     | 237               | 720               |
| <b>Total 10.</b>   | <b>4 654</b>      | <b>7 797</b>      |
| 11. Changes in inventories of raw, ancillary and consumable materials and goods      | 882               | 937               |
| 12. Provisions for contingencies and other charges                                   | 58                | 174               |
| 13. Other provisions   | 0                 | 0                 |
| 14. Other operating expenses   | 826               | 820               |
| <b>TOTAL PRODUCTION COSTS (B)</b>  | <b>88 616</b>     | <b>113 965</b>    |
| <b>DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS (A-B)</b>                | <b>1 398</b>      | <b>8 595</b>      |
| <b>C) FINANCIAL INCOME AND (CHARGES)</b>   |                   |                   |
| 15. Income from investments:   |                   |                   |
| a. in subsidiary companies   | 0                 | 0                 |
| 16. Other financial income:  |                   |                   |
| a. income from securities held as current assets                                     |                   |                   |
| c. parent companies  | 0                 | 0                 |
| c. income from securities held as current assets not representing equity investments | 88                | 63                |

|  |               |               |
|--|---------------|---------------|
| d. other than above:   |               |               |
| d. from third parties  | 246           | 448           |
| <b>Total 16.</b>   | <b>334</b>    | <b>511</b>    |
| 17. Interest and other financial charges:                              |               |               |
| d. from third parties  | -1 391        | -1 976        |
| TOTAL FINANCIAL INCOME AND (CHARGES) (C)                               | <b>-1 057</b> | <b>-1 465</b> |
| D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS:                       |               |               |
| 18. Writeups:  |               |               |
| a. of equity investments   | 31            | 56            |
| 19. Writedowns:  |               |               |
| a. of equity investments   | 0             | - 6           |
| TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)                 | <b>31</b>     | <b>50</b>     |
| E) NON-RECURRING INCOME AND CHARGES:                                   |               |               |
| 20. Non-recurring income   |               |               |
| a. gains on disposals  | 0             | 0             |
| b. other non-recurring income  | 128           | 1 345         |
| <b>Total 20.</b>   | <b>128</b>    | <b>1 345</b>  |
| 21. Non-recurring charges:   |               |               |
| c. other non-recurring charges   | - 415         | - 14          |
| <b>Total 21.</b>   | <b>- 415</b>  | <b>- 14</b>   |
| TOTAL NON-RECURRING INCOME AND (CHARGES) (E)                           | <b>- 287</b>  | <b>1 331</b>  |
| PROFIT BEFORE TAXES (A-B+/-C+/-D+/-E)                                  | <b>85</b>     | <b>8 511</b>  |
| 22. Income taxes for the year (*)                                      | <b>0</b>      | <b>-3 387</b> |
| 26. NET PROFIT FOR THE PERIOD  | <b>85</b>     | <b>5 124</b>  |
| PRE-ACQUISITION PROFITS OF LEPEL, BEFORE TAXES                         | <b>-1 361</b> |               |
| <b>(PROFIT) LOSS FOR THE PERIOD ATTRIBUTABLE TO MINORITY INTERESTS</b> | <b>8</b>      | <b>- 9</b>    |
| NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE GROUP (*)                | <b>-1 268</b> | <b>5 115</b>  |

(\*)The figures as at 30 June 2000 are before income taxes.

# **CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2000**

#### **COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS:**

The consolidated 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. 11971 of 14 May 1999 and subsequent legislation.

This document represents the Group's first set of half-year consolidated financial statements. During September 1999, the Parent Company acquired a controlling interest in the E.D.I. Group (hereinafter identified as the 'Le Bourget Group'); the Company took over operating control from the date of acquisition.

The Company has therefore prepared Group consolidated financial statements including the results of the Le Bourget Group for the period 1 October – 31 December 1999.

In addition, in June 2000, the Parent Company acquired 55% of Lepel Srl; these half-year financial statements also include the effects of its consolidation, as will be explained later.

Since this is the first set of half-year consolidated financial statements, prior year balances have not been presented for comparative purposes, nor is a pro-forma situation provided; the reason for this lies in the complexity of preparing such figures, as well as the fact that the Company is not legally required to do so.

In addition, with respect to the financial statements as of 31 December 1999, these half-year financial statements include the effects of consolidating Lepel Srl and Le Bourget Group.

#### **FORM AND CONTENT OF THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements comprise the consolidated balance sheet, the consolidated statement of income, and these explanatory notes, and is accompanied by the Group's report on operations.

The financial statements used for consolidation purposes are those as of 30 June 2000 prepared by the respective Boards of Directors.

These financial statements have been adjusted, where necessary, in order to eliminate any adjustments made solely for fiscal purposes (accelerated depreciation) and to align them with the accounting policies as per article 2426 of the Italian Civil Code, consistently applied throughout the Group, as interpreted and supplemented by the accounting principles established by the Italian Accounting Profession or, in the absence thereof, by the International Accounting Standards Committee (IASC), assimilated in Italy by the Consob.

A reconciliation between shareholders' equity and the net results as of 30 June 2000 reported in the financial statements of CSP INTERNATIONAL INDUSTRIA CALZE SpA and the consolidated amounts at the same date, has been presented in the commentary on consolidated shareholders' equity.

In addition, for ease of understanding, amounts in the notes have been expressed in millions of Lire.

### **SCOPE OF CONSOLIDATION**

The consolidated financial statements as of 30 June 2000 include the line-by-line consolidation of the Parent Company's financial statements at that date and those of the following companies in which the Group directly or indirectly holds the majority of the voting rights:

| Name                                  | Address   | Share capital          | Controlling interest % | Shareholding % |
|---------------------------------------|---|------------------------|------------------------|----------------|
| CSP International Industria Calze Spa | Via Piubega, 5/c,<br>Ceresara (MN), Italy   | Lire<br>24,500,000,000 | Parent Company         |                |
| E.D.I. S.A.                           | Rue J.P. Saltiel- 02230-<br>Fresnoy Le Grand, France                                | F 28,015,274           | 100%                   | 100%           |
| Le Bourget S.A.<br>(1)                | Rue J.P. Saltiel- 02230-<br>Fresnoy Le Grand, France                                | F 16,604,544           | 99.996%                | 99.996%        |
| S.A.R.L. BUC<br>(2)                   | Rue J.P. Saltiel- 02230-<br>Fresnoy Le Grand, France                                | F 60,000               | 95%                    | 94.996%        |
| SOGED S.A.<br>(2)                     | Petite Route d' Aubagne, 32<br>13821 La Penne Sur<br>Huveaune                       | F. 6,153,533           | 99.87%                 | 99.866%        |
| Le Bourget Benelux<br>(2)             | Rue Reigersvliet 1040<br>Brussels   | BF 9,000,000           | 70.56%                 | 70.557%        |
| Le Bourget (uk) Ltd<br>(2)            | 8 Canons Road<br>Old Wolverton<br>Milton Keynes<br>MK 12 5TL<br>Buckinghamshire, UK | £stg 150,000           | 99.99                  | 99.986%        |
| BO.MO. Srl<br>(3)                     | Via San Martino 8/12<br>Fraz. Borgo Poncarale<br>25020 Poncarale (BS), Italy        | Lire 180,000,000       | 60%                    | 59.998%        |
| Lepel Srl                             | Via Nuova Ponente, 25/b<br>41012 CARPI (MO), Italy                                  | Lire<br>7,450,766,960  | 55%                    | 55%            |

(1) Owned by E.D.I. S.A.

(2) Owned by Le Bourget S.A.

(3) Owned by SOGED S.A.

The Parent Company acquired 55% of Lepel Srl on 28 June 2000.

These half-year financial statements include the effects of its consolidation for the period 1 January 2000 – 30 June 2000: the net income for the period has been attributed to the minority shareholders, insofar as it was taken into consideration in allocating the price paid (and in calculating the consolidation difference). The acquisition price was Lire 22,180 million. The first consolidation gave rise to a consolidation difference of Lire 6,183 million, which will be

amortized starting in the second half of the year.

Sanpellegrino Polska, a 50%-owned subsidiary, has been included within the scope of consolidation using the equity method.

### **CONSOLIDATION PRINCIPLES**

The consolidation principles used for these half-year financial statements are the same as those adopted for the financial statements as of 31 December 1999.

The exchange rates used to translate foreign currency financial statements are as follows:

| Currency       | Average  | Year-end |
|----------------|----------|----------|
| French Franc   | 295.182  | 295.182  |
| Pound Sterling | 3,182.06 | 3,062.26 |
| Belgian Franc  | 47.998   | 47.998   |

### **ACCOUNTING POLICIES**

The accounting principles used for the preparation of the balance sheet and statement of income as of 30 June 2000 are the same as those adopted for the financial statements as of 31 December 1999, with the exception of the following:

**INVENTORIES:** Inventories are stated at the lower of purchase or production cost, determined on the basis of weighted average cost, and their estimated realisable value taking account of market trends.

**INCOME TAXES FOR THE YEAR:** income taxes for the period and deferred tax assets and liabilities are not calculated. They will be provided at year-end.

### **OTHER INFORMATION**

**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.

## BALANCE SHEET

### 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 1. For the companies acquired during the year, opening balances are provided separately.

The amortisation rates applied are as follows:

|   | Rate   |
|---|--------|
| - Software                                  | 33.33% |
| - Goodwill (from corporate re-organisation) | 20%    |
| - Trademarks                                | 20%    |
| - Consolidation differences                 | 10%    |
| - Deferred operating charges                | 20%    |
| - Flotation costs                           | 33.33% |

“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.

The balance recorded under the caption “consolidation differences” essentially relates to the acquisition of the E.D.I. Group (Lire 12,950 million), of the Le Bourget sub-group (Lire 13,563 million) and Lepel Srl (Lire 6,183 million). Consolidation differences are amortised on a straight-line basis over their useful life, estimated as ten years. Consolidation differences, in the year of acquisition of the related companies, are amortised in proportion to the months elapsing between the date of acquisition and the accounting reference date.

Other intangible fixed assets include costs incurred for the registration and renewal of trademarks, and for the raising of finance. The latter is amortised over the life of the related

loans while the former are amortised over 5 years.

## **B.II- Tangible fixed assets**

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

The most significant increases are mainly due to investments made by the Parent Company for the completion of new industrial premises and the purchase of new machinery installed at the new production unit in Ceresara.

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

|                                 | Rate       |
|---------------------------------|------------|
| - Buildings                     | 3% - 15%   |
| - Plant and machinery           | 5% - 17.5% |
| - Industrial equipment          | 10% - 25%  |
| - Electronic office machines    | 15% - 33%  |
| - Office furniture and fittings | 10% - 33%  |
| - Vehicles                      | 20% - 25%  |

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

## **B.III- Financial fixed assets**

Equity investments included among financial fixed assets increased in comparison with 31 December 1999, following the acquisition of 55% of Lepel Srl (Lire 22,180 million), the increase in share capital of the Polish subsidiary Sanpellegrino Polska (Lire 721 million) and the conclusion of the public bid for 0.45% of Le Bourget S.A. (Lire 138 million).



## ■ C. CURRENT ASSETS

### ■ C.I. Inventories

Inventories are made up as follows:

|                   | 30/06/2000 | 31/12/1999 |
|-------------------|------------|------------|
| Gross value       | 106,753    | 78,907     |
| Writedown reserve | (4,587)    | (3,604)    |
| Net value         | 102,166    | 75,303     |

### ■ C.II.1. Trade accounts

Trade receivables may be analysed as follows:

|                                   | 30/06/2000 | 31/12/1999 |
|-----------------------------------|------------|------------|
| Trade receivables - Italy         | 52,498     | 49,533     |
| Trade receivables - France        | 8,288      | 23,766     |
| Trade receivables - abroad        | 15,653     | 22,242     |
| Bills subject to collection       | 24,397     | 34,193     |
| Customers - invoices to be issued | 1,064      | 1,625      |
| Credit notes to be issued         | (3,319)    | (4,858)    |
| Reserve for doubtful accounts     | (4,547)    | (3,627)    |
| Total                             | 94,034     | 122,874    |

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<br>1/1/00 | Inclusion of<br>Lepel | Utilisation | Provisions | Reserve at<br>30/06/00 |
|--|----------------------|-----------------------|-------------|------------|------------------------|
| Reserve for<br>doubtful<br>receivables | 3,627                | 400                   | 0           | 520        | 4,547                  |

Provisions, increasing the reserve, have been made for expected future losses on receivables, which are included in the financial statements as of 30 June 2000.

■ **C.II.3. Due from associated companies:**

This item is made up as follows:

|                                  | 30/06/2000 | 31/12/1999 |
|----------------------------------|------------|------------|
| ROZAL S.a.r.l. (France)          | 194        | 194        |
| CSP HOSIERY Ltd (UK)             | 261        | 261        |
| SANPELLEGRINO POLSKA<br>s.p.z.oo | 2,589      | 1,579      |
| Total                            | 3,044      | 2,034      |

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:

|  | 30/06/2000 | 31/12/1999 |
|--|------------|------------|
| VAT credits                            | 5,795      | 2,200      |
| Income taxes for the year              | 4,912      | 764        |
| Advances to suppliers                  | 80         | 87         |
| Employees' travel advances             | 13         | 12         |
| Deferred tax assets                    | 2,328      | 2,328      |
| Other current receivables              | 398        | 1,263      |
| Foreign VAT credits                    | 44         | 42         |
| Total other current<br>receivables     | 13,570     | 6,696      |
| Guarantee deposits                     | 607        | 584        |
| Total other non-current<br>receivables | 607        | 584        |
| Total other receivables                | 14,177     | 7,280      |

The "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.

■ **B.III.5 Own shares:**

As of 30 June 2000, the Parent Company owned 569,000 of its own shares, with a par value of Lire 569 million, and corresponding to 2.322% of its share capital, as authorised by the Ordinary Shareholders' meeting of 27 April 2000.

During the period under review, 501,000 own shares were purchased and 134,500 were sold.

This resulted in a net capital gain of Lire 161 million.

■ **C.IV. Liquid funds:**

These represent cash on hand and bank current accounts open at 30 June 2000.

■ **D. ACCRUED INCOME AND PREPAYMENTS**

This caption is comprised as follows:

|   | 30/06/2000 | 31/12/1999 |
|---|------------|------------|
| Prepaid TV commercial                   | 270        | 975        |
| Accrued customer interest<br>receivable | 0          | 2          |
| Prepayments                             | 1,277      | 615        |
| Others                                  | 0          | 26         |
| Total                                   | 1,547      | 1,618      |

## COMMENTS ON THE PRINCIPAL LIABILITY CAPTIONS

### A. SHAREHOLDERS' EQUITY

#### ■ 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 Parent Company was floated on the electronic equities market of the Italian Stock Exchange.

#### ■ A.III. Revaluation reserves:

These reserves are broken down as follows:

|                        | 30/06/2000 | 31/12/1999 |
|------------------------|------------|------------|
| Revaluation Law 596/75 | 62         | 62         |
| Revaluation Law 72/83  | 373        | 373        |
| Revaluation Law 413/91 | 761        | 761        |
| Total                  | 1,196      | 1,196      |

#### ■ Reconciliation between statutory and consolidated balances :

A reconciliation between the net profit and shareholders' equity recorded in the statutory financial statements of the Parent Company CSP INTERNATIONAL INDUSTRIA CALZE SpA and the corresponding consolidated amounts is presented below in millions of Lire:

| Description  | Net profit | Shareholders' equity |
|--|------------|----------------------|
| As per the financial statements of the Parent Company (*)  | 4,950      | 93,787               |
| Increase (Decrease)  |            |                      |
| Difference between the equity of consolidated subsidiaries and the respective book values of the investments, net of amortisation of the consolidation differences | (7,729)    | (7,384)              |

|   |         |        |
|---|---------|--------|
| Net effect of carrying investments in associated companies at equity                                    | 60      | (48)   |
| Elimination of adjustments of a fiscal nature (accelerated depreciation), net of the related tax effect | 1,803   | 10,239 |
| Other consolidation adjustments   | (1,539) | (707)  |
| As per the consolidated financial statements  | (2,455) | 95,887 |

(\*) N.B. The figures as at 30 June 2000 are before income taxes.

**■ B. RESERVES FOR CONTINGENCIES AND OTHER CHARGES:**

Changes in this item are set out below:

|  | 01/01/2000 | Inclusion<br>of Lepel | Provisions | Utilisations | 30/06/2000 |
|--|------------|-----------------------|------------|--------------|------------|
| Reserve for pensions and similar commitments | 1,210      |                       |            | 0            | 1,210      |
| Taxation reserve                             | 6,567      | 45                    | 0          | (10)         | 6,602      |
| Other:                                       |            |                       |            |              |            |
| - Exchange fluctuation reserve               |            |                       | 19         |              | 19         |
| - Reserve for future contingencies           | 200        | 70                    |            |              | 270        |
| - Reserve for returns                        | 283        |                       |            | (195)        | 88         |
| - Euro reserve                               | 4          |                       |            |              | 4          |
| - Re-organisation reserve                    | 42         |                       | 621        | (5)          | 658        |
| - Agents' supplementary indemnity reserve    | 1,560      | 263                   | 273        | (276)        | 1,820      |
| Total other                                  | 2,089      | 333                   | 913        | (476)        | 2,859      |
| Total  | 9,866      | 378                   | 913        | (486)        | 10,671     |

The reserve for pensions and similar commitments includes the liability estimated in relation to indemnities which certain Group companies are obliged to pay employees in the event of termination of employment due to retirement. The size of this indemnity and the related entitlement depend on various conditions, including death-rate and staff turnover; the amount

recorded in the financial statements represents an estimate of the liability whose maximum amount (in the hypothesis that all the current employees of the companies earn the right to the pension without prejudice to their employment relationship) totals Lire 2,184 million.

The taxation reserve relates to deferred taxes mainly referring to consolidation adjustments as of 31 December 1999 (elimination of adjustments made for tax purposes, and other minor items) and gains on the disposal of assets which benefit from a deferred tax treatment.

The re-organization reserve refers to expenses for the planned closure of Le Bourget (UK) Ltd. This branch has an office rent contract with various years to run and the matter is being negotiated with the landlord. The Group has not made any provision for this risk because, as things stand, it is impossible to tell how much might have to be paid by way of indemnity to interrupt the contract. The only input that can be given at this stage is that total rental payments due under the lease up to the end of the contract come to approximately Lire 600 million.

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

#### **■ C. RESERVE FOR SEVERANCE INDEMNITIES :**

Movements during the year have been as follows:

|                        | 01/01/2000 | Inclusion<br>of Lepel | Utilisation | Provisions | 30/06/2000 |
|------------------------|------------|-----------------------|-------------|------------|------------|
| Severance<br>indemnity | 8,178      | 2,178                 | (219)       | 526        | 10,663     |

#### **■ D. PAYABLES**

##### **■ D.3. Banks:**

Indebtedness amounted to Lire 137,535 million.

The due dates of the loans are set out below:

|       | Within 1 year | Within 5 years | Beyond 5<br>years | Total  |
|-------|---------------|----------------|-------------------|--------|
| Loans | 29,603        | 45,565         | 2,118             | 77,286 |

A new loan for Lire 10,000 million was raised during the first half of 2000. It bears interest at market rates.

Mortgage guarantees have been given as security against part of the loans taken out in previous years. These guarantees are dealt with in greater detail in the section on memorandum accounts. During 1995, Le Bourget launched a re-organisation plan, leading to an agreement for the restructuring of its debt with its main banking creditors. The related agreement included a '*retour a meilleur fortune*' (return to better fortune) clause entitling the creditors to receive an amount equal to 5% of the net profit for each accounting period from 1997-2001, should this profit be greater than F 6,000,000. Furthermore, guarantees on property and machines have been given in respect of these restructured loans.

#### **D.11 Taxes payable:**

Taxes payable are made up as follows:

|  | 30/06/2000 | 31/12/1999 |
|--|------------|------------|
| Tax liability  | 744        | 1,205      |
| Withholding taxes on payments<br>to consultants/agents | 249        | 78         |
| Withholding on wages and<br>salaries                   | 793        | 905        |
| Total  | 1,786      | 2,188      |

#### **■ D.12. Payables to social security institutions :**

These include the following items:

|                                       | 30/06/2000 | 31/12/1999 |
|---------------------------------------|------------|------------|
| Social security institutions          | 3,764      | 4,063      |
| Agents' social security<br>(Enasarco) | 62         | 19         |
| Agents' social security<br>(F.I.R.R.) | 29         | 66         |
| Total                                 | 3,855      | 4,148      |

■ **D.13 Other payables :**

These comprise:

|                               | 30/06/2000 | 31/12/1999 |
|-------------------------------|------------|------------|
| Payable to employees          | 8,564      | 3,903      |
| Dividends due to shareholders | 3,395      | 0          |
| Other payables                | 1,066      | 1,055      |
| Total                         | 13,025     | 4,958      |

■ **E. ACCRUED LIABILITIES AND DEFERRED INCOME :**

|                               | 30/06/2000 | 31/12/1999 |
|-------------------------------|------------|------------|
| Accrued loan interest payable | 224        | 130        |
| Other accruals                | 26         | 494        |
| Total                         | 250        | 624        |



## **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 7,741 million.

**Guarantees given by third parties --** The caption relates to guarantees given by former shareholders of companies recently acquired.

**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.

**Commitments for the sale of foreign currency --** At 30 June 2000, there are commitments for the sale of foreign currency to banks, Lire 1,594 million.

**Purchasing commitments --** At 30 June 2000, there are commitments based on contracts countersigned by the parties for the purchase of tangible fixed assets amounting to Lire 2,552 million. These commitments refer to plant and software purchases.

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

**Trade receivables in guarantee --** This item consists of types of guarantees given by the French subsidiary to the banking system in connection with loans that it has received.

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

## STATEMENT OF INCOME

### COMMENTS ON THE PRINCIPAL STATEMENT OF INCOME CAPTIONS

#### ■ A. PRODUCTION VALUE

##### ■ A.1. Revenues from sales of goods and services:

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

|                          | 30/06/2000 | 31/12/1999 |
|--------------------------|------------|------------|
| - Italy:                 |            |            |
| -stockings               | 78,345     | 122,550    |
| -woven products          | 5,623      | 14,808     |
| -raw materials/other     | 788        | 500        |
| - France                 | 0          | 0          |
| -stockings               | 25,501     | 26,009     |
| -other                   | 160        | 92         |
| - Western Europe         | 0          | 0          |
| -stockings               | 18,667     | 45,154     |
| -other                   | 196        | 542        |
| - Eastern Europe         | 0          | 0          |
| -stockings               | 16,477     | 27,361     |
| -other                   | 2,256      | 2,237      |
| - Non-European countries | 0          | 0          |
| -stockings               | 2,362      | 4,663      |
| -other                   | 9          | 57         |
| Total                    | 150,384    | 243,973    |

Revenues are shown net of returns, discounts and allowances.

Revenues for stockings made by Lepel amount to Lire 32,711 million and refer mainly to sales in Italy.

Sales of stockings total Lire 108,682 million.

**A.5.a. Other income:**

This caption is made up as follows:

|  | 30/06/2000   | 31/12/1999   |
|--|--------------|--------------|
| Transport & production expenses re invoiced to customers | 275          | 508          |
| Advertising contributions                                | 175          | 500          |
| Expenses re invoiced to customers                        | 42           | 118          |
| Royalty income   | 734          | 821          |
| Gains on disposal of assets                              | 271          | 82           |
| Out-of-period income for taxes                           | 47           | 171          |
| Other  | 474          | 322          |
| <b>Total</b>   | <b>2,018</b> | <b>2,522</b> |

**B. PRODUCTION COSTS**

This caption comprises:

|                                    | 30/06/2000    | 31/12/1999     |
|------------------------------------|---------------|----------------|
| Raw materials                      | 65,385        | 85,871         |
| Packaging and consumable materials | 10,731        | 15,165         |
| <b>Total</b>                       | <b>76,116</b> | <b>101,036</b> |

**■ B.7. Services:**

This caption is made up as follows:

|                       | 30/06/2000    | 31/12/1999    |
|-----------------------|---------------|---------------|
| - Outside contractors | 11,925        | 13,823        |
| - Advertising         | 17,576        | 20,395        |
| - Agents              | 3,740         | 5,305         |
| - Transportation      | 2,891         | 4,262         |
| - Power and heating   | 3,050         | 4,256         |
| - Other               | 8,808         | 10,161        |
| <b>Total</b>          | <b>47,990</b> | <b>58,202</b> |

**■ B.9. Labour costs:**

This caption includes all the costs incurred in respect of employees in 2000. The detail of this

caption is set out on the face of the statement of income.

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

|                | 01/01/2000 | Inclusion<br>of Lepel | New recruits | Leavers | 30/06/2000 |
|----------------|------------|-----------------------|--------------|---------|------------|
| - Managers     | 8          | 1                     | 4            | 0       | 13         |
| - Supervisors  | 58         | 0                     | 0            | (10)    | 48         |
| - Office staff | 315        | 17                    | 9            | (28)    | 313        |
| - Workers      | 824        | 154                   | 11           | (41)    | 948        |
| Total          | 1,205      | 172                   | 24           | (79)    | 1,322      |

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                  | 545   |
| - Goodwill                  | 346   |
| - Deferred charges          | 61    |
| - Consolidation differences | 1,348 |
| - Other                     | 47    |
| Total                       | 2,347 |

##### ■ b. Depreciation of tangible fixed assets

|                                   |       |
|-----------------------------------|-------|
| - Buildings                       | 899   |
| - Light constructions             | 1     |
| - Plant/machinery                 | 4,035 |
| - Equipment                       | 569   |
| - Furniture, electrical equipment | 189   |
| - Electronic office machines      | 260   |
| - Cars                            | 151   |
| - Vehicles                        | 53    |
| - Assets worth under 1 million    | 29    |
| Total                             | 6,186 |

■ **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.

■ **B.12. Provisions for contingencies and other charges :**

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

■ **B.14. Other operating expenses:**

This item is comprised as follows:

|                                | 30/06/2000 | 31/12/1999 |
|--------------------------------|------------|------------|
| - Entertaining                 | 141        | 371        |
| - Membership fees              | 123        | 134        |
| - Stationery & other materials | 216        | 260        |
| - Taxes and duties             | 766        | 540        |
| - Other charges                | 353        | 282        |
| Total                          | 1,599      | 1,587      |

■ **C. FINANCIAL INCOME AND CHARGES**

■ **C.16.d.d. Other financial income from third parties:**

This caption is analysed as follows:

|   | 30/06/2000 | 31/12/1999 |
|---|------------|------------|
| - Interest receivable on current accounts | 109        | 40         |
| - Interest receivable from customers      | 62         | 219        |
| - Exchange gains                          | 148        | 494        |
| - Other interest receivable               | 129        | 112        |
| - Discounts & positive roundings          | 29         | 2          |
| Total                                     | 477        | 867        |

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

This caption comprises:

|  | 30/06/2000   | 31/12/1999   |
|--|--------------|--------------|
| - Interest payable on current accounts | 188          | 558          |
| - Interest payable on borrowings       | 373          | 853          |
| - Interest payable on loans            | 1385         | 1,916        |
| - Other interest and charges payable   | 593          | 381          |
| - Exchange losses                      | 154          | 119          |
| <b>Total</b>                           | <b>2,693</b> | <b>3,827</b> |

Ceresara, 13 September 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 30 June 2000
2. - Schedule of movements in tangible fixed assets for the year ended 30 June 2000
3. - Statement of changes in shareholders' equity for the period ended 30 June 2000
4. - Cash flow statement for the period ended 30 June 2000

**Attachment 1****Schedule of movements in intangible fixed assets for the year ended 30 June 2000**

| <b>Description</b>   | <b>Net book value<br/>at 01.01.2000</b> | <b>Net value<br/>at 01.01.2000 (1)</b> | <b>Additions<br/>June 2000</b> | <b>Amortisation<br/>June 2000</b> | <b>Net book value<br/>at 30.06.2000</b> |
|--|---|--|--------------------------------|-----------------------------------|---|
| <b>Industrial patents and intellectual<br/>property rights</b>     |   |  |                                |                                   |   |
| -Software  | 911                                     | 59                                     | 1 353                          | - 557                             | 1 766                                   |
| <b>Concessions, licences, trade marks &amp;<br/>similar rights</b> |   |  |                                |                                   |   |
| - CSP trade mark   | 218                                     |  | 29                             | - 23                              | 224                                     |
| <b>Goodwill</b>  | 437                                     |  | - 109                          | - 164                             | 164                                     |
| <b>Consolidation difference</b>                                    | 27 077                                  |  | 7 027                          | -1 348                            | 32 756                                  |
| <b>Other</b>   |   |  |                                |                                   |   |
| - Deferred loan costs  | 71                                      |  |                                | - 11                              | 60                                      |
| - Other intangible fixed assets                                    | 248                                     |  | 258                            | - 244                             | 262                                     |
| total others   | 319                                     |  | 258                            | - 255                             | 322                                     |
| <b>Total</b>   | <b>28 962</b>                           | <b>59</b>                              | <b>8 558</b>                   | <b>-2 347</b>                     | <b>35 232</b>                           |

(1) Companies consolidated during the year



**Attachment 2**

**Schedule of movements in tangible fixed assets for the year ended 30 June 2000**

| <b>Summary of assets</b>        |                       |                        |                                  |                  |                     |                          |                     |                         |                     |                    |                       |
|---------------------------------|-----------------------|------------------------|----------------------------------|------------------|---------------------|--------------------------|---------------------|-------------------------|---------------------|--------------------|-----------------------|
| <b>Description</b>              | <b>Net book value</b> | <b>Net value</b>       | <b>Movements during the year</b> |                  |                     |                          |                     | <b>Closing balances</b> |                     |                    |                       |
|                                 | <b>at 01.01.00</b>    | <b>at 01.01.00 (1)</b> | <b>Additions</b>                 | <b>Decreases</b> | <b>Reversal</b>     | <b>Reclassifications</b> | <b>Depreciation</b> | <b>Historical</b>       | <b>Revaluations</b> | <b>Accumulated</b> | <b>Net book value</b> |
|                                 |                       |                        | <b>June 2000</b>                 | <b>June 2000</b> | <b>depreciation</b> | <b>June 2000</b>         | <b>June 2000</b>    | <b>cost</b>             |                     | <b>at 30.06.00</b> | <b>at 30.06.00</b>    |
| <b>Land &amp; buildings</b>     | 37 569                | 4 267                  | 70                               | - 734            | - 1                 | 10                       | - 691               | 54 421                  | 4 937               | -18 866            | 40 492                |
| <b>Plant &amp; machinery</b>    | 43 622                | 271                    | 2 738                            | -1 133           | - 961               |                          | -4 071              | 95 550                  | 1 079               | -54 241            | 42 388                |
| <b>Equipment</b>                | 2 710                 | 0                      | 283                              | - 820            | - 820               |                          | - 667               | 27 759                  | 29                  | -25 462            | 2 326                 |
| <b>Other assets</b>             | 3 207                 | 232                    | 599                              | - 136            | - 136               |                          | - 757               | 14 846                  | 174                 | -11 739            | 3 281                 |
| <b>Construction in progress</b> | 369                   | 0                      | 36                               |                  |                     | - 10                     |                     | 395                     | 0                   | 0                  | 395                   |
| <b>Total</b>                    | <b>87 477</b>         | <b>4 770</b>           | <b>3 726</b>                     | <b>-2 823</b>    | <b>-1 918</b>       | <b>0</b>                 | <b>-6 186</b>       | <b>192 971</b>          | <b>6 219</b>        | <b>-110 308</b>    | <b>88 882</b>         |

(1) Companies consolidated during the year

**Attachment No. 3**

**SCHEDULE OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY**

**AS AT 30 JUNE 2000**

**(in millions of Lire)**

| Description   | Share capital | Share premium reserve | Reserve for own shares | Revaluation reserves | Legal reserve | Other reserves | Net profit (loss) for the period | Total shareholders' equity |
|---|---------------|-----------------------|------------------------|----------------------|---------------|----------------|----------------------------------|----------------------------|
| <b>Balances at 1 January 2000</b>                                   | 24 500        | 35 000                | 1 852                  | 1 196                | 2 201         | 26 122         | 9 904                            | 100 775                    |
| Allocation of 1999 net profit<br>(General meeting of 27 April 2000) |               |                       |                        |                      |               |                |                                  |                            |
| - 5% allocation to legal reserve                                    |               |                       |                        |                      | 312           |                | - 312                            | 0                          |
| - Dividends distributed   |               |                       |                        |                      |               |                | -2 395                           | -2 395                     |
| - Dividends on own shares   |               |                       |                        |                      |               | 55             | - 55                             | 0                          |
| - Profits carried forward   |               |                       |                        |                      |               | 7 142          | -7 142                           | 0                          |
| Increase in the reserve for own shares                              |               |                       | 3 362                  |                      |               | -3 362         |                                  | 0                          |
| Other movements   |               |                       |                        |                      |               | - 38           |                                  | - 38                       |
| Net profit at 30.6.00 (*)   |               |                       |                        |                      |               |                | -2 455                           | -2 455                     |
| <b>Balances at 30 June 2000</b>                                     | <b>24 500</b> | <b>35 000</b>         | <b>5 214</b>           | <b>1 196</b>         | <b>2 513</b>  | <b>29 919</b>  | <b>-2 455</b>                    | <b>95 887</b>              |

(\*) Net profit as at 30 June 2000 is before income taxes

**CONSOLIDATED CASH FLOW STATEMENT**

at 30 June 2000 and 31 December 1999

(in millions of Lire)

|  | 30.06.2000 | 31.12.1999 |
|--|------------|------------|
| A. OPENING NET DEBT  | -61 727    | -69 489    |
| B. CASH FLOWS FROM (FOR) OPERATING ACTIVITIES  |            |            |
| Net profit for the period  | -2 455     | 9 904      |
| Depreciation, amortization and writedowns  | 8 253      | 13 688     |
| Net change in severance indemnities for employees and agents                           | 277        | 1 236      |
| Net change in reserves for contingencies and other charges                             | 424        | 1 652      |
| Writedown of equity investments  | 20         |            |
| Cash flows from operating activities before changes in working capital                 | 6 519      | 26 480     |
| (Increase) decrease in trade receivables   | 55 102     | 3 385      |
| (Increase) decrease in inventories   | -18 861    | 11 109     |
| Increase (decrease) in trade and other payables  | -27 160    | 9 708      |
| Changes in other working capital items   | -7 641     | 3 613      |
|  | 7 959      | 54 295     |
| C. CASH FLOWS FROM (FOR) INVESTMENT ACTIVITIES   |            |            |
| (Purchase) disposal of fixed assets:   |            |            |
| Intangible   | -2 368     | - 947      |
| Tangible   | -3 430     | -9 916     |
| Financial  | - 17       | 54         |
| Effects of consolidating newly acquired companies                                      |            |            |
| - Assets and liabilities acquired:   |            |            |
| -- group borrowings at acquisition date  | 0          | 34 744     |
| -- fixed assets  | -4 151     | -9 939     |
| -- current assets  | -42 121    | -50 901    |
| -- trade payables and other current liabilities  | 17 186     | 26 426     |
| - Goodwill recorded in the consolidation difference                                    | -6 183     | -25 593    |
| Minority interests in the company acquired   | 13 089     |            |
| Total investment   | -22 180    | -25 263    |
|  | -27 995    | -36 072    |
| D. CASH FLOWS FROM (FOR) FINANCING ACTIVITIES  |            |            |
| New borrowings net of the current portion of loans transferred to current payables     | 2 781      | 11 818     |
| Dividends paid   | 0          | -1 220     |
| Securities   | -2 181     |            |
| Other changes in shareholders' equity, including that pertaining to minority interests | - 37       | - 408      |
|  | 563        | 10 190     |
| E. TOTAL CASH FLOWS FOR THE PERIOD (B+C+D)   | -19 473    | 28 413     |
| F. Net borrowings of new companies at the acquisition date                             | 3 579      | -20 651    |
| G. CLOSING NET DEBT (A+E+F)  | -77 621    | -61 727    |

**COMMENTS OF THE BOARD OF STATUTORY AUDITORS ON THE HALF YEAR REPORT AS OF  
30<sup>th</sup> JUNE 2000**

The Board of Statutory Auditors, having reviewed the six-month report prepared by the Board of Directors and approved on 13th September 2000, in conformity with CONSOB regulation n. 11971 of 14th May 1999,

**STATES**

- that the six-month report at 30 June 2000 is consistent with the Directors' report on operations;
- that there are no particular remarks to make.

*Mantua - Ceresara, 13th September 2000*

The Board of Statutory Auditors

**Report of the Independent Auditors**  
(Translation from the original issued in Italian)Arthur Andersen SpA  
Via Albere 19  
37138 VeronaTo 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, 2000, composed of the accounting statements (balance sheet and income statement) and the related explanatory notes of CSP International Industria Calze S.p.A. and of the consolidated report of the Group. We have also checked the part 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 Resolution No. 10867 of July 31, 1997. Our review consisted principally of obtaining the information regarding the items reported in the accounting statements and the consistency of the valuation criteria through discussion with company management and of applying analytical procedures to the data contained in the accounting statements. Our review did not include those audit procedures such as compliance tests and substantive tests of assets and liabilities and was 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 and consolidated financial statements, we do not express an opinion on the six-month report.
3. With regard to the comparative information related to the annual statutory and consolidated financial statements and to the prior year six-month report, reference should be made to our reports issued respectively on April 6, 2000 and September 20, 1999.
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 explanatory notes identified in paragraph 1 of this report, for them to be in conformity with the reporting standards set out by the CONSOB regulations related to six-month reports in accordance with Resolution No. 11971 of May 14, 1999, and subsequent amendments.
5. For a better understanding of the six-month report, attention is drawn on the following information:
  - a. As indicated in the explanatory notes of the six-month report, as allowed by paragraph 7 of article 81 of CONSOB regulation related to six-month reports as approved by Resolution No. 11971 of May 14, 1999, and subsequent amendments, the Company presented the result of the six-month period gross of the related current and deferred income taxes and of the tax effects on the adjustments and provisions made exclusively in application of tax regulations.

- 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, 2000, and of pre-tax profit for the period then ended of Lire 10,254 million and Lire 1,818 million, respectively. The reduction of the net equity is net of the related tax effect as of December 31, 1999; the effect of said accounting for the six-month period ended June 30, 2000, has not been determined pursuant to paragraph 5.a. above.
  
- c. During the month of June 2000 the Company acquired the control of Lepel S.r.l. through the acquisition of the 55% of its share capital. For a better understanding of the new Group structure, the consolidated six-month report as of June 30, 2000, and the related accounting statements include the six-months financial statements of Lepel S.r.l. at the same date: the pre-tax profit for the six-months period has been considered in determining the "consolidation difference". This difference, which represents the excess of the purchase price over the corresponding part of the Shareholders' equity of the acquired company at the acquisition date, amounting to Lire 6,183 million, will be amortised on a straight-line basis starting from the second semester of the current year on the basis of a useful life of ten years, as estimated by the Directors.

Verona, Italy,  
September 13, 2000

**Arthur Andersen SpA**



Giancarlo De Marchi – Partner

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.