QUARTERLY REPORT
AT
30 SEPTEMBER 2003

CSP GROUP

CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.
VIA PIUBEGA, 5C - 46040 CERESARA (MN) - ITALY
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CORPORATE BODIES

Board of Directors

Chairman and Managing director	Francesco	BERTONI (*)
Managing Director	Enzo	BERTONI (*)
Managing Director	Maria Grazia	BERTONI (**)
Managing Director	Carlo	BERTONI (**)
Directors	Massimo	ARMANINI
	Renato	ROSSI
	Arturo	TEDOLDI

Board of Statutory Auditors

Chairman	Vanna	STRACCIARI
Auditors	Marco	MONTESANO
	Luca	SAVOIA
Alternate auditors	Paolo	BERTOCCO
	Luca	GASPARINI

(*) Notes on exercising power: powers of ordinary and extraordinary administration, except for those reserved to the Board of Directors as per the law or by-laws, with single signature.
(**) Notes on exercising power: powers of ordinary administration.

DIRECTORS' REPORT ON GROUP OPERATIONS

In the third quarter of 2003 the CSP International Group returned to profits, with a pre-tax result of 1.5 million euro.
The positive result for the quarter follows three consecutive quarters of losses.

The result for the quarter reduces the losses recorded in the first half of the year. The first six months closed with a loss of 7.4 million euro. With the result for the third quarter, the cumulated loss to September 30 amounts to 5.8 million euro.

Group performance

Summary statement of income

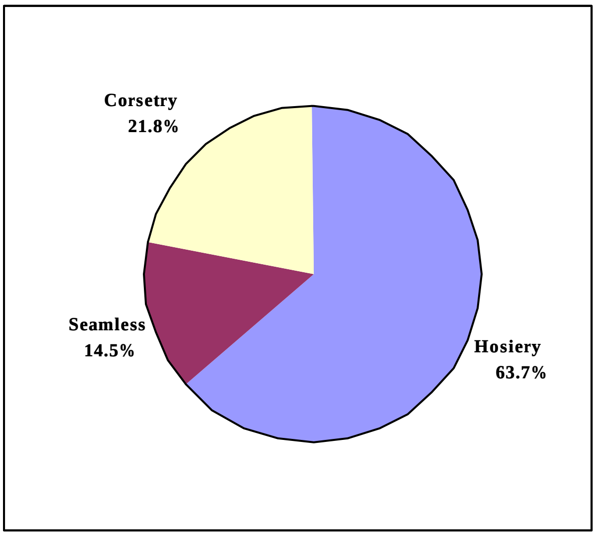
(in millions of Euro)	Quarter 01/07 - 30/09 2003		Quarter 01/07 - 30/09 2002		Period at 30 September 2003		Period at 30 September 2002		31 December 2002	
	valori	**%**	**valori**	**%**	**valori**	**%**	**valori**	**%**	**valori**	**%**
Net sales	38.07	*100.0%*	41.16	*100.0%*	103.06	*100.0%*	116.51	*100.0%*	159.52	*100.0%*
Cost of Sales	24.92	*65.4%*	24.70	*60.0%*	68.28	*66.2%*	71.62	*61.5%*	99.71	*62.5%*
Gross profit	**13.15**	*34.6%*	**16.46**	*40.0%*	**34.78**	*33.8%*	**44.89**	*38.5%*	**59.81**	*37.5%*
Selling, general and administrative costs	11.33	*29.8%*	12.45	*30.3%*	36.67	*35.6%*	37.31	*32.0%*	54.84	*34.4%*
Operating profit	**1.82**	*4.8%*	**4.01**	*9.7%*	**(1.89)**	*-1.8%*	**7.58**	*6.5%*	**4.97**	*3.1%*
Net financial charges	0.75	*2.0%*	0.89	*2.2%*	2.65	*2.6%*	2.87	*2.5%*	3.96	*2.5%*
Net other (income) and charges	(0.43)	*-1.1%*	0.55	*1.3%*	1.40	*1.4%*	1.08	*0.9%*	2.33	*1.4%*
Profit (loss) before taxes	**1.50**	*3.9%*	**2.57**	*6.3%*	**(5.94)**	*-5.8%*	**3.63**	*3.1%*	**(1.32)**	*-0.8%*
Income taxes	(*)	*(*)*	0.00	*0.0%*	0.00	*0.0%*	(*)	*(*)*	(2.81)	*-1.8%*
Net profit (loss) for the period	**1.50**	*3.9%*	**2.57**	*6.3%*	**(5.94)**	*-5.8%*	**3.63**	*3.1%*	**(4.13)**	*-2.6%*
Minority interests	0.04	*0.1%*	0.02	*0.0%*	0.09	*0.1%*	(0.12)	*-0.1%*	(0.09)	*0.0%*
Net profit (loss) for the Group	**1.54**	*4.0%*	**2.59**	*6.3%*	**(5.85)**	*-5.7%*	**3.51**	*3.0%*	**(4.22)**	*-2.6%*

(*) income taxes for the period are not calculated as of September 30

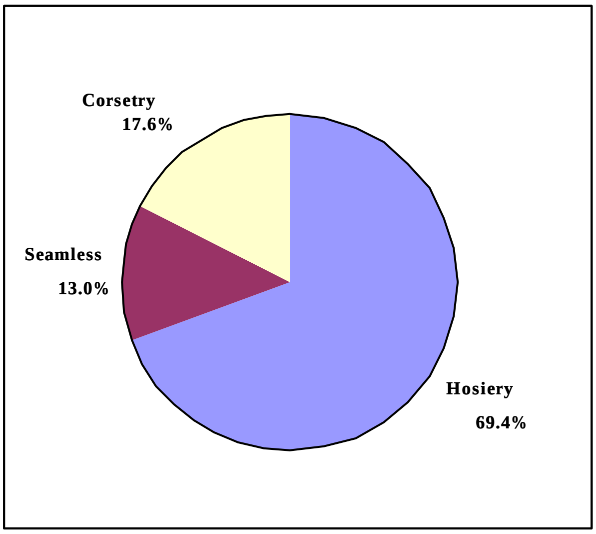
Net sales – Net sales in the third quarter of 2003 passed from 41.16 million euro to 38.07 million euro with a decrease of 7.5% compared to the same period in the previous year, while for the full period sales passed from 116.51 million euro to 103.06 million euro with a decrease of 11.6%. The result for the first nine months is principally attributable to the decrease in the sale of tights on the Russian market and the wholesale market in Italy, related to the Russian market by means of the "parallel sales", as well as the decrease in the private label sales in France.
The improvement in the performance of the sales in the quarter compared to the full period to September 30, 203 is principally attributable to the increase in corsetry sales that recorded an increase of 1. 5 million euro compared to the same period in 2002.

The following graphs show the breakdown of sales by product sector, brand and geographical area for the period under review compared with those of the same period of 2002:

PRODUCTS: % of sales at 30.09.2003

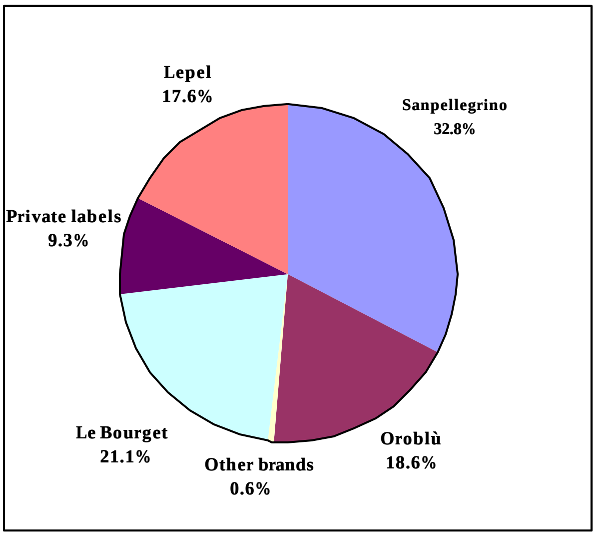


PRODUCTS: % of sales at 30.09.2002

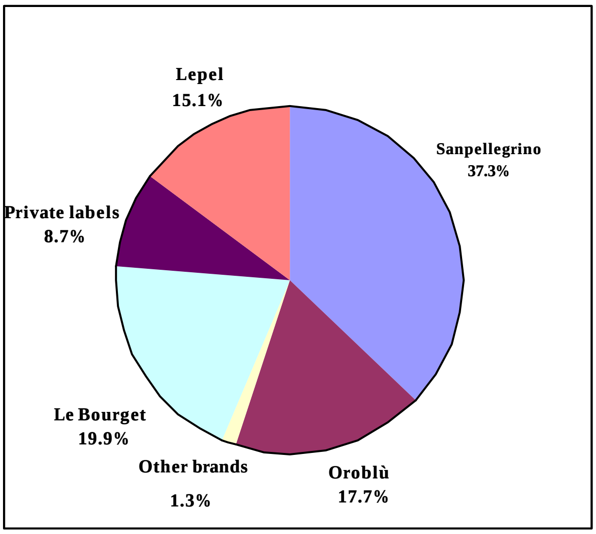


In the period under examination hosiery confirmed the chronic recessionary trend registering a reduction of 18.9% compared to the same period in 2002.
Corsetry however recorded a significant increase of 9.7% compared to 2002, while seamless underwear and corsetry together passed from 30.6% to 36.3% of total turnover, in line with the diversification policy undertaken by the Group.

BRANDS: % of sales at 30.09.2003



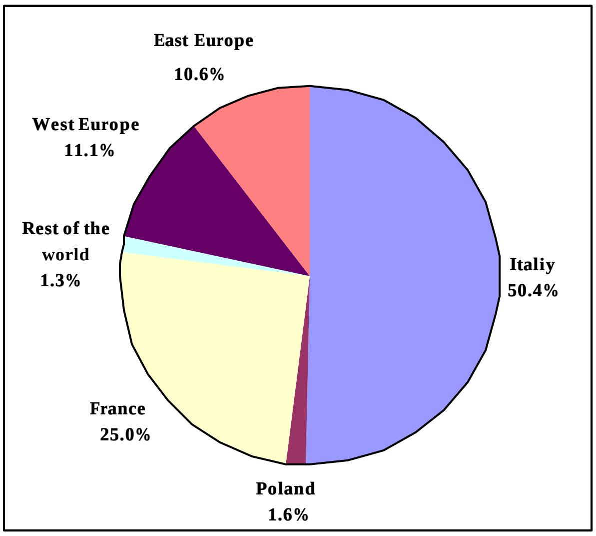
BRANDS: % of sales at 30.09.2002



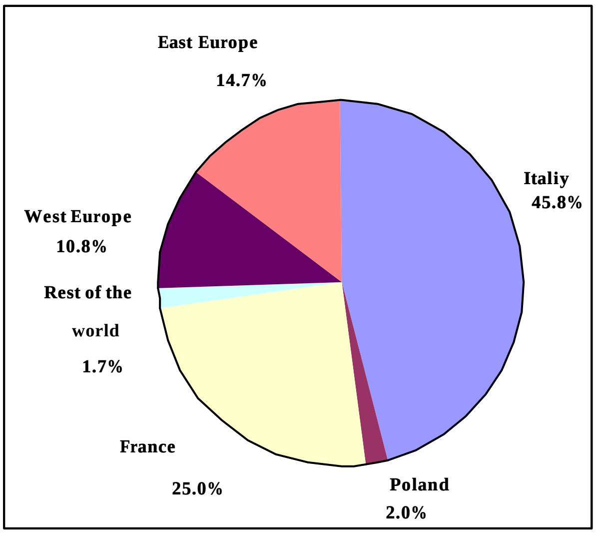
Sanpellegrino is the brand which suffered most from the negative effects of the decrease in hosiery sales in Russia and in the wholesale in Italy, and in the period under examination recorded a total loss of 22.3%; it should be noted however that the brand obtained positive results in the mass distribution channel both in stockings (+6.7%) and in seamless underwear (+16.8%). In addition, in the overall results of Sanpellegrino,

the positive effects of the new BioComplex products, to which reference is made further on, is just the beginning and relates only to the month of September.
Oroblù contained the reduction in sales to 7% thanks in particular to the positive results obtained with the corsetry collection and the consolidation of the seamless underwear.
The decrease in consumption in the French market negatively influenced the sales of the Le Bourget brand which recorded a decrease of 6.1 % compared to the previous year.
The Lepel brand achieved the most positive results in the period, increasing sales by 3.1% thanks in particular to the growth in the Claudia Lemes line and the consolidation of its position in the Italian large store channel.

AREAS: % of sales at 30.09.2003



AREAS: % of sales at 30.09.2002



As regards sales by geographical area, the trend of a decrease in sales in Eastern Europe was confirmed with a reduction of 6.26 million euro (-36.5%) and in France, which recorded a decrease of 3.35 million euro (11.5%) due principally to the non renewal of some contracts with private labels considered too costly.
In Italy however, principal market for the Group, sales were largely stable with a contained decrease of 2.6% compared to the same period in the previous year.

Gross profit – the gross profit margin for the third quarter was 34.6% compared to 40.0% in the same period in the previous year, while for the full period the gross profit margin passed from 38.5% to 33.7%.
The reduction in the gross margin is principally attributable to the lower volume of sales leading to a lower absorption of fixed costs, as well as greater recourse to promotional activities to counter those of competitors.

Selling, general and administrative costs – Selling, general and administrative costs, amounted to 36.67 million euro (35.6%) compared to 37.31 million euro (32.0%) in the same period in the previous year.
The decrease compared to 2002, equal to 0.64 million euro, is principally attributable to the reduction of the other variable expenses relating to sales (principally transport and selling costs) as well as a decrease in personnel costs (particularly in France).
The advertising investments increased 1.15 million euro due to difference in the scheduling of the campaigns for the different brands of the Group; these costs for the full year are in line with the costs in previous years.

Operating result – The operating result in the period to 2003 is a loss of 1.89 million euro, compared to an operating profit of 7.58 million euro in the same period in the previous year. This result is principally due to the above-mentioned reduction in the volume of sales and margins.

Financial charges, net – Net financial charges amount to 2.65 million euro compared to 2.87 million euro in the same period in the previous year, in line with the reduction in the average indebtedness.

Other net income and charges – This caption, totalling 1.40 million euro compared to 1.08 million euro in the same period of 2002, refers for 1.00 million euro to the provision for restructuring costs (Social Plan) at Le Bourget, and for 0.40 million euro to the write-down of treasury shares held in portfolio, after their adjustment to market value at period-end (1.4326 Euro per share). With reference, in particular, to the treasury shares, it is noted that the period January/September saw a write-down, compared to December 31, 2002, that was equal to 1.60 euro per share, but a revaluation in the third quarter, compared to the previous quarter.

Income taxes – The quarterly financial statements do not include any provision for income taxes, as permitted by the applicable CONSOB regulations.

Summary balance sheet

The following table shows the reclassified balance sheet of the Group:

(in millions of Euro)	**30 September 2003**	**30 June 2003**	**31 December 2002**	**30 September 2002**
Current assets	109.83	106.58	127.78	127.11
Current liabilities	(34.67)	(38.79)	(43.39)	(42.81)
Net working capital	**75.16**	**67.79**	**84.39**	**84.30**
Equity investments (including own shares)	3.68	3.31	4.13	6.04
Tangible and intangible fixed assets	56.04	58.05	62.67	64.57
Capital employed	**134.88**	**129.15**	**151.19**	**154.91**
Other medium/long-term liabilities	(12.47)	(12.43)	(11.64)	(10.63)
Net capital employed	**122.41**	**116.72**	**139.55**	**144.28**
Net debt	73.99	69.73	83.69	80.72
Shareholders' equity attributable to minority interests	1.23	1.30	1.53	1.52
Net equity	47.19	45.69	54.33	62.04
Total	**122.41**	**116.72**	**139.55**	**144.28**

(*) income taxes for the period are not calculated as of September 30

Working capital – Net working capital at September 30, 2003 amounted to 75.16 million euro compared to 84.30 million euro in the same period in the previous year. Current assets reduced by 17.28 million euro principally due to the reductions in inventory (-11.00 million euro) following the implementation of the policy to contain inventory levels, and trade receivables due to the decrease in sales.
Current liabilities reduced by 8.14 million euro principally due to the reduction in trade payables (-6.62 million euro) following a programme of reduced production activity.

Capital invested – The capital invested passes from 154.91 million euro at September 30, 2002 to 134.88 million euro, principally attributable to the above-mentioned reductions in working capital, to the reduction in fixed assets due to amortisation and the write-down in treasury shares held in portfolio.

Net debt – The net debt, as shown in the table below, decreased by 6.73 million euro principally in relation to the above-mentioned reductions in working capital.

The net financial position is comprised of:

(in millions of Euro)	30 September 2003	30 June 2003	31 December 2002	30 September 2002
Short-term bank borrowings	45.06	45.47	54.74	50.72
Current portion of medium/long-term debt	10.80	15.04	12.81	12.69
Cash and banks	(0.88)	(1.39)	(0.78)	(1.39)
Net short-term borrowings	**54.98**	**59.12**	**66.77**	**62.02**
Medium/long-term lending, net of the current portion	19.01	10.61	16.92	18.70
Net debt	**73.99**	**69.73**	**83.69**	**80.72**

Group performance company by company

In relation to the results of the individual companies, the most significant aspects in the third quarter are noted below recalling that the data referred to is before consolidation adjustments.

Parent Company

The Parent Company which, after the merger with Lepel, is organised in the two divisions of Sanpellegrino/Oroblù and Lepel, recorded a pre-tax profit of 281,000 euro.

The **Sanpellegrino/Oroblù division,** continued to operate in a climate of recession in the third quarter, as the stockings/tights market has lost, in the period January/August 2003, 11% of consumption, compared to the same period in the previous year (source GFK, Italy). We can, however, highlight the positive reception reserved by the market for the new Sanpellegrino BioComplex products.

We also note, that the sales in Russia, after a year of contraction, in September 2003 were higher than September 2002.

The **Lepel division** (merged by incorporation from January 1, 2003) recorded very positive results, due to two factors:

- the growth of the Claudia Lemes collection in the large stores channel, positive for the development of sales;
- the launch of the Revolution collection in the wholesale and large stores channel, for the positive effect on margins.

With the latest initiatives, the Lepel brand has strengthened its leadership position in the brassiere market, ahead of Lovable and Playtex (source GFK, relating to the firs six months of 2003, in volume terms).

Le Bourget:

The French subsidiary, third brand in the market, after Dim and Well, obtained a positive pre-tax result of 1.1 million euro in the third quarter, on lower sales than in the third quarter of 2002.

The result was obtained despite the continued recession of the stockings/tights sector also on the French market, where the consumption of tights fell 17% in the first six months of 2003, compared to the same period in the previous year (source Nielsen, Hyper and Supermarkets).

At the same time as the launch of Sanpellegrino BioComplex, Le Bourget also inserted in its two collections, destined for the large stores and specialist retailers, three BioComplex products, with the same cosmetic positioning as Sanpellegrino,
The Social Plan, that provides for the reduction of 63 personnel, approved in August, is currently under way and will be completed by December.

Sanpellegrino Polska
The Polish company, held 50% by CSP International, in joint venture with the local operator, continues to suffer from the decrease in demand in Poland and in the neighbouring Eastern European countries.
The loss recorded in the quarter was 83,000 euro.

Future Outlook

A summary of the salient elements relating to the action plan are:
- the problems
- the solutions
- the objectives
- the operating criteria
- the activities

the principal **problems** were identified as:
- the chronic recession in the stockings/tights market;
- over production capacity;
- other factors relating to costs/margins.

The **solutions** were identified as follows:
- the recession in the stocking/tights market to be met with diversification and product innovation;
- the over production capacity to be overcome also by reductions in personnel;
- the other critical factors will involve cost reductions and improvements in margins.

The **objectives** are as follows:
- a stabilisation of sales, in the three-year period, of around 150 million euro annually;
- breakeven before taxes and any extraordinary items in 2004;
- a net profit, after taxes in 2005;
- profitability with EBITDA above 10% in the three-year period and Ebit greater than 5% in 2006.

Summarising we can cite the main **operating criteria** of the action plan:
- diversification from stocking/tights to other complementary goods, from underwear to swim suits;
- diversification and innovation, as only innovation will consent an improvement in margins. And thus innovation
  - in the diversified products
  - in stockings/tights
  - in fashion products;
- diversification, innovation and communication, as the innovation will be communicated to the market to stimulate trial and re-purchase;
- concentration of the promo-advertising investments:
  - at the sales point, which is the place and moment of truth;
  - on advertising, which is the instrument for developing the business and the brands;
- differentiation of prices by product categories:
  - strategic products, to maintain distribution channels and exploit the production capacity, with prices that will cover only direct costs;
  - classic products, which constitute the continuative products of the collections, with prices that cover direct and indirect costs, with limited margins;

- innovative products, which stimulate consumption, with prices that cover direct, indirect costs and improved margins.

The summarised **effects** of the three-year plan include
- reduction of costs of over 8 million euro;
- improvement in margins of almost 5 million euro;

with a cumulative effect of 13 million euro.

Progress made in the Plan

The table illustrates the first results realised to-date:

AREA	**RESULTS Jan./Sept. 2003 vs. Jan./Sept. 2002**
Inventory	- 11 million euro
Working Capital	-9 million euro
Payables	- 7 million euro Banks - 7 million euro Suppliers -13 million euro total
Le Bourget Personnel	63 units less by end of year
Parent Company Personnel	47 units less since beginning of year
Cost of labour	-1.4 million euro

Results expected for the current year

After the positive result in the third quarter, that brings the cumulative loss to 5.8 million euro, the possibility of losses of 10 million euro, after taxes, is confirmed, relating to the full year for 2003, announced in the half yearly report. However, if the expectations relating to the new Sanpellegrino BioComplex products, which have higher margins, are confirmed in the last quarter, the loss indicated could be lower.

Ceresara, November 11, 2003

The Presidente of the Board of Directors

Attachments:
1. Reclassified Income Statement
2. Reclassidfied Balance Sheet

Reclassified Consolidated Statement of Income

(figures in thousands of Euro)

	Quarter 01/07 - 30/09 2003 CONSOLIDATED	Quarter 01/07 - 30/09 2002 CONSOLIDATED	Period at 30 September 2003 CONSOLIDATED	Period at 30 September 2002 CONSOLIDATED	31 December 2002 CONSOLIDATED
Net sales	37,949	41,023	102,616	116,013	158,917
Income from royalties	120	133	441	496	602
NET REVENUES	**38,069**	**41,156**	**103,057**	**116,509**	159,519
COST OF SALES					
Purchases	7,723	13,832	30,407	45,375	55,252
Labour cost	3,974	4,249	13,622	14,740	19,443
Services	2,767	3,322	10,193	10,942	14,516
Depreciation and amortisation	1,574	1,877	5,033	5,654	7,472
Other costs	1,286	1,638	4,952	5,644	7,299
(Increase) decrease in inventories	7,590	(222)	4,068	(10,735)	(4,277)
	24,914	**24,696**	**68,275**	**71,620**	**99,705**
GROSS PROFIT	**13,155**	**16,460**	**34,782**	**44,889**	**59,814**
SELLING, GENERAL AND ADMINISTRATIVE COSTS					
Labour cost	3,247	3,048	10,314	10,639	14,316
Advertising expenses	3,511	4,385	11,896	10,751	18,551
Commissions (**)	871	815	2,627	2,635	3,707
Depreciation and amortisation	1,041	1,133	3,172	3,458	4,642
Other expenses (**)	2,662	3,071	8,663	9,828	13,631
	11,332	**12,452**	**36,672**	**37,311**	**54,847**
OPERATING PROFIT	**1,823**	**4,008**	**(1,890)**	**7,578**	**4,967**
Financial charges (income), net	750	894	2,653	2,872	3,958
Writedown (writeup) of investments	0	0	0	0	0
Other (income) and charges	(437)	503	248	348	1,864
	313	**1,397**	**2,901**	**3,220**	**5,822**
PROFIT (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	**1,510**	**2,611**	**(4,791)**	**4,358**	**(855)**
Extraordinary charges and (income)	7	38	1,150	733	466
PROFIT (LOSS) BEFORE INCOME TAXES	**1,503**	**2,573**	**(5,941)**	**3,625**	**(1,321)**
Income taxes (*)	0	0	0	0	(2,810)
NET PROFIT (LOSS) FOR THE PERIOD	**1,503**	**2,573**	**(5,941)**	**3,625**	**(4,131)**
Net minority interests	37	12	92	(113)	(88)
NET PROFIT (LOSS) FOR THE GROUP	**1,540**	**2,585**	**(5,849)**	**3,512**	**(4,219)**

(*) The figures at 30 September do not include income taxes.

(**) The figures at 30 September 2002 and at 31 December 2002 have been reclassified for an amount of 446,000 Euro and 685,000 Euro respectively in order to make them comparable to the figures at 30 September 2003

Reclassified Consolidated Balance Sheet - Assets

(figures in thousands of Euro)

	30 September 2003 CONSOLIDATED	30 June 2003 CONSOLIDATED	31 December 2002 CONSOLIDATED	30 September 2002 CONSOLIDATED
CURRENT ASSETS				
Cash and banks	879	1,389	777	1,385
Trade receivables	52,495	40,602	63,727	54,711
Due from subsidiary and associated companies	100	100	100	235
Other receivables	3,448	4,484	5,296	7,199
Inventories	53,462	60,986	58,038	64,464
Accrued income and prepaid expenses	319	411	615	501
Own shares	3,379	2,988	3,774	5,484
TOTAL CURRENT ASSETS	**114,082**	**110,960**	**132,327**	**133,979**
FIXED ASSETS				
Financial fixed assets:				
Financial receivables	294	311	332	448
Equity investments	10	10	11	110
Total financial fixed assets	**304**	**321**	**343**	**558**
Tangible fixed assets	40,503	42,169	45,740	46,843
Intangible fixed assets	15,539	15,884	16,942	17,724
TOTAL FIXED ASSETS	**56,346**	**58,374**	**63,025**	**65,125**
TOTAL ASSETS	**170,428**	**169,334**	**195,352**	**199,104**

Reclassified Consolidated Balance Sheet - Liabilities and shareholders' equity

(figures in thousands of Euro)

	30 September 2003 CONSOLIDATED	30 June 2003 CONSOLIDATED	31 December 2002 CONSOLIDATED	30 September 2002 CONSOLIDATED
CURRENT LIABILITIES				
Short-term bank borrowings	45,058	45,471	54,741	50,716
Current portion of medium/long term debt	10,805	15,035	12,805	12,688
Trade payables due to third parties	26,862	31,042	35,614	33,486
Due to subsidiary/associated companies	0	0	0	6
Taxes payable	495	790	2,161	1,676
Other payables	6,912	6,774	4,960	7,166
Accrued liabilities and deferred income	407	191	654	474
TOTAL CURRENT LIABILITIES	**90,539**	**99,303**	**110,935**	**106,212**
MEDIUM/LONG-TERM LIABILITIES				
Medium/long-term debt, net of the current portion	19,005	10,612	16,918	18,700
Severance indemnities	7,107	7,023	6,796	6,598
Other provisions	5,359	5,404	4,845	4,035
TOTAL MEDIUM/LONG-TERM LIABILITIES	**31,471**	**23,039**	**28,559**	**29,333**
TOTAL LIABILITIES	**122,010**	**122,342**	**139,494**	**135,545**
MINORITY INTERESTS IN CAPITAL AND RESERVES	1,228	1,304	**1,528**	1,524
SHAREHOLDERS' EQUITY				
Share capital	12,740	12,740	12,740	12,740
Legal reserve	1,359	1,359	1,365	1,365
Share premium reserve	18,076	18,076	18,076	18,076
Other reserves	20,864	20,902	26,368	26,342
Net profit (loss) for the period (*)	(5,849)	(7,389)	(4,219)	3,512
TOTAL SHAREHOLDERS' EQUITY	**47,190**	**45,688**	**54,330**	**62,035**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**170,428**	**169,334**	**195,352**	**199,104**

(*) The figures at 30 September and at 30 June do not include income taxes.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS

Content and bases of the financial statements

These notes refer to the results of the third quarter of 2003 and the period at 30 September 2003. They have been prepared in accordance with current legislation, with comparative figures for the corresponding period of 2002 and the full year 2002.

The accounting and consolidation policies used in preparing these financial statements have been applied consistently with the previous year's consolidated financial sheets as of 31 December 2002, except for the following difference:

INCOME TAXES: no provisions have been made against the income taxes of the individual consolidated companies or against deferred tax assets and liabilities pertaining to the period under review, as permitted by CONSOB regulations for the preparation of interim financial statements, which we deemed applicable to this document as well.

These amounts will be determined upon preparation of the financial statements as at 31 December 2003.
This method guarantees consistency in the figures with the consolidated annual report for the previous year, taking into account the above difference in accounting treatment.

Scope of consolidation

The scope of consolidation as of 30 September 2003, has changed with respect to the financial statements as of 31 December 2002 owing to the liquidation of Le Bourget Benelux, is made up as follows:

Name	Address	Controlling interest %
CSP International Industria Calze SpA (1)	Via Piubega, 5/c, 46040 Ceresara (Mantua - Italy)	Parent Company
Le Bourget S.A.	Rue J.P. Saltiel- 02230- Fresnoy Le Grand, France	99.97%
BO.MO. Srl (2)	Via San Martino 8/12 Fraz. Borgo Poncarale 25020 Poncarale (BS), Italy	60%
Sanpellegrino-Polska Sp.z.o.o.	Ul. Lodska, 27 95-050 Konstantynow (Lodz) (PL)	50%

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(1) On 27 January 2003, the Parent Company absorbed Lepel S.r.l., already consolidated line-by-line at 31 December 2002

(2) Owned by Le Bourget S.A.