FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

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CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.
Via Piubega, 5/C – 46040 CERESARA (MN) – Italy
Share capital € 12,740,000 fully paid-in
Manta Companies Register no. 00226290203

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CORPORATE BODIES

Board of Directors

Chairman	Francesco	BERTONI (*)
Vice Chairman	Enzo	BERTONI (*)
Managing Director	Gianfranco	BOSSI
Directors	Luigi	BELLAVITA
	Carlo	BERTONI
	Maria Grazia	BERTONI
	Renato	ROSSI
	Arturo	TEDOLDI

Board of Statutory Auditors

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

Independent Auditors Deloitte & Touche S.p.A.

(*) 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.

DIRECTORS' REPORT FOR THE YEAR 2004

A summary of the results for the year 2004, expressed in absolute and percentage terms on sales and compared to the previous year is shown below.

- Sales for the year 2004 amounted to Euro 126.8 million. This compares to sales of Euro 142.4 million in 2003. The decrease was equal to 10.9%.
- The Ebitda in 2004 was equal to Euro 40.5 million and compares to a margin of Euro 46.0 million in 2003; the margin percentage decreased from 32.3% to 32.0%.
- The pre-tax result in 2004 was a loss of Euro 8.9 million, compared to a loss of Euro 8.8 million in the previous year;
- Net profit of the group after tax and after minority interests in 2004 was a loss of Euro 8.6 million, compared to a loss of Euro 9.9 million in 2003.

The result in the period January - September was a cumulative loss of Euro 0.3 million, compared to a loss of Euro 5.8 million in the same period in the previous year. The total annual loss was therefore almost totally attributable to the loss in the fourth quarter, in which the decrease in sales had a determining role, resulting in a significant lowering of the break-even level.

The result in the quarter is principally a consequence of the following factors:

- a climatic situation of particularly high temperatures in October;
- a consequent significant reduction in the consumption of tights in October, but also in November/December, resulting in a real market crisis, unexpected in the monthly peak value recorded by the GFK Institute, up to -22%;
- a decrease in sales of 22.4% compared to the same period in 2003 and of 32.0% in the month of December for the Parent Company;
- lower margins resulting from the advertising investments made in the last quarter of the year, higher than those in the fourth quarter of 2003.

It should be noted, in addition to the specific problems relating to the fourth quarter, other factors also had a negative influence for the full year:

- the chronic recession in the stockings/tights market;
- the reduction of sales of seamless underwear, the new technology that, after having reached strong growth with up to a quarter of the total underwear market in a five-year period, has experienced a stop in its growth;
- the trend of lower prices, particularly in the Wholesale channel for seamless merchandise due to the saturation of the offer, and in the brassiere market due to the entry of new low-cost Chinese production;
- the emergence of local competition in the Russian market, third by importance, after Italy and France, for the CSP International Group.

Operational areas

Despite the negative result, certain positive results of operational nature were recorded; such results should be analysed within a very difficult overall situation.

AREA	RESULT 2003 vs. 2002	RESULT 2004 vs. 2003
Inventory	Euro -10.9 million	Euro -4.0 million
Working Capital	Euro -15.6 million	Euro -5.1 million
Net financial debt	Euro -14.1 million	Euro -9.5 million
Financial charges	Euro -0.7 million	Euro -0.7 million

Cost of labour	Euro -1.8 million	Euro -1.5 million
Other expenses	Euro -1.1 million	Euro -0.4 million

Personnel

31.12.2002 1,359 employees
31.12.2003 1,239 employees (- 120 units)
31.12.2004 1,185 employees (- 54 units)

New products Sanpellegrino and Oroblù in 2004

% in quantity 11.0
% in value 25.4

Collections Sanpellegrino BioComplex and Oroblù BioAction

Cumulative sales since launch: 2.2 million pairs, equal to Euro 4.9 million
(II half 2003 + full year 2004)

Efficiency and sales criteria

We have shown above certain indicators which indicate the measures taken relating to determining factors on the operations, in order to formulate two considerations:

- the factors directly controllable, such as Inventory, Working Capital, Payables, Personnel, etc. are maintained under close control;
- the sales, that are dependent, in addition to operational criteria, to the market and consumption trend, have regressed and, in the final quarter, unexpectedly been negative.

In the conclusion to this Report, the guidelines will be indicated to achieve a break-even result for the year 2005.

Group performance

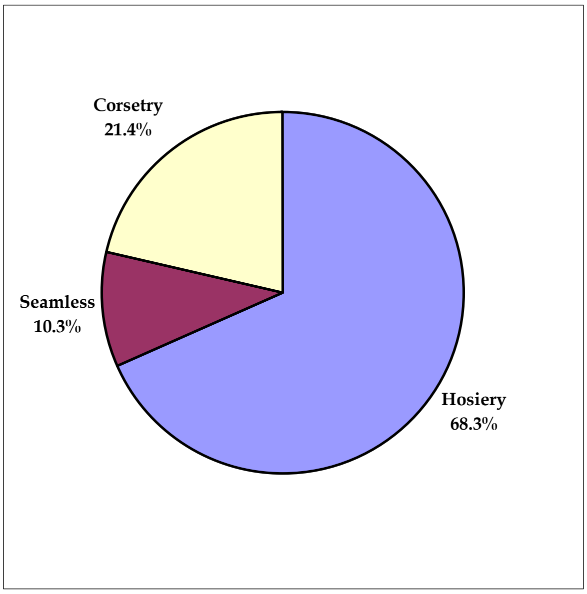
Summary statement of income

(in millions of Euro)	2004		2003	
	value	%	value	%
Net sales	126.79	*100.0%*	142.38	*100.0%*
Cost of Sales	86.28	*68.0%*	96.36	*67.7%*
Gross profit	**40.51**	*32.0%*	**46.02**	*32.3%*
Selling, general and administrative costs	49.71	*39.2%*	50.47	*35.4%*
Operating profit	**(9.20)**	*-7.2%*	**(4.45)**	*-3.1%*
Net financial charges	2.58	*2.0%*	3.26	*2.3%*
Net other (income) and charges	(0.28)	*-0.2%*	(0.13)	*0.0%*
Extraordinary charges and (income)	(2.59)	*-2.0%*	1.19	*0.8%*
Profit (loss) before taxes	**(8.91)**	*-7.0%*	**(8.77)**	*-6.2%*
Income taxes	0.28	*0.2%*	(1.52)	*-1.1%*
Net profit (loss)	**(8.63)**	*-6.8%*	**(10.29)**	*-7.3%*
Minority interests	(0.01)	*0.0%*	0.36	*0.3%*
Net profit (loss) for the Group	**(8.64)**	*-6.8%*	**(9.93)**	*-7.0%*

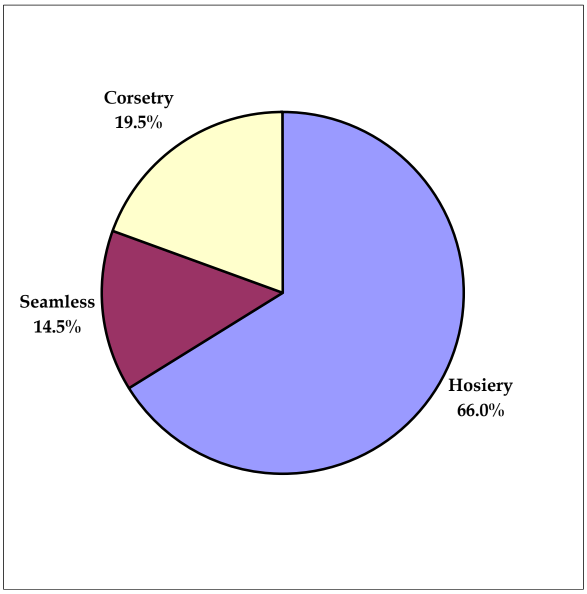
Net sales – Net sales in the fourth quarter of 2004 decreased from Euro 39.4 million to Euro 33.6 million with a decrease of 14.6% compared to the same period in the previous year, while for the full period sales decreased from Euro 142.4 million to Euro 126.8 million with a decrease of 10.9%. The result for the period is due to the continual decline in the hosiery consumption market, as well as the negative performance in the sales of seamless products.

The following graphs show the breakdown of sales by product category, brand and geographical area for the year 2004 compared to the year 2003:

PRODUCTS: % of sales at 31.12.04

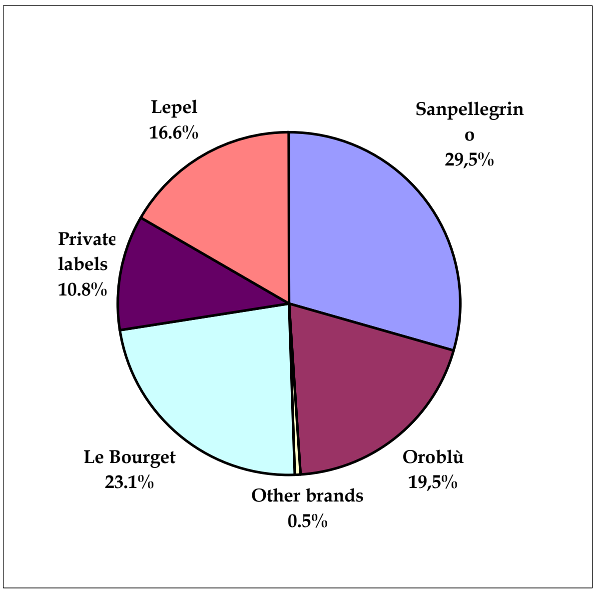


PRODUCTS: % of sales at 31.12.03

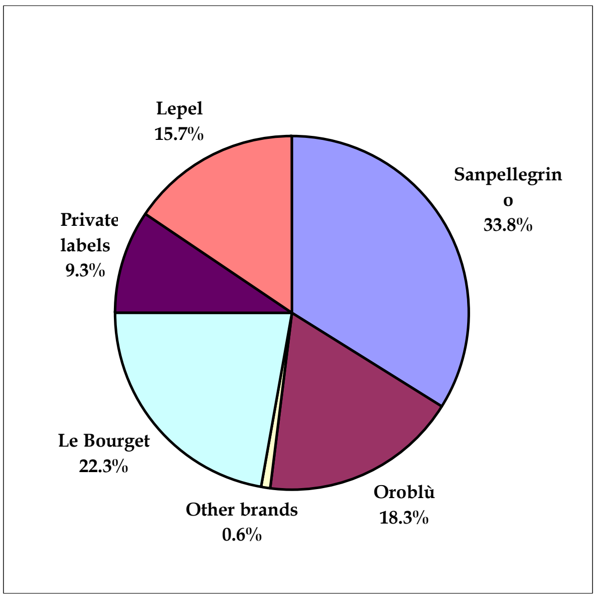


In 2004, sales of hosiery declined by 8.0% compared to the same period in the previous year, following the chronic recession for these products. It should be noted that this decline reduced compared to 2003 where the reduction, compared to 2002, was equal to 16.8%.
In relation to seamless the sales decreased from Euro 20.6 million to Euro 13.1 million (- 36.4%) principally due to the saturation of the market and the consequent reduction in sales prices.
The sales of corsetry remained substantially unchanged compared to the previous year, recording a reduction of Euro 0.5 million, despite the competition, especially in the wholesale channel, of new operators with articles at very low prices produced in South-East Asia.

BRANDS: % of sales at 31.12.04

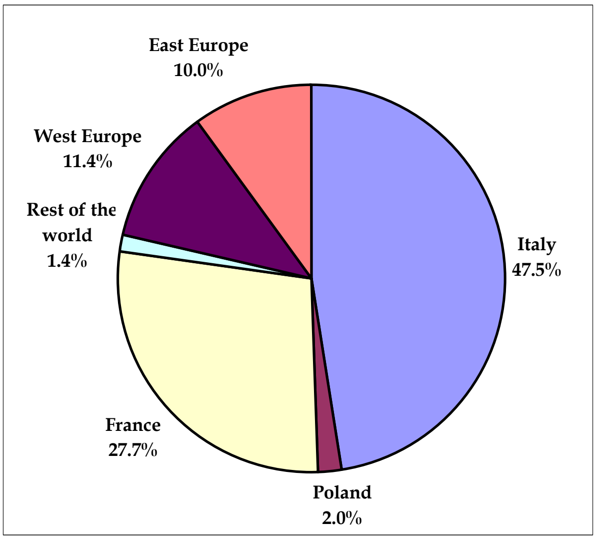


BRANDS: % of sales at 31.12.03

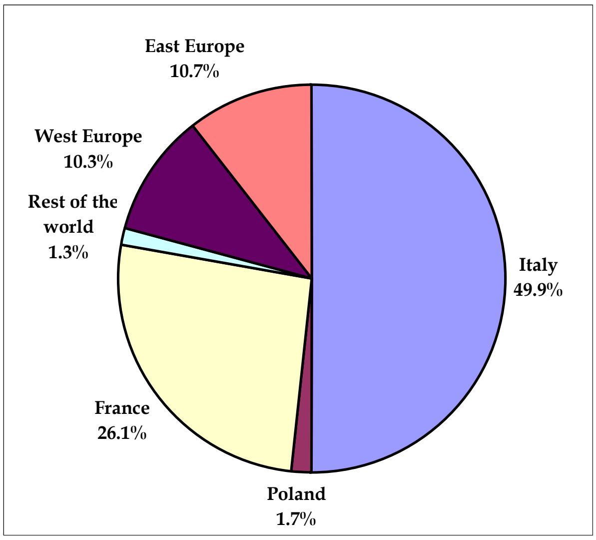


Sanpellegrino was the brand that felt the largest negative effects from the decrease of hosiery and seamless sales, and as a consequence registered a total loss in sales of 22.0% (-27.4% in the fourth quarter).
Oroblù contained the reduction in sales to 5.6% due to the diversification into corsetry products, whose sales increased from Euro 1.7 million to Euro 3.1 million.
The brand Lepel recorded a reduction of 5.5% in the period principally due to the increased competition, in the wholesale channel, of Chinese products proposed at very low prices.
The decrease in sales of the brand Le Bourget (- 7.9% compared to the previous year) is related to the reduction of consumption in the French market (estimated at approx. 15%).

AREAS: % of sales at 31.12.04



AREAS: % of sales at 31.12.03



In relation to the sales by geographic area, Italy recorded a reduction of 15.3% due to the above-mentioned decrease in the sales of hosiery and seamless.
In France, the Group contained the decrease in sales to 5.5% against a much higher decline in the consumption of hosiery in this market.
In Eastern Europe, the sales decreased by 17.0% compared to 2003, principally in Russia due to the competition of local producers. In particular, the situation deteriorated in the last quarter of 2004 that recorded a decline in sales of Euro 1.6 million (-36%).
The sales in Western Europe were substantially in line with the previous year. The increase in sales in the final quarter (Euro +0.5 million) contributed to the recovery in the loss of sales recorded in the first two months of the year and principally caused by internal operating problems.

Gross profit – the gross profit margin for the fourth quarter was 21.4% compared to 28.6% in the same period in the previous year, while for the full year the gross profit margin decreased from 32.3% to 32.0%.
In relation to the full year, the gross margin remained substantially in line with 2003 despite a significant reduction in the volume of sales; this result was obtained thanks to the rationalisation of the production process and the containment of industrial personnel costs. In relation to the fourth quarter, the deterioration in the margin compared to the same period in 2003 is principally due to the reduction in sales volumes.

Selling, general and administrative costs – Selling, general and administrative costs, amounted to Euro 49.7 million (39.2%) compared to Euro 50.5 million (35.4%) in the previous year.
The decrease compared to 2003, equal to Euro 0.8 million, is largely due to the reduction in advertising, despite the higher advertising investments made in the fourth quarter (Euro + 0.9 million), compared to the same period in the previous year due to scheduling changes of the advertising campaigns for the brands of the Group.

The decrease in variable costs related to sales (in particular, commissions and transport) were compensated by the increase in depreciation resulting from the entry into service of the new IT system.

Operating result – The operating result for the year was a loss of Euro 9.2 million compared to a loss of Euro 4.5 million in the previous year. This result is principally due to the above-mentioned reduction in the volume of sales. In particular, the result for the year was adversely impacted by the result in the fourth quarter (Euro - 7.6 million compared to Euro - 2.2 million in the fourth quarter 2003) characterized by the strong decrease in sales.

Financial charges, net – Net financial charges amount to Euro 2.6 million compared to Euro 3.3 million in the previous year, in line with the reduction in the average financial debt.

Extraordinary income and charges – This caption, equal to Euro 2.6 million, refers for Euro 1.4 million to income received from a settlement made relating to a previous investment acquisition, for Euro 1.5 million to income deriving from the sale to third parties of the Lepel brand limited to the United Kingdom and Canada and, for Euro 0.4 million to estimated restructuring charges in relation to the closure of the factory at Poggio Rusco and the reorganization of the factory at Rivarolo del Re.

Income taxes - Current income taxes amount to Euro 0.8 million (principally IRAP on the Parent Company), while the deferred tax income net of deferred tax charge amounted to Euro 1.1 million. The balance was therefore a positive amount of Euro 0.3 million compared to a tax charge of Euro 1.5 million in the previous year.

Summary balance sheet

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

(in millions of Euro)	31 December 2004	31 December 2003
Current assets	101.03	106.57
Current liabilities	(37.35)	(37.81)
Net working capital	**63.68**	**68.76**
Equity investments (including own shares)	0.30	3.57
Tangible and intangible fixed assets	44.66	53.78
Capital employed	**108.64**	**126.11**
Other medium/long-term liabilities	(12.83)	(12.46)
Net capital employed	**95.81**	**113.65**
Net financial debt	60.11	69.60
Shareholders' equity attributable to minority interests	1.09	0.94
Net equity	34.61	43.11
Total	**95.81**	**113.65**

Working capital – The net working capital at December 31, 2004 amounted to Euro 63.7 million compared to Euro 68.8 million at the end of 2003. The reduction, against stable trade payables, is principally due to the decrease in trade receivables (Euro -3.2 million), as a consequence of the decrease in sales, and to the reduction in inventory (Euro -4.0 million).

Capital invested – The capital invested decreased from Euro 126.1 million at December 31, 2003 to Euro 108.6 million, principally attributable to the above-mentioned reductions in working capital, to the reduction in fixed assets due to amortisation and depreciation (Euro 9.1 million) and the sale of own shares held in portfolio (Euro 3.3 million).

Net debt – The net debt, as shown in the table below, decreased by Euro 9.5 million principally in relation to the above-mentioned reductions in working capital.
Compared to December 31, 2003, in order to obtain a better equilibrium of the financial position, the medium/long term composition of the debt was increased, from Euro 16.3 million to Euro 28.6 million, through a loan and the issue of bonds.

The net financial position is comprised of:

(in millions of Euro)	31 December 2004	31 December 2003
Short-term bank borrowings	28.77	42.79
Current portion of medium/long-term debt	6.51	11.60
Cash and banks	(3.75)	(1.07)
Net short-term borrowings	**31.53**	**53.32**
Medium/long-term lending, net of the current portion	23.58	16.28
	5.00	0.00
Net financial debt	**60.11**	**69.60**

Group performance company by company

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

Parent Company
The Parent Company includes the brands Sanpellegrino, Oroblù and Lepel and intercompany sales with the subsidiaries Le Bourget and Sanpellegrino Polska.

Sanpellegrino and Oroblù
The sales in 2004 amounted to Euro 76.8 million (Euro 62.9 million intercompany), compared to Euro 92.1 million (Euro 73.9 million intercompany) in the previous year, with a decrease of 16.7% (14.9% on net sales). The causes of the decrease are illustrated by individual brand of the Parent Company.
The brands Sanpellegrino and Oroblù operate principally in two markets: that of hosiery and seamless underwear (in addition to the diversified markets which we will mention later).

- The hosiery market ended the year with strong decreases in consumption and with monthly decreases of up to -22% (source GFK Institute).
- The seamless underwear market is showing signs of saturation and as a consequence a lowering of prices. In fact, for the first time since the introduction of the new technology, seamless underwear has decreased as a percentage on the total underwear market, as shown in the following figures (source GFK Institute).

WOMEN'S UNDERWEAR	2003	2004
Buyers of brassiere	24.0%	23.5%
Brassiere volumes	30.2%	29.9%
Buyers of briefs	23.6%	23.2%
Brief volumes	23.6%	23.8%

The trend in the two markets have resulted in a total reduction in sales and an even greater reduction in seamless products.

The key results are as follows:

- total Group sales: - 10.9%
- hosiery sales: - 8.0%
- seamless underwear sales - 36.6%
- hosiery sales: - 1.9%

Despite the fact that the internal figures of the group report these important decreases, the market share of Sanpellegrino and Oroblù are improving market share, as indicated from the following data (source GFK Institute).

Sanpellegrino + Oroblù Stockings/tights market	Half Year ended January 2004	Half Year ended January 2005
Quantity %	7.5	7.7
Value	9.1	9.6
Price index	121	125

The principal initiatives in course, to improve the competitiveness of our brands, are the following:

- enrichment of the knee/ankle socks that constitute, in the stockings market, a segment in growth, compared to the recessionary trend in the rest of the market;
- enrichment of the underwear fashion and external wear that, within the seamless technology, is the component with the greatest success;
- re-launch of the Sanpellegrino seamless collections in the wholesale channel and overseas, where the greatest difficulties were encountered, with a new positioning at more competitive prices;
- integration of the current overseas distribution network, with the insertion of new specialised distributors, for the new merchandise and the new licences, where not covered by the current distributors;
- simplification of the business, with the elimination of marginal codes (in terms of size and colours), in order to concentrate the activities on specific articles and consequently improve the service to the clientele.

Lepel

The corsetry division in 2004 recorded sales of Euro 23.3 million (Euro 23.2 million net of intercompany), compared to Euro 26.1 million (Euro 26.0 million net of intercompany) in 2003, with a decrease of 11. 0% (10.8% on net sales).
The principal reason for the decrease in sales is caused by the entry, in the wholesale channel, of Chinese production at prices equal to 1/10 of Lepel prices. Although this low price offer is not in direct competition with Lepel, due to obvious qualitative differences, its presence has however flooded the wholesale channel, with effects also on prices with higher positioned products.
Despite the new difficulties in the market, Lepel improves its market share, as evidenced from the latest research of the GFK Institute.

TOTAL WOMEN'S UNDERWEAR MARKET	2003	2004
Value of Lepel share	3.1%	3.9%
Volumes of Lepel share	2.1%	2.6%

BRASSIERE MARKET	2003	2004
Value of Lepel share	6.3%	6.3%
Volumes of Lepel share	6.6%	6.7%

The measures in response to the lowering of prices in the sector are already in course and are of two types:

- re-launch and repositioning of the two fundamental products of the Lepel collection: Belseno Pleasure and Revolution Comfort, to differentiate them from the competition;
- outsourcing of the production (already implemented in low labour cost countries such as North Africa, Eastern Europe and the Far East), increasing the quantities produced in China.

Overall results of the Parent Company

Comments are provided below on the main results of the Parent Company for the year 2004 compared to the previous year.

Overall the **sales** of the Parent Company decreased from Euro 118.3 million to Euro 100.1 million with a decrease of 15.4% principally due to the decrease in sales in the consumption of hosiery and to the saturation of the seamless market.

The **Ebitda** on revenues was maintained substantially stable, increasing from 25.2% to 25.9%.

The **Ebit** for the year was a loss of Euro 7.7 million compared to a loss of Euro 4.4 million in the previous year, principally due to the reduction in sales volumes mentioned above.

The **pre-tax result** was a loss of Euro 7.1 million compared to a loss of Euro 8.0 million in the previous year. The result for 2004 benefited from extraordinary income of Euro 2.5 million as already described in the comments of the results on the Group.

The **net financial charges** reduced by Euro 0.4 million principally due to the reduction in the average debt resulting from the reduction in net working capital.

The **net working capital** reduced by Euro 3.1 million principally due to the reduction in trade receivables.

Le Bourget

The French subsidiary, the third brand in the market, after Dim and Well, recorded a reduction in sales, but ended the year with a breakeven result. The sales decreased from Euro 40.0 million (Euro 39.1 million net of intercompany) in 2003 to Euro 37.9 million (Euro 37.3 million net of intercompany) in 2004, with a decrease of 5.3% (4.5% on net).

The reduction in sales is related to the recession in the consumption of tights that, in the French market, was for the second consecutive year, around 15% (source Nielsen Institute, Hyper and Supermarket Channel).

The result, a loss of Euro 101,000, compares to:

- loss of Euro 1.5 million in 2002;
- loss of Euro 0.9 million in 2003.

The performance in the fourth quarter, with a net profit of Euro 0.9 million, permitted the company to almost achieve its breakeven annual objective; in particular the fourth quarter 2004 recorded a gross margin of 39.3% compared to 35.5% in same period in the previous year.

The company has now substantially reached break-even, thanks to the following principal measures in the two year period 2003-2004, illustrated by the table (the data indicates the improvements in 2004 compared to 2003).

Income statement	- Reduction of personnel costs of Euro 1.3 million; - Reduction of other costs of Euro 0.7 million.
Balance sheet	- Reduction of inventory of Euro 3.5 million.

In addition to the reduction of costs, initiatives were undertaken in support of sales: the most important of which was the entry of the brand Le Bourget into the lingerie market with the collection "Les dessous chic". The sales of the collection, that are only marginally present for the year ended 2004, will be more significant in 2005.

Sanpellegrino Polska

The Polish company, held 50% by CSP international, ended the year with stable sales and a small profit.
The sales were maintained in 2004 at Euro 4.5 million (Euro 3.4 million net of intercompany), substantially in line with 2003.
The profit of Euro 19,000 in 2004 compares to a loss of Euro 700,000 in the previous year. The return to profit principally derives from an improvement in gross margin, from 17.4% in 2003 to 30.9% in 2004.
The Ebitda improved from -5.3% to 6.0%.
The principal measures in course are those directed at improving the network of 19 Oroblù outlets, that record improving sales and margins.

New products and advertising campaigns

The new products, presented during the year, were supported by specific advertising campaigns in the different media channels. A summary is presented of the principal activities carried out during the year:

- in January/February TV campaign for Lepel Revolution;
- in March bill board advertising for Lepel Belseno, with Natalia Estrada;
- in March/April press campaign for Sanpellegrino BioComplex L'Angelica and for Oroblù Futurity;
- in the autumn press campaign for Oroblù BioAction Transvital;
- in the two-month period October/November, TV campaign for Sanpellegrino BioComplex.

Among the new products already presented to the market at the end of 2004 and that will enter into the sales of 2005 we note:

- Le Bourget lingerie "Les dessous chic": the initial quantities were contained, but the welcome was positive;
- Lepel Revolution Comfort: the results were good and quantities significant;
- Lepel Belseno Pleasure: excellent results and very promising for 2005.

Licenses

A summary of the agreements in force are provided below.

	OROBLU'				
MERCHANDISE	MEN'S SOCKS	SWIMWEAR	PULL OVERS	KNITTED UNDERWEAR	FREE TIME
CHANNEL	Retail	Retail	Retail	Retail	Retail
PARTNER	Niga	David	Milar	Samar	Samar
COLLECTION	Oroblù Man	Oroblù Mare	Oroblù Pull-Lovers	Oroblù Underwear	Oroblù Your Time

	SANPELLEGRINO			
MERCHANDISE	MEN'S SOCKS	SWIMWEAR	KNITTED UNDERWEAR	FREE TIME
CHANNEL	LD	Wholesale and LD	LD	LD
PARTNER	Niga	David	Samar	Samar
COLLECTION	Sanpellegrino Man	Sanpellegrino Beach Time	Sanpellegrino Underwear	Sanpellegrino Free Time

All of the above-mentioned licences, except those for men’s socks already in force, were activated during 2004; among the new licenses only the pullover collection of Oroblù Pull-Lovers generated royalties in 2004, while the others will commence in 2005.
The results from licences in 2004 were as follows:
- sales equal to Euro 7.1 million, not consolidated in the sales of the Group;
- royalties equal to Euro 451,000, consolidated in the sales of the Group.

Brand shops
The Oroblù shops are currently 32, of which 6 in Italy, 19 in Poland, 3 in Russia, 2 in Croatia and 2 in China (another opening at Shenzen in 2005). In addition to the Oroblù shops there are 6 outlets, of which 3 Le Bourget, 1 CSP International and 2 Lepel.
The shops in Italy, France and Poland are managed directly by the Company, while in the other countries they are managed by third parties.
The plan provides for the opening of 30 shops over three years, as follows:
- Oroblù, for a high positioning;
- Lepel Store, for a convenience positioning.

Production rationalisation

The principal actions in relation to the production organisation already carried out and those in course are listed below.

MERCHANDISE	PRODUCTION UNIT	ACTIONS	REDUCTION IN PERSONNEL
Stockings & tights	Le Bourget	- Textile production capacity closed and maintenance of the logistical service for the French market	- 25 in 2002 - 30 in 2003 - 88 in 2004
	Parent Company	- Rationalisation of the 2 factories at Rivarolo del Re and Ceresara (January 2005)	- 47 in 2002 - 43 in 2003 - 4 in 2004 - 65 in 2005
Corsetry	Lepel	- Unification of the 2 factories at Carpi and Poggio Rusco (February 2005)	- 7 in 2003 - 10 in 2004 - 50 in 2005

The figures for 2005 consist of 65 employees of the Parent Company in a temporary lay-off scheme and 50 employees of Lepel in redundancy.

Extraordinary operations
The result for the year includes extraordinary income of Euro 2.9 million. It should be noted that the income was obtained without renouncing business factors of a strategic nature.
In addition, there are extraordinary charges of Euro 0.4 million, relating to the closure of the Lepel factory at Poggio Rusco (corsetry) and the integration of the two factories at Ceresara and Rivarolo del Re (tights), illustrated in the previous table:
- the interventions commence from January 2005 for the factories for tights and from February 2005 for the corsetry factory;

- the costs for the interventions, as already deliberated in 2004, are recorded in the accounts for the year 2004, although they will be incurred in the next three years;
- the savings from these measures, quantifiable as approximately Euro 2 million, will benefit the accounts in 2005.

Research & development

The innovative vocation of the company, which is fundamental for the recovery of profitability, results in the Research & Development activity for new products. The principal innovative articles presented to the market in recent years are shown in the table below, noting in particular the new articles in 2004.

YEAR	SANPELLEGRINO	OROBLÙ	LEPEL
2000	**SEAMLESS UNDERWEAR COMODO**	**SEAMLESS UNDERWEAR DOLCE VITA** **SUN TIME (summer socks)**	
2001	**COLLECT. METROPOLIS** **SEAMLESS MAN**	**COLLECTION ON LINE** **SEAMLESS MAN**	
2002	**SEAMLESS IN COTTON**	**SEAMLESS IN COTTON**	**Bra SIMMETRY**
2003	**BIOCOMPLEX L'ANGELICA (Cosmetic tights)**	**BIOACTION TRANSVITAL** **FUTURITY BRA (Lifting evolution)**	**Bra REVOLUTION without metal support**
2004	**POCKET TIGHTS**	**Extension line BioComplex and BioAction**	**PLAY LEPEL sport collection** **6TEEN for teenagers** **REVOLUTION Comfort and BELSENO Pleasure**

Transactions with related parties

In 2004 there were no untypical or unusual operations relating to communications issued by Consob.
Transactions between Group companies relate to trading operations concerning the production of the companies and are regulated at normal market conditions. The following table summarises the most important transactions of the Parent Company with the subsidiary companies in 2004 (in Euro millions):

Company	Revenues 2004	Costs 2004	Receivables 31.12.2004	Payables 31.12.2004
Le Bourget	15.4	0.8	7.5	0.5
Sanpellegrino Polska	1.1	1.5	0.6	0.2

The Parent Company has also provided *comfort letters* in favour of credit institutions on behalf of the French subsidiary company Le Bourget for a total amount of Euro 12.7 million.

Holdings held by Directors, Statutory Auditors and by General Directors in accordance with Article 33, Legislative Decree 58 of February 24, 1998

In accordance with Consob regulations, we attach the schedule relating to the holdings held by persons or legal entities as per resolution No. 11971/99.

Treasury shares

At December 31, 2004 the Company does not hold any treasury shares. During the year all of the shares held in portfolio, corresponding to 9.6% of the share capital, were sold to primary credit institutions through a private placement. Specifically, the Company sold 1,200,000 shares on July 27, 2004 (at Euro 1.35 per share) and the remaining 1,158,850 shares on October 20, 2004 (at Euro 1.40 per share).

Information in relation to the treatment of personal data

In compliance with current legislation on the protection of personal data, the Programmed Document on Security (DPS) was prepared and will be completely operational within the terms required by law.

Corporate Governance

The Company considers that the respecting of the principles of Corporate Governance is a fundamental component in relations with the market.
We recall the most recent events in relation to Corporate Governance:

- adherence to the Self-Discipline Code;
- drawing up of Shareholders' Meeting regulations;
- drawing up of internal procedures, for the treatment of "price sensitive" information;
- adoption of a code of conduct in relation to "internal dealing" and "related party" operations;
- definition of the powers of the Directors;
- creation of the Control Committee, functioning with two independent directors.

The commitment continued in the year for the improvement of the Governance model; a Control Committee was set up with the objective of verifying the principal internal control procedures.

Adoption of IAS/IFRS International accounting standards

With reference to the Consob communication relating to the status of the implementation of the systems and accounting procedures for the application of the IAS/IFRS accounting standards, CSP has completed the identification of the principal impact on the administrative, reporting and IT systems deriving from the introduction of the international accounting standards and is implementing the necessary changes to the processes and systems for the change to the new accounting standards.
At the present moment the quantification of the adjustments to the opening balance sheet at the date of the transition is in the completion phase (January 1, 2004) and the re-elaboration of the consolidated position at December 31, 2004 is in the commencement phase as well as the 2004 interim results prepared solely for comparative purposes.
Based on the current progress of the project, it is considered that the CSP Group will be able to adopt the new international accounting standards as from the consolidated half-year report at June 30, 2005.
For this purpose, a specific assignment will be given to the audit firm Deloitte & Touche S.p.A. to verify the results from the transition process.

Dividends
The distribution of dividends in recent years is illustrated in the table below:

Year	Dividends Distributed	Number of shares	Dividend per share
1995	1,032,914 Euro	22 million	Euro 0.05
1996	2,582,285 Euro	22 million	Euro 0.12
1997	3,871,877 Euro	24.5 million	Euro 0.16
1998	632,660 Euro	24.5 million	Euro 0.03
1999	1,237,018 Euro	24.5 million	Euro 0.05
2000	1,187,386 Euro	24.5 million	Euro 0.05
2001	1,108,071 Euro	24.5 million	Euro 0.05
2002	1,107,058 Euro	24.5 million	Euro 0.05
2003	No dividend.	24.5 million	No dividend.

In consideration of the result for the year 2004 no dividend is proposed for the year.

Significant events after the year end

Between January and February measures were taken as outlined in the paragraph relating to the rationalisation of the production structure:

- the unification of the two Lepel sites of Carpi and Poggio Rusco, in order to integrate all of the production phases for corsetry in one single production site;
- the transfer of part of the production for tights from Rivarolo del Re to Ceresara, to integrate into a single production site, all of the production phases after weaving (that remains at Rivarolo).

The interventions were necessary in order to:

- reduce the industrial costs;
- shortened the industrial cycle time;
- improves the quality of the finished products;
- optimise the service to the clients;
- and, in summary, increase the competitiveness of the company.

As a consequence of these interventions, the level of personnel will reduced by approximately 115 units in 2005, consisting of 50 redundancies and 65 in the Special Temporary Redundancy Scheme (Cassa Integrazione Straordinaria)

Prospects 2005

The central objective in the year 2005 will be a break-even result which will also be achieved thanks to extraordinary income.
The extraordinary income will have a positive impact in 2005 and also a permanent effect in reducing the organisational structure with benefits for future years in the ordinary operations.
The sale of non-strategic assets will permit the integration and co-ordination of production sites and, in particular:

- the rationalisation of the entire production for stockings/tights;
- the delocalization of procurement for corsetry.

In general terms, the extraordinary operations, in addition to providing income in 2005, will permit the lowering of the break-even point.
The guidelines of the Plan are, in summary, as follows:

- Less costs, through the streamlining of the production organisation
- Higher margins, through new products
- Same level of sales, through own outlets
- Less debt, reduced working capital.

In support of the break-even objective for 2005 are the following factors:

TRADITIONAL STRONG POINTS OF THE COMPANY	SPECIFIC INITIATIVES IN 2005
1. Innovative capacity	New products in corsetry and hosiery
2. Recognised level of quality of the products	Improvement in margins through streamlining the production organisation
3. Wide diversification of merchandise	Benefits from 6 new licenses in 2004
4. Consolidated brands, for recognition and image	New TV campaign for Lepel, TV return for Sanpellegrino in Russia, exploitation of Oroblù in the network of outlets
5. Production mix between the specialised area (tights) and delocalized (for the rest)	Procurement from China, with a better quality/price ratio
6. Italian distribution structure updated to the most modern channels	Containment of operating costs with parity of service
7. Overseas distribution coverage in 50 countries and in the best international Department Stores	Insertion of new overseas distributors for the new merchandise
8. Operational results integrated with extraordinary income	Extraordinary income deriving from initiatives that lower the break-even point

The mix for a break-even result

The break-even results will be achieved from the following mix:

- improvement of margins deriving from production reorganisation;
- reduction of costs, from staff reductions;
- reduction of operating expenses, deriving from procedural changes;
- reduction of non priority investments;
- extraordinary income.

The decisions and actions relating to the reduction of personnel and operating costs have already occurred and are therefore in place.

<u>Performance in the first two months of 2005</u>

Finally, the sales in January-February 2005, compared to the same month in the previous year, were:

- increase for the Parent Company, with the brands Sanpellegrino, Oroblù and Lepel;
- slight decrease for Le Bourget and SP Polska;
- overall increase at total aggregated Group level.

The result for January-February cannot be considered as representative, even though this interrupted the negative sequence in the final three months of the previous year.

The orders received in the first two months of 2005 were also promising, in particular for the Parent Company in the Retail and Wholesale channels, where the orders received were higher than those in the previous year, and in the Large Distribution channel, where we re-entered two important national chains.

New products of the brands Sanpellegrino and Oroblù represented in the first two months of 2005 4.4% of sales in quantity and 13.1% in value, with an average price of Euro 3.83, compared to an average price of Euro 1.18 of existing products.

<u>Performance March 2005</u>

The sales in March, not yet closed at the date of the Board of Director's meeting, is currently lower than the results of March 2004.

Deliberations for the Shareholders' Meeting:

Dear Shareholders, we invite you to deliberate on the following points:

a) approval of the financial statements presented to you

c) covering of losses for the year of the Parent Company

Having taken notice that the year 2004 closed with a loss, we invite you to approval the financial statements for the year 2004 and deliberate on the covering of the losses through the utilization of reserves as illustrated below (values expressed in Euro):

Loss for the year:	*7,118,655*
Reserve not distributed	**7,118,655**
Residual loss	*0*

The net equity after the above changes is summarised as follows (in Euro thousands):

Share Capital	12,740
Share premium account	18,076
Legal reserve	1,359
Revaluation reserve	9,605
Reserves not distributed	879
Shareholders' equity	**42,659**

Ceresara, March 25, 2005

Chairman of the Board of Directors
Francesco Bertoni

Attachments:
1. Reclassified Income Statement
2. Reclassified Balance Sheet
3. Schedule 3C - format 3

CSP GROUP

Reclassified Consolidated Statement of Income

Attachment n. 1

(figures in thousands of Euro)

		2004 CONSOLIDATED	2003 CONSOLIDATED
Net sales		126,338	141,840
Income from royalties		451	543
NET REVENUES		**126,789**	**142,383**
COST OF SALES			
Purchases		40,519	41,511
Labour cost		16,283	18,154
Services		12,447	13,195
Depreciation and amortisation		6,011	6,621
Other costs		6,647	6,681
(Increase) decrease in inventories		4,369	10,201
		86,276	**96,363**
GROSS PROFIT		**40,513**	**46,020**
SELLING, GENERAL AND ADMINISTRATIVE COSTS			
Labour cost		14,191	13,854
Advertising expenses		15,523	16,401
Commissions		3,052	3,475
Depreciation and amortisation		4,906	4,269
Other expenses		12,038	12,473
		49,710	**50,472**
OPERATING PROFIT		**(9,197)**	**(4,452)**
Financial charges (income), net		2,583	3,257
Other (income) and charges		(276)	(128)
		2,307	**3,129**
PROFIT (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS		**(11,504)**	**(7,581)**
EXTRAORDINARY CHARGES AND (INCOME)		(2,594)	1,191
PROFIT (LOSS) BEFORE INCOME TAXES		**(8,910)**	**(8,772)**
Income taxes		276	(1,523)
NET PROFIT (LOSS) FOR THE YEAR		**(8,634)**	**(10,295)**
MINORITY INTERESTS		(10)	365
NET PROFIT (LOSS) FOR THE GROUP		**(8,644)**	**(9,930)**

EBITDA (Operating Profit + Depreciation and amortisation)	**1,720**	**6,438**

Reclassified Consolidated Balance Sheet - Assets **Attachment n. 2**

(figures in thousands of Euro)

		31 December 2004 CONSOLIDATED	31 December 2003 CONSOLIDATED
CURRENT ASSETS			
Cash and banks		3,752	1,065
Trade receivables		51,923	55,131
Due from subsidiary and associated companies		0	100
Other receivables		4,828	2,899
Inventories		43,103	47,141
Accrued income and prepaid expenses		1,175	1,297
Own shares		0	3,316
TOTAL CURRENT ASSETS		**104,781**	**110,949**
FIXED ASSETS			
Financial fixed assets:			
Financial receivables		168	241
Equity investments		135	11
Total financial fixed assets		**303**	**252**
Tangible fixed assets		32,418	38,792
Intangible fixed assets		12,243	14,988
TOTAL FIXED ASSETS		**44,964**	**54,032**
TOTAL ASSETS		**149,745**	**164,981**

Reclassified Consolidated Balance Sheet - Liabilities and shareholders' equity

(figures in thousands of Euro)

		31 December 2004 CONSOLIDATED	31 December 2003 CONSOLIDATED
CURRENT LIABILITIES			
Short-term bank borrowings		28,772	42,787
Current portion of medium/long term debt		6,515	11,604
Trade payables due to third parties		31,039	30,328
Due to subsidiary/associated companies		0	0
Taxes payable		845	2,071
Other payables		5,127	5,086
Accrued liabilities and deferred income		336	324
TOTAL CURRENT LIABILITIES		**72,634**	**92,200**
MEDIUM/LONG-TERM LIABILITIES			
Medium/long-term debt,			
net of the current portion		23,578	16,278
		5,000	0
Severance indemnities		7,449	7,239
Other provisions		5,381	5,224
TOTAL MEDIUM/LONG-TERM LIABILITIES		**41,408**	**28,741**
TOTAL LIABILITIES		**114,042**	**120,941**
MINORITY INTERESTS IN CAPITAL AND RESERVES		**1,090**	**935**
SHAREHOLDERS' EQUITY			
Share capital		12,740	12,740
Legal reserve		1,359	1,359
Share premium reserve		18,076	18,076
Other reserves		11,082	20,860
Net profit (loss) for the year		(8,644)	(9,930)
TOTAL SHAREHOLDERS' EQUITY		**34,613**	**43,105**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**149,745**	**164,981**

Attachment n. 3 - Schedule 3C - table 3

SHARES HELD BY DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS IN 2004

NAME	COMPANY	NUMBER OF SHARES HELD AT THE END OF THE PRIOR YEAR	NUMBER OF SHARES PURCHASED	NUMBER OF SHARES SOLD	NUMBER OF SHARES HELD AT THE END OF THE CURRENT YEAR
BERTONI ENZO	CSP INTERN. IND. CALZE SpA	3,479,697		117,667	3,362,030
MESSEDAGLIA LAURA *	CSP INTERN. IND. CALZE SpA	74,750			74,750
BERTONI FRANCESCO **	CSP INTERN. IND. CALZE SpA	3,455,517		22,345	3,433,172
	LE BOURGET SA	1			1
BERTONI MARIA GRAZIA	CSP INTERN. IND. CALZE SpA	2,787,470			2,787,470
	LE BOURGET	1			1
BERTONI CARLO	CSP INTERN. IND. CALZE SpA	929,896		740	929,156
BARDINI VALTER ***	CSP INTERN. IND. CALZE SpA	351,910			351,910
TEDOLDI ARTURO	CSP INTERN. IND. CALZE SpA	118,950	-	116,369	1,731
	LE BOURGET SA	11			11

NOTE:

* Messedaglia Laura, the wife of Bertoni Enzo

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

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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31/12/2004

(amounts in Euro)

BALANCE SHEET -ASSETS				31/12/2004	31/12/2003
A)	RECEIVABLES FROM SHAREHOLDERS			0	0
B)	FIXED ASSETS				
	I.	Intangible fixed assets			
		1.	incorporation and expansion costs	91,852	144,909
		3.	industrial patents and intellectual property rights	1,661,682	124,782
		4.	concessions, licences, trade marks and similar rights	218,352	1,152,168
		5.	goodwill	89,763	98,527
		6.	intangibles in progress and advances	0	1,622,543
		7.	others	779,612	428,470
		8.	difference arising on consolidation	9,402,121	11,416,338
			Total I.	**12,243,382**	**14,987,737**
	II.	Tangible fixed assets			
		1.	land and buildings	17,943,196	18,744,876
		2.	plant and machinery	12,872,951	17,698,471
		3.	industrial and commercial equipment	424,871	612,331
		4.	other fixed assets	1,175,383	1,651,713
		5.	construction in progress and advances	1,314	85,043
			Total II.	**32,417,715**	**38,792,434**
	III.	Financial fixed assets			
		1.	Equity investments in:		
			a) subsidiary companies	123,828	0
			d) other companies	11,361	11,361
			Total 1.	**135,189**	**11,361**
		2.	Financial receivables:		
			b) from associated companies		
			b.a. due within 12 months	0	31,243
			d) other receivables	36,677	130,588
			Total 2.	**36,677**	**161,831**
			Total III.	**171,866**	**173,192**
	TOTAL FIXED ASSETS (B)			**44,832,963**	**53,953,363**

BALANCE SHEET -ASSETS				31/12/2004	31/12/2003
C)	CURRENT ASSETS				
	I.	Inventories:			
		1.	raw, ancillary and consumable materials	6,758,759	6,985,311
		2.	semi-finished products, work-in-progress	9,904,305	12,698,532
		4.	finished products and goods	26,439,683	27,457,632
		Total I.		**43,102,747**	**47,141,475**
	II.	Receivables:			
		1.	trade accounts:		
			1.a. due within 12 months	51,923,183	55,131,399
		3.	associated companies		
			3.a. due within 12 months	0	99,945
		4 bis	tax authorities		
			'4 bis.a. due within 12 months	1,556,744	1,407,277
		4 ter.	deferred tax assets		
			4 ter.a. due within 12 months	242,100	166,271
			4 ter.b. due beyond 12 months	1,846,022	1,045,807
			Totale 4 ter.	**2,088,122**	**1,212,078**
		5.	others:		
			5.a. due within 12 months	1,182,438	278,408
			5.b. due beyond 12 months	131,680	79,564
			Total 5.	**1,314,118**	**357,972**
		Total II.		**56,882,167**	**58,208,671**
	III.	Current financial assets			
		5.	own shares	0	3,315,550
		Total III.		**0**	**3,315,550**
	IV.	Liquid funds:			
		1.	cash at banks and post offices	3,568,481	885,021
		2.	cheques	95,716	98,507
		3.	cash and equivalents on hand	87,680	81,236
		Total IV.		**3,751,877**	**1,064,764**
	TOTAL CURRENT ASSETS (C)			**103,736,791**	**109,730,460**
D.	ACCRUED INCOME AND PREPAYMENTS			**1,175,498**	**1,297,197**
TOTAL ASSETS				**149,745,252**	**164,981,020**

LIABILITIES AND SHAREHOLDERS' EQUITY			31/12/2004	31/12/2003
A)	SHAREHOLDERS' EQUITY:			
	I.	Share capital	12,740,000	12,740,000
	II.	Share premium reserve	18,075,991	18,075,991
	III.	Revaluation reserves	9,604,857	13,023,279
	IV.	Legal reserve	1,358,524	1,358,524
	V.	Reserve for own shares in portfolio	0	3,315,550
	VI.	Statutory reserves	48,890	471,058
	VII.	Other reserves:		
		a. undistributed profit	9,036,398	10,780,097
		b. capital grants reserve	0	205,717
		Total VII.	**9,036,398**	**10,985,814**
	VIII.	Profit (loss) carried forward	(7,607,360)	(6,934,723)
	IX.	Net profit (loss) for the year	(8,644,014)	(9,930,376)
	TOTAL SHAREHOLDERS' EQUITY (A)		**34,613,286**	**43,105,117**
		MINORITY INTERESTS IN CAPITAL AND RESERVES	**1,090,000**	**935,385**
B)	ALLOWANCES FOR RISKS AND CHARGES			
	1.	pensions and similar commitments	625,040	625,040
	2.	taxation	2,821,293	3,071,168
	3.	other	1,934,847	1,527,740
	TOTAL ALLOWANCES FOR RISKS AND CHARGES (B)		**5,381,180**	**5,223,948**
C)	SEVERANCE INDEMNITIES		**7,449,376**	**7,239,072**
D)	PAYABLES:			
	1.	bonds		
		b. due beyond 12 months	5,000,000	0
	4.	banks:		
		a. due within 12 months	35,286,614	54,391,218
		b. due beyond 12 months	23,578,123	16,277,622
		Total 4.	**58,864,737**	**70,668,840**
	6.	advances		
		a. due within 12 months	40,717	379,692
	7.	trade accounts:		
		a. due within 12 months	31,038,756	30,327,769
	12.	taxes payable:		
		a. due within 12 months	844,592	2,071,074
	13.	social security institutions		
		a. due within 12 months	1,719,494	2,040,370
	14.	other payables:		
		a. due within 12 months	3,367,229	2,665,741
	TOTAL PAYABLES (D)		**100,875,525**	**108,153,486**
E)	ACCRUED LIABILITIES AND DEFERRED INCOME		**335,885**	**324,012**
TOTAL LIABILITIES			**149,745,252**	**164,981,020**

MEMORANDUM ACCOUNTS	31.12.2004	31.12.2003
- Risks		
- Sureties in favor of third parties	760,693	14,021,149
- Commitments		
- Commitments for the purchase of goods	420,000	440,400
- Commitments for the purchase of foreign currency	0	673,225
- Other		
- Third party assets	17,982	0
	--------------------	---------------------
- Total	**1,198,675**	**15,134,774**
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STATEMENT OF INCOME			2004	2003
A)	PRODUCTION VALUE			
	1.	Revenues from sale of goods and services	135,039,215	144,386,018
	2.	Changes in inventories of work-in-progress, semi-finished and finished products	(4,152,591)	(8,838,982)
	5.	Other income:		
		a. other income	2,629,696	2,004,428
	TOTAL PRODUCTION VALUE (A)		**133,516,320**	**137,551,464**
B)	PRODUCTION COSTS			
	6.	Raw, ancillary and consumable materials and goods	49,233,460	43,805,298
	7.	Services	48,417,619	50,313,723
	8.	Lease and rentals	965,528	802,899
	9.	Labour costs:		
		a. wages and salaries	20,610,019	21,719,813
		b. social security contributions	8,413,423	8,804,284
		c. severance indemnities	1,226,161	1,240,016
		e. other costs	14,920	15,664
		Total 9.	**30,264,523**	**31,779,777**
	10.	Depreciation, amortisation and writedowns:		
		a. amortisation of intangible fixed assets	4,283,049	3,559,238
		b. depreciation of tangible fixed assets	6,636,303	7,332,486
		c. other writedowns of fixed assets	58,180	35,304
		d. writedown of receivables included in current assets and liquid funds	399,729	524,465
		Total 10.	**11,377,261**	**11,451,493**
	11.	Changes in inventories of raw, ancillary and consumable materials and goods	216,416	1,362,462
	12.	Provisions for contingencies and other charges	136,242	99,839
	14.	Other operating expenses	2,040,408	2,063,343
	TOTAL PRODUCTION COSTS (B)		**142,651,457**	**141,678,834**
	DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS (A-B)		**(9,135,137)**	**(4,127,370)**
C)	FINANCIAL INCOME AND (CHARGES)			
	16.	Other financial income:		
		d. other income than above:		
		d. from third parties	242,535	53,646
		Total 16.	**242,535**	**53,646**
	17.	Interest and other financial charges:		
		d. from third parties	(2,404,646)	(3,005,963)
		17.bis Exchange gains (losses)	(100,811)	(80,782)
	TOTAL FINANCIAL INCOME AND (CHARGES) (C)		**(2,262,922)**	**(3,033,099)**

STATEMENT OF INCOME	2004	2003
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS:		
18. Writeups:		
a. of equity investments	36,106	0
19. Writedowns:		
c. of securities booked under current assets not held as equity investments	(170,238)	(458,610)
Total 19.	**(170,238)**	**(458,610)**
TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)	**(134,132)**	**(458,610)**
E) NON-RECURRING INCOME AND CHARGES:		
20. Non-recurring income		
b. other non-recurring income	3,027,767	116,892
Total 20.	**3,027,767**	**116,892**
21. Non-recurring charges:		
c. other non-recurring charges	(406,365)	(1,270,529)
Total 21.	**(406,365)**	**(1,270,529)**
TOTAL NON-RECURRING INCOME AND (CHARGES) (E)	**2,621,402**	**(1,153,637)**
PROFIT BEFORE TAXES (A-B+/-C+/-D+/-E)	**(8,910,789)**	**(8,772,716)**
22. Income taxes for the year, current	**(848,152)**	**(963,332)**
Income taxes for the year, deferred	**1,124,575**	**(559,201)**
26. NET PROFIT (LOSS) FOR THE YEAR	**(8,634,366)**	**(10,295,249)**
MINORITY INTERESTS	**(9,648)**	**364,873**
NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE GROUP	**(8,644,014)**	**(9,930,376)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.12.2004

FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the consolidated balance sheet, the consolidated statement of income, and these explanatory notes, and are accompanied by the Group's report on operations, in compliance with the rules governing consolidated financial statements (Legislative Decree 127/91). A cash flow statement is also attached to show movements in cash flows during the year.
The accounting reference date of the consolidated financial statements, 31 December 2004, is consistent with that of CSP INTERNATIONAL INDUSTRIA CALZE SPA, the Parent Company, and all the companies included within the scope of consolidation. The financial statements used for consolidation purposes are those as of 31 December 2004 prepared by the respective Boards of Directors for approval by the shareholders.
These financial statements have been adjusted, where necessary, in order to eliminate any adjustments made solely for fiscal purposes 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 Board (IASB), assimilated in Italy by CONSOB. Where applicable, the related deferred taxation has been provided on these adjustments.

A reconciliation between shareholders' equity and the net results as of 31 December 2004 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.
The accounts in the balance sheet and income statement indicated with Arabic numerals with zero values in both years are omitted for a clearer reading of the financial statements.
In addition the financial statements for 2004 reflect the changes introduced by the company law reform as per Legislative Decree No. 6 of January 17, 2003 and subsequent amendments and integrations. In particular, the main changes to the financial statements relate to the new captions included in the current assets (tax receivables and deferred tax asset) and in the income statement (exchange gains and losses, deferred tax income and charges). The notes to the financial statements also show additional information to the information required by law. The prior year financial statements were reclassified for comparison purposes without changing the result and net equity in the previous year.
Furthermore, all the amounts in the explanatory notes are expressed in thousands of Euro.

SCOPE OF CONSOLIDATION

The consolidated financial statements as of 31 December 2004 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 46040 Ceresara (MN)	Euro 12,740,000	Parent Company	
Le Bourget S.A.	Rue J.P. Saltiel- 02230-Fresnoy Le Grand (F)	Euro 1,545,170	99.97%	99.97%
Sanpellegrino-Poska Sp.z o.o.	Ul. Lodska, 27 95-050 Konstantynow (Lodz) (PL)	Zloty 9,006,400	50%	50%

The consolidation area changed compared to December 31, 2003 due to the voluntary liquidation of Bo.Mo S.r.l. (100% subsidiary) following the sale of the industrial business segment; this holding was valued under the net equity method in the present consolidated financial statements.

CONSOLIDATION PRINCIPLES

The main consolidation principles adopted for the companies consolidated on a line-by-line basis are described below:

- The financial statements of subsidiaries are consolidated on a line-by-line basis. The book value of the investments held by the Parent Company and the other consolidated companies is eliminated against the related share of the shareholders' equity, while the assets, liabilities, costs and revenues of the subsidiaries are consolidated fully, regardless of the interest held. Any differences emerging on acquisition (or initial consolidation) of the investments following the elimination of the book value of these companies and the corresponding portion of shareholders' equity at the current values of the investments, is attributed, where possible, to the assets and liabilities of the companies concerned; the residual balance, if positive, is recorded among intangible fixed assets under "Difference arising on consolidation", if negative, among the equity accounts as the "Consolidation reserve". Difference arising on consolidation are amortized on a straight-line basis over a period of ten years, given that the Group does not expect any sudden changes in technologies or production processes in its sector, such as to change the market position achieved after being in business for several decades.
- Minority interests in shareholder's equity and the results for the year are reported separately as "Minority interests" in the consolidated balance sheet and as "Minority interests" in the consolidated statement of income.
- Transactions giving rise to receivables, payables, costs and revenues, between companies consolidated line-by-line, are eliminated, as are unrealized intercompany gains included at the balance sheet date in the valuation of inventories and fixed assets.
- Dividends from consolidated companies recorded as income from equity investments in the statements of income of the Parent Company and other companies owning such interests, are eliminated against "Retained earnings".
- The financial statements of foreign subsidiaries based in countries belonging to the Euro-zone are translated into Euro at the year-end exchange rate for assets and liabilities and at the average exchange rate for the year for the statement of income. Any exchange differences arising on translation of the initial shareholders' equity at year-end exchange rates compared with those at the end of the previous year, and any exchange differences arising on translation of the net profit for the year at year-end rates (for the balance sheet) and at average rates (for the statement of income) are booked directly to a specific reserve in consolidated shareholders' equity.

The exchange rates used to translate the financial statements of the Polish subsidiary are as follows:

Currency	Average	Period-end
Polish Zloty	4.52676	4.0845

ACCOUNTING POLICIES

The more important accounting policies adopted for the preparation of the consolidated financial statements, which comply with those established by law and are consistent with those applied in the previous year, are as follows:

Intangible fixed assets -- These are stated at purchase or production cost, including related charges, adjusted relating to the brand "Lepel" in application of the law on revaluation 342/2000. They are amortized on a straight-line basis over their estimated useful lives. The amortization rates are shown in the relevant section in the notes. Intangible assets are written-down if there is a permanent impairment in their value; the original value is restored if the reasons for their write-down no longer exist, adjusted only for amortization.

Difference arising on consolidation is amortized on a straight-line basis over the expected useful life, which is estimated as ten years.

Tangible fixed assets -- These are recorded at purchase or production cost. This cost is adjusted for certain assets in application of specific revaluation laws (as detailed in the attached schedule). Cost includes the related charges, direct costs and the share of indirect costs that is reasonably attributable to the asset.

Tangible fixed assets are depreciated every year on a straight-line basis using rates that reflect the residual technical and economic useful lives of the assets concerned. The rates applied are indicated in the relevant section of the notes. If, independently of the depreciation already accounted for, there is a permanent loss in value, the asset's value is written down accordingly; if, in the future, the bases for the write-down no longer apply, the original value is reinstated, as adjusted for

accumulated depreciation.
Ordinary maintenance costs are wholly expensed to income as incurred. Maintenance costs which improve assets, are capitalized and depreciated using the rates applying to those assets over the residual useful lives.

Financial fixed assets -- Investments in subsidiaries and associated companies that are not consolidated line-by-line (usually companies of little significance) are carried at cost.
Cost is written down where there is a permanent loss in value and when there is no prospect of the company in question earning future profits, which would absorb the losses. The original value is reinstated, in the future, where the bases for the write-down no longer apply; the resulting valuation is not materially different from applying the equity method.

Inventories -- Inventories are stated at the lower of purchase or production cost, determined on the basis of weighted average cost, and their estimated realizable value taking account of market trends. Cost is calculated using the same criteria as that applied to fixed assets. Estimated realizable value is calculated taking account of manufacturing costs to be incurred and direct selling costs. Obsolete and slow-moving items are written down to their utilizable or realizable value.

Receivables -- Receivables are stated at their estimated realizable value.

Own shares – Own shares, classified among current assets since they represent a temporary investment of liquidity, are stated at the lower of weighted average purchase cost and their corresponding market value. For the purposes of determining market value, reference is made to the average listed stock market price struck in the last month of the accounting period.

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

Allowance for risks and charges -- These allowance cover known or probable losses, whose timing and amount could not be determined at the year-end. Provisions reflect the best estimate based on the information available.
The French company of the Group is obliged to pay a severance indemnity to employees in specific circumstances. The estimated liability at the balance sheet date, which is correlated to the death-rate and employee turnover, is recorded among the allowance for risks and charges under 'pensions and similar commitments'.

Severance indemnities -- The allowance for severance indemnities is provided to cover the liability maturing in respect of employees. It is accrued in accordance with Italian current legislation, collective labour contracts and in-house agreements. The liability is subject to annual revaluations using officially-established indices.

Payables -- Payables are stated at their nominal value.

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

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

Lease contracts – Operating assets, acquired under financial lease, are reflected in the consolidated financial statements in accordance with financial lease methodology. This involves capitalizing the assets and depreciating them over their residual useful life, while the related financial payable is recorded among liabilities.

Income taxes for the year – Current income taxes are provided with reference to the taxable income of each consolidated subsidiary, determined in accordance with local tax regulations. Provision is also made for deferred taxes on temporary differences between the value attributed to an asset or liability using statutory criteria and the corresponding value for tax purposes, and where applicable on consolidation adjustments. Deferred tax assets are recorded, where applicable, if there is reasonable certainty that they will reverse in future accounting periods.

Derivative Contracts -- The derivative hedging contracts on interest rate risk are valued consistently with the underlying liabilities and the related financial flows are accounted for in the income statement over the duration of the contract, with the recording of deferrals and accruals in the assets and liabilities of the balance sheet. The hedging nature of the derivative financial instruments on the interest rate risk existing at the year end, is evaluated considering the alignment of the instruments with the underlying liabilities in terms of notional value and interest rates, as well as the results obtained in terms of total cost of debt compared to the original pre-fixed hedging objectives. For the derivative contracts that do not have the above characteristics, any estimated loss with reference to the fair value at the year end date is recorded in the income statement.

TRANSLATION OF FOREIGN CURRENCY BALANCES

Receivables and payables originally denominated in foreign currency (concerning countries not belonging to the Euro-zone) are translated into Euro using the exchange rates prevailing at the transaction dates. Exchange differences realized upon collection of receivables or the settlement of payables are recorded in the statement of income.
The receivables and payables in foreign currencies at the balance sheet date are adjusted to the exchange rate at December 31: the relative positive or negative effect is recorded in the income statement. Up to the year 2003 any unrealized exchange gain at the balance sheet date was not recorded, as permitted by prevailing legislation.

OTHER INFORMATION

Information regarding the economic and financial trend in the various sectors in which the Group operates is provided in the report on operations, while the breakdown of sales by geographical area is shown in the notes to the statement of income. Planned changes to the information system should in future make it possible to have more information on Segment Reporting as recommended by CONSOB.

INTRODUCTION OF INTERNATIONAL ACCOUNTING STANDARDS

In 2004, the Group pursued in the project for the transition to International Accounting Standards (IAS, now IFRS – International Financial Reporting Standards), which must be adopted commencing from the consolidated financial statements and interim reporting periods in 2005 for European companies whose shares are traded on regulated markets, in accordance with European Regulation No. 1606 of July 19, 2002.
The Group has completed the initial phase for the identification of the principal impact on the administrative, reporting and IT systems deriving from the introduction of the International Accounting Standards and is implementing the necessary changes to the processes and systems for the transition to the new accounting standards. At the present moment the quantification of the adjustments to the opening balance sheet at the date of transition (1 January, 2004) is in the completion phase and the re-elaboration of the consolidated financial statements as at 31 December, 2004 is in the commencement phase as well as the 2004 interim results prepared solely for comparative purposes.

The most significant differences between International Accounting Standards and current national accounting standards are reported below; the quantification of the financial impact deriving from the first application of the IAS/IFRS will be contained in the first consolidated accounts prepared in 2005in accordance with these standards.

- Intangible assets: based on the international accounting standards the majority of set up and expansion costs, differing from the regulations in Italy, are charged to the income statement when incurred. The set up and expansion costs relating to share capital increases, financing transactions and similar must be deducted from the relative net equity reserves or loans issued.
  IAS 38 together with IFRS 3 also introduces the concept of intangible assets having indefinite useful lives, which will therefore no longer be subject to direct amortization; this principle also extends to the goodwill deriving from “business combinations”. These fixed assets must be annually subjected to impairment test at the level of the smallest aggregation of the assets in which the cash flows are sufficiently autonomous to other cash flows (cash generating unit), comparing the recorded value with the relative market value or “value of use”, determined based on business plans, in order to ascertain and record any losses in value. The application of this standard could have effects for the Group as, based on Italian accounting standards, it is currently amortizing the goodwill recorded on the acquisition of Le Bourget and Lepel. The net current value of the goodwill recorded under fixed assets of the Group must be subject to impairment test.

- Tangible assets: the International Accounting Standards allow for conversion to IFRS the historical cost, including under certain conditions, the revaluations made in prior years. Finally, the IFRS require that the values of the tangible assets are divided in various components based on specific technical characteristics (component analysis) and that the various components are depreciated over the residual useful life; as a consequence, for example, land may be recorded at historical cost and no longer depreciated.

- Severance indemnity. based on the international accounting principles, the severance indemnities provided for under Italian law are classified as a "post-employment benefit", being a "defined benefit plan". The consequence of this definition is that the amount matured must be discounted utilizing a method that provides for the projection of the future payments based on historical statistical analysis and the demographic curve and the financial discounting of these flows at a market interest rate. Therefore at the transition date the value of the liability will be recalculated for each employee in accordance with the IFRS regulations. The Group is already in contact with actuarial consultants to determine the amount of this liability.

ANALYSIS OF THE CAPTIONS REPORTED IN THE FINANCIAL STATEMENTS

BALANCE SHEET

COMMENTS ON THE MAIN ASSET CAPTIONS

■ **B. FIXED ASSETS**

B.I- Intangible fixed assets

Movements in intangible fixed assets during the period are set out below:

	Gross	Value		
	Balance 01.01.04	Increases 2004	Other movements 2004	Balance 31.12.04
Incorporation and expansion costs	198	0	0	198
Industrial patents and intellectual property rights	4,309	846	1,623	6,778
Concessions, licenses, trade marks & similar rights	10,345	122	(28)	10,439
Goodwill	246	45	0	291
Construction in progress and advances	1,623	0	(1,623)	0
Other	997	591	(30)	1,558
Differences arising on consolidation	19,712	0	(8)	19,704
Total	**37,430**	**1,604**	**(66)**	**38,968**

	Accumulated amortization				Net values
	Balance 01.01.2004	Amortization 2004	Other movements 2004	Balance 31.12.04	Balance 31.12.04
Incorporation and expansion costs	(53)	(53)	0	(106)	**92**
Industrial patents and intellectual property rights	(4,185)	(931)	0	(5,116)	**1,662**
Concessions, licenses, trade marks & similar rights	(9,193)	(1,028)	0	(10,221)	**218**
Goodwill	(147)	(54)	0	(201)	**90**
Construction in progress and advances	0	0	0	0	**0**
Other	(569)	(210)	0	(779)	**779**
Difference arising on consolidation	(8,296)	(2,006)	0	(10,302)	**9,402**
Total	**(22,443)**	**(4,282)**	**0**	**(26,725)**	**12,243**

Below are shown the intangible assets that have been revalued as permitted by law.

	Historical cost (provision)	Revaluation Law 342/2000 (provision)	Total (provision)
Lepel Brand	4,855	5,165	**10,020**
	(4,855)	(5,010)	**(9,865)**

The amortization rates applied in the period are as follows:

	Rate
- Incorporation and expansion costs	20% - 33.33%
- Software	33.33%
- Brand	10%-20%
- Goodwill	20%
- Leasehold improvements	Residual duration of contract
- Deferred charges	20%
- Difference arising on consolidation	10%

The goodwill on acquisition relating to the commercial activity of outlets is amortized over five years. The incorporation and expansion costs refer to the charges incurred in relation to the merger operation (amortized in five years) as well as the costs for the study and realization of the new format of the retail outlets to be adopted in the brand shops of the Parent Company (amortized in three years).
The caption 'trademark' relates to the brand Lepel revalued in the past in accordance with law 342/2000.
The caption "others" principally relates to the costs incurred for the restructuring of six outlets rented by third parties, which directly sell products of the Parent Company.
The balance recorded under the caption 'Difference arising on consolidation' essentially relates to the acquisition of the Le Bourget Group (Euro 6,542 thousand) and Lepel (Euro 2,574 thousand). At the end of the year the recovery of the values were verified based on the techniques and practices normally utilized in valuations (cash flow method).

B.II- Tangible fixed assets

Additions and disposals and other movements in tangible fixed assets are given below.

	Gross value				
	Balance 01.01.2004	Increases 2004	Decreases 2004	Other movements 2004 (1)	Balance 31.12.04
Land and buildings	30,596	10	(10)	85	30,681
Plant and machinery	61,557	213	(1,928)	163	60,005
Equipment	9,994	44	(3,324)	22	6,736
Other assets	7,573	173	(457)	9	7,298
Construction in progress and advances	85	14	(99)	1	1
Total	**109,805**	**454**	**(5,818)**	**280**	**104,721**

	Accumulated depreciation					Net value
	Balance 01.01.04	Depreciation 2004	Utilizations 2004	Other movements 2004 (1)	Balance 31/12/2004	**Balance 31.12.04**
Land and buildings	(11,851)	(857)	8	(38)	(12,738)	**17,943**
Plant and machinery	(43,859)	(4,950)	1,760	(83)	(47,132)	**12,873**
Equipment	(9,382)	(231)	3,314	(12)	(6,311)	**425**
Other assets	(5,921)	(621)	423	(4)	(6,123)	**1,175**
Construction in progress and advances	0	0	0	0	0	**1**
Total	**(71,013)**	**(6,659)**	**5,505**	**(137)**	**(72,304)**	**32,417**

(1) the column comprises reclassifications, revaluations, write-downs and exchange differences arising on translation of financial statements in foreign currency

The columns 'decreases 2004' and 'utilization 2004' also include the changes due to the exit from the consolidation area of the company Bo.MO.S.r.l. put in liquidation during the year. The increases in the year principally relate to the ordinary replacement of plant, equipment and vehicles for the normal activity of the Group.

Tangible fixed assets at 31 December 2004 include revaluations carried out in compliance with specific laws, as follows:

Land and buildings	2,550
Plant and machinery	13,911
Equipment	59
Other assets	80
Total	**16,600**

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%
- Office machines	15% - 33%
- Office furniture and fittings	10% - 33%
- Vehicles	20% - 25%

Buildings have been mortgaged in favour of credit institutions for Euro 55,030 thousand against residual loans of Euro 27,859 thousand.
The Parent Company has lent assets free of charge to third parties, namely portable PCs and printers on loan to sales representatives for Euro 264 thousand as at 31 December 2004, display equipment to customers for Euro 168 thousand and machinery to subcontractors for Euro 5 thousand.

B.III- Financial fixed assets

Attachments 1a and 1b show movements in financial fixed assets (equity investments and loans), as well as the information required by article 38 of D.Lgs 127/91.

■C. CURRENT ASSETS

■C.I. Inventories

Inventories are made up as follows:

	31/12/2004	31/12/2003
Gross value	47,343	50,619
Allowance for obsolete stock	(4,240)	(3,478)
Net value	**43,103**	**47,141**

The decrease in the value of inventories with respect to the previous year, Euro 4,038 thousand, is essentially due to the implementation of a policy of reduction and rationalization of the inventory.

The allowance for obsolescence was determined on a specific basis and takes into account the possibility of utilization of products on alternative markets or their re-processing.
At the year-end the Parent Company has goods on deposit with third parties for a total of Euro 3,303 thousand, which includes Euro 1,912 thousand (Euro 3,225 thousand at 31 December 2003) of goods sent to subcontractors for processing and Euro 1,391 thousand (Euro 1,340 thousand at 31 December 2003) of finished products with distributors.

■C.II. RECEIVABLES

The breakdown of receivables included in current assets, which do not include balances falling due beyond 5 years, is as follows:

■C.II.1. Trade receivables

Trade receivables may be analyzed as follows:

	31/12/2004	31/12/2003
Trade receivables	42,027	42,377
Bills subject to collection	14,246	17,592
Customers –invoices to be issued	589	653
Credit notes to be issued	(2,386)	(2,887)
Allowance for doubtful accounts	(2,553)	(2,604)
Total	**51,923**	**55,131**

The net decline in receivables (Euro 8,596 thousand) with respect to the previous year is in line with the sales trend.

All amounts are due within 12 months.

The geographic division of trade receivables at 31 December 2004 is as follows:

Italy	France	European Union	Rest of the World	Total
28,970	16,645	3,688	2,620	**51,923**

Movements during the year in the allowance for doubtful accounts reserve are as follows:

	01/01/2004	Utilization	Provisions	31/12/2004
Allowance for doubtful accounts	**2,604**	(537)	486	**2,553**

During the year, the allowance was used to cover receivables deemed to be completely unrecoverable; it was increased on the basis of future forecast losses on receivables outstanding at the balance sheet date.

■C.II.4 bis. Tax receivables

Tax receivables are comprised as follows:

	31/12/2004	31/12/2003
VAT Credits	1,429	448
Advances on income taxes	113	944
Foreign VAT credits	15	15
Total other current receivables	**1,557**	**1,407**

■C.II.4 ter. Deferred tax asset

The caption, equal to Euro 2,088 thousand (Euro 1,212 thousand at 31 December 2003), refer to the positive balance of deferred taxation arising on temporary differences between the accounting values of assets and liabilities (mainly for doubtful accounts and allowance for obsolescence) and their corresponding value for tax purposes. For further details reference should be made to attachment No. 3.

■**C.II.5. Other receivables**

The balance includes various receivables comprised as follows:

	31/12/2004	31/12/2003
Advances to suppliers	679	125
Other current receivables	503	153
Total other current receivables	**1,182**	**278**
Guarantee deposits	132	80
Total other non-current receivables	**132**	**80**
Total other receivables	**1,314**	**358**

The guarantee deposits are due within 5 years.

The geographic division of other receivables at 31 December 2004 is as follows:

Italy	France	European Union	Total
720	542	52	**1,314**

■**C.III.5 Own shares**

The Parent Company at December 31, 2004 does not hold own shares, having sold all the shares held in portfolio during the year and specifically on July 27,2004 sold 1,200,000 shares and on October 20, 2004 the remaining 1,158,850 shares. Against these sales the Company recorded gross gains equal to Euro 97 thousand.

During the year a write-down of Euro 170 thousand was also made to adjust the value of the shares held in the portfolio to their market value at the reference date of 30 June 2004.

■**C.IV. Liquid funds**

These represent cash on hand and bank current accounts open at 31 December 2003.

■**D. ACCRUED INCOME AND PREPYMENTS**

This item is comprised as follows:

	31/12/2004	31/12/2003
Prepaid TV commercials	54	0
Prepaid substitute tax on merger	888	1,048
Accrued interest from customers	33	72
Other prepayments	200	177
Total	**1,175**	**1,297**

This account principally relates to the substitute tax paid in order to permit the fiscal deduction of the difference arising on merger through incorporation of Lepel Srl into the Parent Company, which will be charged to the income statement over the period of expected future benefit (in terms of the deductibility of the amortization on the greater value).

The prepayments over five years amount to Euro 81 thousand.

COMMENTS ON THE MAIN LIABILITY CAPTIONS

■A. SHAREHOLDERS' EQUITY

Movements in shareholders' equity in the past two years are detailed in Attachment 2.

■A.I. Share capital
The share capital at 31 December 2004, consists of n. 24,500,000 ordinary shares with a par value of Euro 0.52 each, fully subscribed and paid-in.

■A.II. Share premium reserve
The share premium reserve refers to the increase in share capital carried out in 1997 when the Parent Company went public on the Italian Stock Exchange.

■A.III. Revaluation reserves
These reserves are broken down as follows:

	31/12/2004	31/12/2003
Revaluation Law 596/75	0	32
Revaluation Law 72/83	0	192
Revaluation Law 413/91	0	393
Revaluation Law 342/00	9,605	12,406
Total	**9,605**	**13,023**

The reduction in the above-mentioned reserves is attributable to their utilization for the covering of the losses in the year 2003 of the Parent Company, as deliberated by the Shareholder's Meeting of April 30, 2004.

■Reconciliation between statutory and consolidated balances
A reconciliation between the net results and shareholders' equity reported in the financial statements of CSP International Industria Calze S.p.A. and the consolidated amounts is as follows (in thousands of Euro):

Description	Net profit (loss) 2004	Shareholders' equity at 31/12/2004	Net profit (loss) 2003	Shareholders' equity at 31/12/03
As per the Parent Company's financial statements	(7,119)	42,659	(9,259)	49,778
Increase (Decrease)				
Difference between the equity of consolidated subsidiaries carried at cost in the Parent Company's financial statements and the respective book values of the investments, net of amortization of the consolidation differences	(1,507)	(5,308)	(1,457)	(3,947)
Elimination of the excess of the difference arising on consolidation on the merger of Lepel	381	(2,094)	381	(2,475)
Elimination of adjustments of a fiscal nature, net of the related tax effect	(573)	0	292	573
Other consolidation adjustments, net of the related tax effect	174	(644)	113	(824)
As per the consolidated financial statements	**(8,644)**	**34,613**	**(9,930)**	**43,105**

■B. ALLOWANCE FOR RISKS AND CHARGES

Changes in this item are set out below:

	01/01/2004	Provisions	Utilization	31/12/2004
Allowance for pensions and similar commitments	**625**	0	0	**625**
Taxation	**3,071**	270	(520)	**2,821**
Others:				
-Allowance for future contingencies	229	0	(126)	103
-Returns allowance	214	225	(214)	225
-Restructuring provision	0	386	0	386
-Rehabilitation provision	131	68	(94)	105
-Agents' supplementary indemnity provision	954	109	(115)	948
-Other provisions	0	168	0	168
Total others	**1,528**	956	(550)	**1,935**
Total	**5,224**	1,226	(1,069)	**5,381**

The allowance for pensions and similar commitments includes the liability estimated in relation to indemnities which the French Group company is 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 Euro 848 thousand gross of the related tax effect. The directors believe the reserve reflected in the financial statements to be adequate.

Taxation includes deferred taxes (equal to Euro 2,625 thousand) mainly referring to the accelerated depreciation deducted by the Parent Company solely for tax purposes as a deduction in the taxable income and gains on the disposal of assets which benefit from a deferred tax treatment. For further details reference should be made to attachment No. 3.

The returns provision was made against the normal returns that are statistically verified in the following period.

At 31 December, 2004 a restructuring provision was made, equal to Euro 386 thousand, in relation to the estimate of the costs that the Parent Company will incur through the closure of the factory at Poggio Rusco (55 employees in redundancy) and for the integration of the factory at Rivarolo del Re (relating to 54 employees).

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

The caption other provisions includes the provision of the Parent Company relating to the fair value valuation of an Interest Rate Swap derivative contract (Euro 43 thousand) that although in nature is a coverage on risk fluctuations has some characteristics that do not conform to the stringent requisites required by IAS 39 and the provision for the liabilities estimated by the company Le Bourget for jubilee premium payable to employees (Euro 125 thousand).

■C. SEVERANCE INDEMNITIES

Movements during the year have been as follows:

	01/01/2004	Utilization	Provisions	31/12/2004
Severance indemnity	**7,239**	(998)	1.208	**7,449**

Utilizations include Euro 735 thousand paid to leavers and advances of Euro 263 thousand granted to employees.

■D. PAYABLES

■D.2. Bonds

■

On the occasion of the Shareholders' Meeting held on 30 April 2004, the shareholders belonging to a shareholder pact agreement subscribed to a reserved bond of Euro 5,000 thousand with the full repayment in 5 years. The interest rate is equal to Euribor 6 months, plus 2 percentage points (currently 4.192%).

■D.3. Bank borrowings

Bank borrowings amount to Euro 58,865 thousand, with a total decrease of Euro 11,804 thousand compared with 31 December 2003 principally due to the reductions in working capital.
The overall trend of changes in financial flows is analysed in the cash flow statement, attached to these explanatory notes.
With the exception of loans, all amounts due to banks are repayable within one year.
The due dates of the loans are set out below:

	Within 1 year	Within 5 years	Beyond 5 years	Total
Loans	6,515	17,578	6,000	**30,093**

During the year 2004 the Parent Company repaid in advance a loan of Euro 6,197 thousand and obtained pool financing from primary credit institutions of Euro 18,000 thousand, with mortgages on the buildings of the Parent Company, for a duration of 8 years, repayable in 15 six-monthly installments with a variable interest rate based on Euribor at 6 months.
In 2002, the Parent Company re-negotiated, taking advantage of particularly favourable interest rates, a coverage operation on the existing loans: the nominal amount of the operation was Euro 15,494 thousand with expiry date of 6 February, 2007. The fair value valuation of these financial instruments at the end of the year would have resulted in the recording of a charge of Euro 43 thousand, as already commented upon in the reserves for risks.

■D.6 Trade payables

This caption has increased by Euro 711 thousand compared to 2003 as a result of variations in the timing of purchases and the lengthening of the payment period. Trade payables are all due within 12 months.
The geographic division of trade payables at 31 December 2004 is as follows:

Italy	France	European Union	Rest of the world	Total
24,743	3,196	2,601	499	**31,039**

D.11 Taxes authorities

These are broken down as follows:

	31/12/2004	31/12/2003
Tax liability	86	1,273
Withholding taxes on payments to consultants/agents	162	190
Withholding on wages and salaries	597	608
Total	**845**	**2,071**

The tax payables within 12 months decreased by Euro 1,226 thousand compared to 2003, principally due to the payment made during 2004 of substitute tax on the merger deficit of Lepel.
It is recalled that during 2001 Lepel S.r.l., subsequently merged by incorporation into the Parent Company, was subject to a verification by the Modena Court Police in relation to certain exceptions noted, upon which a defensive memoriam was presented to the Tax office of Carpi (MO). At the present moment the Tax Office has not yet notified the Parent Company of any assessment or any other notification in relation to the above-mentioned verifications. Therefore no provisions for liabilities were made in relation to this.

■**D.12. Social security institutions**
These include the following items:

	31/12/2004	31/12/2003
Social security institutions	1,645	1,976
Agents social security (Enarsco)	16	19
Agents social security (F.I.R.R.)	58	45
Total	**1,719**	**2,040**

■**D.13 Other payables**
These comprise:

	31/12/2004	31/12/2003
Payable to employees	2,434	1,844
Other payables	933	822
Total	**3,367**	**2,666**

The increase compared to the previous year is due to the timing in the payment of salaries.

■**E. ACCRUED LIABILITIES AND DEFERRED INCOME**
This item is comprised as follows:

	31/12/2004	31/12/2003
Accrued loan interest payable	45	31
Accrued staff bonuses	205	213
Other accruals	86	80
Total	**336**	**324**

MEMORANDUM ACCOUNTS

Guarantees given to third parties -- This relates to guarantees given to banks for loans and credit lines received.
Purchasing commitments -- At 31 December 2004, there are commitments based on signed contracts for the purchase of fixed assets amounting to Euro 420 thousand. These commitments refer mainly to new software.
Third party assets held -- This includes goods of third parties for packaging.

COMMENTS ON THE MAIN STATEMENT OF INCOME CAPTIONS

For a more detailed analysis of the Group's activities, the statement of income, the events which have influenced the performance of operations during the year and significant subsequent events, reference should be made to the comments included in the report on operations which supplement those contained in these explanatory notes.

■A. PRODUCTION VALUE

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

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

	2004	2003
Italy		
- stockings	32,426	30,233
- seamless underwear	8,738	14,167
- corsetry	25,230	26,078
- raw materials/other	1,460	1,945
France:		
-stockings	33,498	35,254
-seamless underwear	1,473	1,942
-corsetry	195	0
-raw material/other	312	301
Western Europe		
- stockings	12,869	12,694
- seamless underwear	1,298	1,481
- corsetry	350	433
- raw materials/other	31	201
Eastern Europe		
- stockings	12,572	13,741
- seamless underwear	1,374	2,841
- corsetry	1,238	1,068
- raw materials/other	38	70
-Non European Countries		
- stockings	1,334	1,531
- seamless underwear	253	217
- corsetry	170	160
- raw materials/other	180	29
Total	**135,039**	**144,386**

Revenues are shown net of returns, discounts and allowances.

Sales of stockings decreased from Euro 93,453 thousand to Euro 92,699 thousand, with a decrease of Euro 754 thousand compared with the previous year. Included in these revenues are the sale of men's stockings, totaling Euro 6,603 thousand, distributed by the Parent Company in the large Italian chain stores based on a license agreement with the Sanpellegrino brand (in 2003 these sales amounted to Euro 690 thousand). The sales of these goods, net of the above mentioned revenues, thus confirm the trend of the recession in women's hosiery worldwide.

Sales of seamless underwear decreased from Euro 20,648 thousand to Euro 13,136 thousand, a decrease of 36.4% compared with the previous year due to the saturation of the market while corsetry decreased from Euro 27,739 thousand to Euro 27,183 thousand, a decrease of 2.0%.

In relation to the sales by geographical area, the most important decrease (net of men's stocking sales) was recorded in the Italian market.

■A.2. Change in inventory of finished products and work in progress

The significant decrease in inventory, equal to Euro 4,153 thousand, is due to the already mentioned policy of inventory containment.

A.5.a. Other income

This item is comprised as follows:

	2004	2003
Freight and processing charges billed to customers	104	265
Advertising contributions	156	233
Expenses re-invoiced to customers	38	45
Royalty income	450	543
Gains on disposal of assets	93	140
Out-of-period income for taxes	334	450
Other income	1,455	328
Total	**2,630**	**2,004**

In 2004 the account other income includes the compensation for administration, commercial and logistics services performed by the Parent Company on behalf of the licensees of the Sanpellegrino men's socks equal to Euro 1,207 thousand (Euro 327 thousand in 2003).
The royalty income derives from contracts with licensees of Company brands. Contributions towards advertising costs are amounts recognized by suppliers for Group campaigns combining their brand with ours.

■B. PRODUCTION COSTS

■B.6. Raw materials, consumables and supplies

This item is comprised as follows:

	2004	2003
Raw materials	41,855	36,150
Packaging and consumable materials	7,378	7,655
Total	**49,233**	**43,805**

The increase compared to 2003 is principally due to the purchase of men's stockings by the Parent Company (increase from Euro 692 thousand to Euro 6,642 thousand) in relation to the distribution relationship with the licensees previously commented upon.

■B.7. Services

This item is comprised as follows:

	2004	2003
- Outside contractors	12,258	12,974
- Advertising	15,755	16,909
- Independent sale agents and merchandising	5,079	5,314
- Transport	4,404	4,132
- Power and heating	3,643	3,750
- Directors' emoluments	844	623
- Statutory Auditors' emoluments	40	40
-Maintenance	1,822	2,033
- Insurance	517	536
- General and commercial consulting	907	1,225
- Travel	851	896
- Postage	433	420
- Other transport costs	232	231
- Legal	142	59

- Commercial information and communications costs	152	174
- Bank charges	310	265
- Other	1,029	733
Total	**48,418**	**50,314**

This caption has decreased by Euro 1,896 thousand compared with the previous year.
The most significant changes during the year concern:
- the advertising and promotion costs reduced by Euro 1,154 thousand;
- outside contractors (decrease of Euro 716 thousand), following the already mentioned slow down in production activity;
- transport costs (increase of Euro 272 thousand) prevalently in relation to a change in the organization of sales to some regions in the large distribution stores in Italy and to the distribution of men's stockings by the Parent Company.

In compliance with the provisions of article 38.1 letter o) of Decree Law 127/91, the total amount of compensation of Directors and statutory auditors of the Parent Company in relation to offices held in all the consolidated companies, amount to Euro 877 thousand and Euro 40 thousand respectively. In addition, the information required by the Consob Resolution no. 11971/99 is attached to the present notes.

■B.9. Labour costs

This caption includes all the costs incurred on an on-going basis which directly concern employees in 2004. The detail of this caption is set out on the face of the statement of income. The decrease with respect to the previous year (Euro 1,515 thousand) is due to the reduction in the number of employees.
Movements in staff numbers during the year are set out below:

	01/01/04	New recruits	Leavers	31/12/04	Average
-Managers	12	5	(2)	15	14
-Supervisors	52	3	(5)	50	50
-Office staff	322	57	(55)	324	323
- Workers	853	108	(165)	796	824
Total	**1,239**	**173**	**(227)**	**1,185**	**1,211**

The new recruits and leavers categories also include internal promotions.

B.10. Depreciation, amortization and write downs

These comprise:

■a. Amortization of intangible fixed assets

	2004	2003
- Incorporation and expansion costs	53	53
- Software	931	291
-Brands	1,028	1,029
-Goodwill	54	49
-Deferred charges	49	56
-Differences arising on consolidation	2,007	2,009
-Other	161	72
Total	**4,283**	**3,559**

The increase in the amortization of software is due to the entry into service of the new information system of the Parent Company.

■b. Depreciation of tangible fixed assets

	2004	2003
-Buildings	905	852
-Light constructions	1	1
-Plant and machinery	4,882	5,458
-Equipment	232	356
-Furniture, office machines	191	177
-Electronic office machines	270	315
-Cars	119	124
-Vehicles	36	49
Total	**6,636**	**7,332**

■d. Write-down of receivables included in current assets and of liquid funds

The caption "Write-down of receivables included in current assets and of liquid funds" consists of the provision required to adjust the value of receivables to their estimated realizable value. Losses during the year have been expensed to income with a corresponding utilization of the allowance for doubtful accounts.

■B.12. Provisions for risks and charges

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

■B.14. Other operating expenses

This item is comprised as follows:

	2004	2003
-Entertaining	241	112
-Membership fees	142	139
-Stationery and other materials	269	269
- Non deductible VAT on gifts	61	31
-Taxes and duties	887	1.041
-Losses on the sale of assets	175	146
-General expenses	131	147
-Other expenses	134	178
Total	**2,040**	**2,063**

■C. FINANCIAL INCOME AND CHARGES

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

This caption is analysed as follows:

	2004	2003
-Interest receivable on current accounts	4	5
-Interest receivable from customers	7	7
- Gain on sale of securities	97	0
-Other interest receivable	135	42
Total	**243**	**54**

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

This caption is analysed as follows:

	2004	2003
	225	656
-Interest payable on borrowings	669	882
-Interest payable on loans	906	957
-Interest payable on bonds	138	0
-Other interest and charges payable	467	511
Total	**2,405**	**3,006**

The decrease in financial charges is mainly due to a decrease in the average debt in the year.

■C.17.bis Exchange gains and losses

This item includes:

	2004	2003
Realized gains	98	68
Unrealized gains	1	0
Realized losses	(122)	(149)
Unrealized losses	(78)	0
Total	**(101)**	**(81)**

■D. ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

■ D.19.c. Write downs of securities held as current assets not representing equity investments

This caption comprises the write-down of own shares held in portfolio, adjusting them to market value at 30 June 2004, as specified in the comment on item 'C III 5.' on the assets side of the balance sheet.

■E. NON-RECURRING INCOME AND CHARGES

■E.20.b Other non-recurring income

This caption mainly refers to the income received by the Parent Company from a settlement made relating to a previous equity acquisition (Euro 1,400 thousand) and to the sale to third parties of the Lepel brand limited to the United Kingdom and to Canada (Euro 1,500 thousand).

■E.21.c Other non-recurring charges

The caption refers to the restructuring charges estimated by the Parent Company relating to the closure of the Poggio Rusco factory and the reorganization of the Rivarolo del Re site.

■E.22 Income taxes for the year

The current income taxes for the year are calculated based on current fiscal legislation, after the necessary increases and decreases to the statutory results and amounts to a total of Euro 848 thousand. These income taxes consist of IRAP for Euro 668 thousand and the quota of the substitute tax on the merger deficit for the year of Euro 161 thousand incurred by the Parent Group.
The deferred tax charge amounts to Euro 249 thousand and principally relate to the effect of the reversal of consolidation adjustments partially set-off by the provision of taxes on accelerated depreciations of the Parent Company.
The deferred tax income amounts to Euro 876 thousand and originates from the temporary differences on costs fiscally not deductible (principally provisions for write-downs of receivables and

inventory).
The fiscal losses in the Parent Company in the years 2002, 2003 and 2004, carried forward for IRES purposes for the following 5 years amount to Euro 13,483 thousand; prudentially the benefit, Euro 4,449 thousand, will only be recorded at the moment of the relative utilization.
It is also noted that the subsidiary Le Bourget has unlimited fiscal losses carried forward of Euro 11,164 thousand, against which prudently no deferred tax asset was accounted for, equal to Euro 3,760 thousand.

Ceresara, March 25, 2005

The Chairman of the Board of Directors
Francesco Bertoni

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 financial fixed assets for the year ended 31 December 2004 – 1a, and list of equity investments in accordance with article 38 of D.Lgs 127/91, 1b
2. - Schedule of changes in shareholders equity for the years ended December 31 2004 and 2003
3. - Schedule of deferred tax assets and liabilities at 31 December 2004 and 2003
4. - - Cash flow statement for the years ended December 31 2004 and 2003
5. - - Schedule of remuneration paid to the Directors, Statutory Auditors and General Managers for the year ended 31 December 2004

Attachment. n. 1a

SCHEDULE OF MOVEMENTS IN FINANCIAL FIXED ASSETS FOR THE YEAR ENDED 31 DECEMBER 2004 (in thousands of Euro)

DESCRIPTION	OPENING BALANCE				MOVEMENTS DURING THE YEAR					CLOSING BALANCE	
	HISTORICAL COST	REVAL.	WRITEDOWN	BALANCE 31.12.03	INCREASE	RECLASSIF.	DECREASE	REVAL.	WRITEDOWN	BALANCE 31.12.2004	OF WHICH REVAL.
EQUITY INVESTMENTS											
SUBSIDIARY COMPANIES											
BO.MO. SRL in liquidation - VERONA Via Daniele Manin, 6	40	48	-	88				36		124	
TOTAL SUBSIDIARY COMPANIES	**40**	**48**	**-**	**88**	**-**	**-**	**-**	**36**	**-**	**124**	**-**
ASSOCIATED COMPANIES											
ROZAL SARL - PARIS (F) Rue Turbigo, 30	9		(9)	-						-	
TOTAL ASSOCIATED COMPANIES	**9**	**-**	**(9)**	**0**	**-**	**-**	**0**	**-**	**0**	**-**	**-**
OTHER COMPANIES	14		(3)	11						11	
TOTAL OTHER EQUITY INVESTMENTS	**14**	**-**	**(3)**	**11**	**-**	**-**	**0**	**-**	**0**	**11**	**-**
TOTAL EQUITY INVESTMENTS	**63**	**48**	**(12)**	**99**	**0**	**0**	**0**	**36**	**0**	**135**	**0**
RECEIVABLES											
ASSOCIATED COMPANIES											
ROZAL SARL LOAN				31					- 31	-	
TOTAL RECEIVABLES FROM ASSOCIATED COMPANIES	**0**	**0**	**0**	**31**	**0**	**0**	**0**	**0**	**(31)**	**0**	**0**
OTHER RECEIVABLES										-	
Advance tax on allowance for severance indemnities	131			131			(94)			37	
TOTAL RECEIVABLES FROM OTHER COMPANIES	**131**	**0**	**0**	**131**	**0**	**0**	**(94)**	**0**	**0**	**37**	**0**
TOTAL RECEIVABLES	**131**	**0**	**0**	**162**	**0**	**0**	**(94)**	**0**	**(31)**	**37**	**0**

Attachment n. 1b

LIST OF EQUITY INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES AT 31 DECEMBER 2004 (ART. 2427 paragrath 5 of the Civil Code) **(in thousands of Euro)**

NAME	SHARE CAPITAL IN LOCAL CURRENCY	SHAREHOLDERS' EQUITY Euro/000	PROFIT OR LOSS	STAKEHOLDING %	INTEREST IN SHAREHOLDERS' EQUITY Euro/000	INTEREST IN PROFIT/LOSS Euro/000	BOOK VALUE	DIFFERENCE BETWEEN BOOK VALUE AND INTEREST IN SHAREHOLDERS' EQUITY
EQUITY INVESTMENTS								
SUBSIDIARY COMPANIES								
BO.MO srl put in liquidation - VERONA	Euro	**						
Via Daniele Manin, 6	93,600	124	48	100	124	48	124	-
ASSOCIATED COMPANIES								
ROZAL SARL - PARIS (F)	F.F.	*						
Rue Turbigo, 30	300,000	(100)	(179)	20	(20)	(36)	-	(20)

NOTES:

* as per the financial statements at 30 June 2000, latest financial statements avalilables, being the compamy placed in liquidation

** as per the financial statements at 31 December 2004

Attachment n. 2 (IN THOUSANDS OF EURO)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

AS AT 31 DECEMBER 2004

Description	Share capital	Share premium	Reserve for own shares	Revaluation reserves	Legal reserve	Other reserves	Net profit (loss) for the year	Total share-holders' equity
Balances at 1 January 2003	12,740	18,076	3,774	13,023	1,364	9,573	(4,219)	54,331
Coverage of of 2002 loss								
- Allocation to "reserve for undistributed profits"						(4,219)	4,219	-
- Dividends						(1,107)		(1,107)
Decrease in reserve for own shares			(459)			459		-
Exchange differences						(197)		(197)
Other changes					(5)	13		8
Net profit (loss) as at 31 December 2003							(9,930)	(9,930)
Balances at 31 December 2003	**12,740**	**18,076**	**3,315**	**13,023**	**1,359**	**4,522**	**(9,930)**	**43,105**
Coverage of 2003 loss								
- Allocation to Reserves				(3,418)		(6,512)	9,930	-
Decrease in reserve for own shares			(3,315)			3,315		-
Exchange differences						152		152
Net profit (loss) as at 31 December 2004							(8,644)	(8,644)
Balances at 31 December 2004	**12,740**	**18,076**	**-**	**9,605**	**1,359**	**1,477**	**(8,644)**	**34,613**

Attachment n. 3 (IN THOUSANDS OF EURO)

Statement of deferrend and anticipated taxes for the years ended at 31 December 2004 and 2003

DEFERRED TAX ASSETS	2004			2003		
	Taxable income	Tax rate	Taxes	Taxable income	Tax rate	Taxes
Allowance for inventory obsolescence	1,910	37.25%	712	752	37.25%	280
Allowance for doubtful accounts and fixed assets	2,474	33.00%	817	2,029	33.00%	670
Not deductible depreciation	525	37.25%	196	77	37.25%	29
Agents' supplementary indemnity provision and personnel allowances	738	33.00%	244	316	33.00%	104
Entertainment expenses	117	37.25%	43	79	37.25%	29
Other provisions for risks and charges	204	37.25%	76	268	37.25%	100
	5,968		**2,088**	**3,521**		**1,212**

DEFERRED TAXES	2004			2003		
	Taxable income	Tax rate	Taxes	Taxable income	Tax rate	Taxes
Accelerated depreciation	(6,971)	37.25%	(2,597)	(6,768)	37.25%	(2,521)
Gains on the disposal of assets	(150)	37.25%	(55)	(129)	37.25%	(48)
Consolidation adjustments						
Elimination of intercompany profit in stock	644		27	785		34
LIFO/weighted average cost adjustment				(913)		(340)
	(6,477)		**(2,625)**	**(7,025)**		**(2,875)**
DEFERRED TAXES NET			**(537)**			**(1,663)**

Attachment n. 4

(IN THOUSANDS OF EURO)

STATEMENT OF CONSOLIDATED CASH FLOW

for the years 2004 and 2003

		2004	2003
A.	**OPENING NET SHORT TERM FINANCIAL POSITION**	**(53,327)**	**(66,769)**
B.	**CASH FLOWS FROM (FOR) OPERATING ACTIVITIES**		
	Profit (loss) for the year	(8,644)	(9,930)
	Depreciation, amortization and writedowns	10,919	10,892
		0	0
	Net change in severance indemnities for employees and agents	203	483
	Net change in allowances for risks and charges	164	340
	Writedown of equity investments	0	0
	Cash flows from operating activities before changes in working capital	*2,643*	*1,785*
	(Increase) decrease in trade receivables	3,308	8,596
	(Increase) decrease in inventories	4,039	10,897
	Increase (decrease) in trade and other payables	(462)	(5,580)
	Increase (decrease) in own shares	3,316	458
	Changes in other working capital items	(1,860)	1,712
	Total changes in working capital	*8,340*	*16,083*
		10,983	**17,867**
C.	**CASH FLOWS FROM (FOR) INVESTMENT ACTIVITIES**		
	(Purchase) disposal of fixed assets:		
	Intangible	(1,539)	(1,605)
	Tangible	(262)	(385)
	Financial	1	94
		(1,799)	**(1,896)**
D.	**CASH FLOWS FROM (FOR) FINANCING ACTIVITIES**		
	New loans net of the current portion of loans transferred to current payables	7,301	(640)
	Dividends paid	0	(1,107)
	Bonds	5,000	0
	Other changes in shareholders' equity, and changes in minority interests	308	(782)
		12,608	**(2,529)**
E.	**TOTAL CASH FLOWS FOR THE YEAR (B+C+D)**	**21,792**	**13,442**
F.	**CLOSING NET SHORT TERM FINANCIAL POSITION (A+E)**	**(31,535)**	**(53,327)**

Detail of the composition of financial debt as at 31/12/2004 and at 31/12/2003	31/12/04	31/12/03
Liquid funds	3,752	1,065
Bank payables due within 12 months	(35,287)	(54,392)
Net short-term debt	**(31,535)**	**(53,327)**
Bonds	(5,000)	0
Bank payables due beyond 12 months	(23,578)	(16,278)
Net long-term debt	**(28,578)**	**(16,278)**
Total net financial debt	**(60,113)**	**(69,605)**

Attachment n. 5 **(IN THOUSANDS OF EURO)**

Attachment 3C - table 1

SCHEDULE OF REMUNERATION PAID TO THE DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS FOR THE YEAR ENDED 31 DECEMBER 2004

PERSON	DESCRIPTION OF OFFICE		REMUNERATION				
NAME	OFFICE HELD	TERM OF OFFICE	COMPENSATION		FRINGE BENEFITS	BONUSES AND OTHER INCENTIVES	OTHER REMUNER-ATION
			IN PARENT COMPANY	IN SUBSIDIARIES			
BERTONI FRANCESCO	Chairman of the Board	30.04.03 for 3 years	310		use of cell phone		
BERTONI ENZO	Vice Chairman of the Board	30.04.03 for 3 years	253		use of cell phone		
BOSSI GIANFRANCO	Managing director	30.04.03 for 2 years	290		use of cell phone		80**
BERTONI MARIA GRAZIA	Director	30.04.03 for 3 years			use of cell phone		72**
BERTONI CARLO	Director	30.04.03 for 3 years			use of cell phone		139**
TEDOLDI ARTURO	Director	30.04.03 for 2 years			use of cell phone		
ROSSI RENATO	Director	30.04.03 for 3 years	16				
BELLAVITA LUIGI	Director	06.08.04 for 2 years	6				
MASSIMO ARMANINI	Director	res. 16.02.2004	2				
STRACCIARI VANNA	Chairman of Statutity Auditors	30.04.03 for 3 years	17				
MONTESANO MARCO	Statutity Auditor	30.04.03 for 3 years	11				
SAVOIA LUCA	Statutity Auditor	30.04.03 for 3 years	11				

* salary

REPORT OF THE BOARD OF STATUTORY AUDITORS

ON THE CONSOLIDATED GROUP FINANCIAL STATEMENTS AT DECEMBER 31, 2004

Dear Shareholders,

The consolidated financial statements of the Group have been prepared in accordance with current legislation in force.
The Directors' Report illustrates the operations concerning the Group which satisfy the legal reporting requirements on consolidated financial statements.
The accounting principles adopted in the preparation of the consolidated financial statements are shown in the notes thereto including the scope and financial statements included in the consolidation.
The Board agree with the accounting principles indicated in the notes utilised for the determination of the consolidation scope and for the valuation of the various accounts in the consolidated financial statements and certify therefore the correct application of the consolidated financial statements and that they reflect the underlying accounting entries of the parent company and the information received from the companies included in the consolidation scope.
The consolidated financial statements were audited by Deloitte & Touche S.p.A. who confirm that the financial statements were prepared with clarity and represent in a true and fair manner the balance sheet, financial position and result of the Company and its subsidiary companies.

Ceresara, April 11, 2005

The Board of Statutory Auditors:

Vanna Stracciari	Chairman
Marco Montesano	Standing Auditor
Luca Savoia	Standing Auditor

Deloitte.

Deloitte & Touche S.p.A.
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AUDITORS' REPORT PURSUANT TO ART. 156 OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998

To the Shareholders of
CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.

1. We have audited the consolidated financial statements of CSP International Industria Calze S.p.A. and subsidiaries (the CSP Group) as of and for the year ended December 31, 2004. These consolidated financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The audit works on the financial statements of certain subsidiaries, representing respectively 21.3% and 28.4% of consolidated assets and revenues, are the responsibility of other auditing firms.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by law, reference should be made to our auditors' report dated March 31, 2004.

3. In our opinion, the consolidated financial statements present fairly the financial position of the CSP Group as of December 31, 2004, and the results of its operations for the year then ended in accordance with the Italian law governing financial statements.

DELOITTE & TOUCHE S.p.A.

Signed by
Giancarlo De Marchi
Partner

Verona, Italy
March 31, 2005

This report has been translated into the English language solely for convenience of international readers.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

Attachment n. 6 AMOUNTS IN EURO

CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31/12/2004

BALANCE SHEET					31/12/2004	31/12/2003
ASSETS:						
A)	RECEIVABLES FROM SHAREHOLDERS:				0	0
B)	FIXED ASSETS					
	I.	Intangible fixed assets				
		1.	incorporation and expansion costs		91,852	144,909
		3.	industrial patents and intellectual property rights		1,648,178	112,317
		4.	concessions, licences, trade marks and similar rights		154,937	1,156,863
		5.	goodwill		4,758,402	5,616,009
		6.	intangibles in progress and advances		0	1,622,543
		7.	others		779,612	428,470
			Total I.		**7,432,981**	**9,081,111**
	II.	Tangible fixed assets				
		1.	land and buildings		16,979,975	17,679,580
		2.	plant and machinery		12,125,873	16,865,810
		3.	industrial and commercial equipment		170,743	256,053
		4.	other fixed assets		933,627	1,237,379
		5.	construction in progress and advances		0	68,276
			Total II.		**30,210,218**	**36,107,098**
	III.	Financial fixed assets				
		1.	Equity investments in:			
			a)	subsidiary companies	13,263,178	13,263,178
			d)	other companies	3,815	3,815
			Total 1.		**13,266,993**	**13,266,993**
		2.	Financial receivables:			
			b)	from associated companies		
				b.a. due within 12 months	0	31,243
			d)	other receivables	36,677	130,588
			Total 2.		**36,677**	**161,831**
			Total III.		**13,303,670**	**13,428,824**
	TOTAL FIXED ASSETS (B)				**50,946,869**	**58,617,033**

BALANCE SHEET				31/12/2004	31/12/2003
C)	CURRENT ASSETS				
	I.	Inventories:			
		1.	raw, ancillary and consumable materials	6,092,761	6,222,369
		2.	semi-finished products, work-in-progress	7,238,253	9,802,900
		4.	finished products and goods	19,442,547	16,690,467
		Total I.		**32,773,561**	**32,715,736**
	II.	Receivables:			
		1.	trade accounts:		
			1.a. due within 12 months	34,160,803	37,618,729
		2.	subsidiary companies		
			2.a. due within 12 months	8,087,857	9,237,483
		3.	associated companies		
			3.a. due within 12 months	0	99,945
		4.	parent companies		
			4 bis tax authorities		
			'4 bis.a.	1,246,697	952,192
			4 ter. deferred tax assets		
			4 ter.a.	242,100	166,271
			4 ter.b.	1,846,022	1,045,807
			Total 4 ter.	**2,088,122**	**1,212,078**
		5.	others:		
			5.a. due within 12 months	645,973	169,422
			5.b. due beyond 12 months	73,747	15,822
			Total 5.	**719,720**	**185,244**
		Total II.		**46,303,199**	**49,305,671**
	III.	Current financial assets			
		5.	own shares	0	3,315,550
		Total III.		**0**	**3,315,550**
	IV.	Liquid funds:			
		1.	cash at banks and post offices	3,540,526	690,924
		3.	cash and equivalents on hand	40,785	38,990
		Total IV.		**3,581,311**	**729,914**
	TOTAL CURRENT ASSETS (C)			**82,658,071**	**86,066,871**
D.	ACCRUED INCOME AND PREPAYMENTS			**1,030,592**	**1,099,640**
TOTAL ASSETS				**134,635,532**	**145,783,544**

LIABILITIES AND SHAREHOLDERS' EQUITY			31.12.2004	31.12.2003
A)	SHAREHOLDERS' EQUITY:			
	I.	Share capital	12,740,000	12,740,000
	II.	Share premium reserve	18,075,991	18,075,991
	III.	Revaluation reserves	9,604,857	13,023,279
	IV.	Legal reserve	1,358,524	1,358,524
	V.	Reserve for own shares in portfolio	0	3,315,550
	VI.	Statutory reserves	0	0
	VII.	Other reserves:		
		a. undistributed profit	7,998,441	10,317,415
		b. capital grants reserve	0	205,717
		total VII.	**7,998,441**	**10,523,132**
	VIII.	Profit (loss) carried forward	0	0
	IX.	Net profit (Loss) for the year	(7,118,655)	(9,258,663)
	TOTAL SHAREHOLDERS' EQUITY (A)		**42,659,158**	**49,777,813**
B)	ALLOWANCES FOR RISKS AND CHARGES			
	2.	taxation	2,848,677	2,765,499
	3.	other	1,422,995	979,478
	TOTAL ALLOWANCES FOR RISKS AND CHARGES (B)		**4,271,672**	**3,744,977**
C)	SEVERANCE INDEMNITIES			
			7,447,951	**7,058,936**
D)	PAYABLES:			
	1.	bonds		
		b. due beyond 12 months	5,000,000	0
	4.	banks:		
		a. due within 12 months	21,500,067	39,920,222
		b. due beyond 12 months	22,600,000	14,131,655
		Total 4.	**44,100,067**	**54,051,877**
	6.	advances		
		a. due within 12 months	0	201,304
	7.	trade accounts:		
		a. due within 12 months	27,021,542	26,186,351
	9.	subsidiary companies		
		a. importi esigibili entro 12m	666,954	786,191

LIABILITIES AND SHAREHOLDERS' EQUITY			31.12.2004	31.12.2003
	12.	taxes payable:		
		a. due within 12 months	759,214	2,007,751
	13.	social security institutions		
		a. due within 12 months	884,446	853,924
	14.	other payables:		
		a. due within 12 months	1,574,164	870,850
	TOTAL PAYABLES (D)		**80,006,387**	**84,958,248**
E)	ACCRUED LIABILITIES AND DEFERRED INCOME		**250,364**	**243,570**
TOTAL LIABILITIES			**134,635,532**	**145,783,544**

MEMORANDUM ACCOUNTS	31.12.2004	31.12.2003
- Risks		
- Sureties in favor of third parties		
- third parties	760,693	546,149
- controlled companies	12,665,000	13,475,000
- Commitments		
- Commitments for the purchase of goods	420,000	440,400
- Commitments for the purchase of foreign currency	0	673,225
- Other		
- Third party assets	17,982	0
- Total	**13,863,675**	**15,134,774**

STATEMENT OF INCOME			2004	2003
A)	PRODUCTION VALUE			
	1.	Revenues from sale of goods and services	110,470,331	122,886,635
	2.	Changes in inventories of work-in-progress, semi-finished and finished products	187,433	(11,172,262)
	5.	Other income:		
		a. other income	2,612,085	1,826,330
	TOTAL PRODUCTION VALUE (A)		**113,269,849**	**113,540,703**
B)	PRODUCTION COSTS			
	6.	Raw, ancillary and consumable materials and goods	47,903,552	42,528,071
	7.	Services	41,022,042	42,272,612
	8.	Lease and rentals	448,514	211,127
	9.	Labour costs:		
		a. wages and salaries	14,697,287	15,056,477
		b. social security contributions	4,862,769	4,912,086
		c. severance indemnities	1,228,022	1,260,275
		e. other costs	14,920	15,664
		Total 9.	**20,802,998**	**21,244,502**
	10.	Depreciation, amortisation and writedowns:		
		a. amortisation of intangible fixed assets	3,090,706	2,356,109
		b. depreciation of tangible fixed assets	5,963,854	6,548,474
		c. other writedowns of fixed assets	29,849	0
		d. writedown of receivables included in current assets and liquid funds	411,056	432,746
		Total 10.	**9,495,465**	**9,337,329**
	11.	Changes in inventories of raw, ancillary and consumable materials and goods	129,607	1,138,964
	12.	Provisions for contingencies and other charges	136,242	99,839
	14.	Other operating expenses	1,000,153	789,796
	TOTAL PRODUCTION COSTS (B)		**120,938,573**	**117,622,240**
	DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS (A-B)		**(7,668,724)**	**(4,081,537)**

STATEMENT OF INCOME			2004	2003
C)	FINANCIAL INCOME AND (CHARGES)			
	16. Other financial income:			
		d. other than above:		
		d. from third parties	108,579	25,871
		Total 16.	**108,579**	**25,871**
	17. Interest and other financial charges:			
		d. from third parties	(1,854,844)	(2,338,415)
		17.bis Exchange gains (losses)	(39,324)	(5,252)
	TOTAL FINANCIAL INCOME AND (CHARGES) (C)		**(1,785,589)**	**(2,317,796)**
D)	ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS:			
	19. Writedowns:			
		a. of equity investments	0	(1,173,000)
		c. of securities booked under current assets not held as equity investments	(170,238)	(458,610)
		Total 19.	**(170,238)**	**(1,631,610)**
	TOTAL ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS (D)		**(170,238)**	**(1,631,610)**
E)	NON-RECURRING INCOME AND CHARGES:			
	20. Non-recurring income			
		b. other non-recurring income	2,929,619	1,762
		Total 20.	**2,929,619**	**1,762**
	21. Non-recurring charges:			
		c. other non-recurring charges	(386,057)	0
		Total 21.	**(386,057)**	**0**
	TOTAL NON-RECURRING INCOME AND (CHARGES) (E)		**2,543,562**	**1,762**
	PROFIT BEFORE TAXES (A-B+/-C+/-D+/-E)		**(7,080,989)**	**(8,029,181)**
	22. Income taxes for the year, current		**(829,188)**	**(895,466)**
	Income taxes for the year, deferrend		**791,522**	**(334,016)**
		26. NET PROFIT (LOSS) FOR THE YEAR	**(7,118,655)**	**(9,258,663)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.12.2004

The administrative and registered offices of CSP INTERNATIONAL INDUSTRIA CALZE S.p.A. are in Via Piubega, 5/c – Ceresara (Mantua). Production is carried out in five plants: two in Ceresara and one in Rivarolo Del Re (Cremona), one in Carpi (MO) and one in Poggio Rusco (MN).

STRUCTURE AND CONTENTS OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the Italian Civil Code. They comprise the balance sheet, prepared using the format set out in articles 2424 and 2424bis of the Italian Civil Code, the statement of income, prepared using the format set out in articles 2425 and 2425bis, and these explanatory notes. These notes include the information required by article 2427 and other disclosures relating to financial statements required by the Italian Civil Code and by other prior legislation. In the interests of providing a true and fair view, additional information is also provided, even where this is not required by specific legislation.
For the sake of greater clarity, items in the balance sheet and statement of income formats indicated with Arabic numbers have been omitted where the value is zero in both accounting periods.
In addition the financial statements for 2004 reflect the changes introduced by the company law reform as per Legislative Decree No. 6 of January 17, 2003 and subsequent amendments and integrations. In particular, the main changes to the financial statements relate to the new captions included in the current assets (tax receivables and deferred tax assets) and in the income statement (exchange gains and losses, deferred tax income and charges). The notes to the financial statements also show additional information required by the new law. The prior year financial statements were reclassified for comparison purposes without changing the result and net equity in the previous year.
The financial statements and these notes are expressed in thousands of Euro.

ACCOUNTING POLICIES

Pursuant to article 2426 of the Italian Civil Code, the more important accounting policies adopted for the preparation of the financial statements as of 31 December 2003 are explained below. Except where expressly indicated, they have been applied consistently with the previous year:
Intangible fixed assets -- These are stated at purchase or production cost, including related charges, adjusted relating to the brand “Lepel” in application of the law on revaluation 342/2000. They are amortized on a straight-line basis over their estimated useful lives. The amortization rates are shown in the relevant section in the notes. Intangible assets are written-down if there is a permanent impairment in their value; the original value is restored if the reasons for their write-down no longer exist, adjusted only for amortization.
Difference arising on consolidation is amortized on a straight-line basis over the expected useful life, which is estimated as ten years.
Tangible fixed assets -- These are stated at purchase or production cost. This cost is adjusted for certain assets in application of specific revaluation laws (as detailed in the attached schedule). Cost includes the related charges, direct costs and the share of indirect costs that is reasonably attributable to the asset.
Tangible fixed assets are depreciated every year on a straight-line basis using rates that reflect the residual technical and economic useful lives of the assets concerned. The rates applied are indicated in the relevant section of the notes. If, independently of the depreciation already accounted for, there is a permanent loss in value, the asset’s value is written down accordingly; if, in the future, the bases for the write-down no longer apply, the original value is reinstated, as adjusted for accumulated depreciation.
Ordinary maintenance costs are wholly expensed to income as incurred. Maintenance costs which improve assets, are capitalized and depreciated using the rates applying to those assets over the residual useful lives.
Equity investments held as fixed assets – Equity investments are stated at cost.
The value at which they are recorded in the financial statements is based on the purchase or subscription or on the value attributed on conferred assets. The cost is written down where there is a permanent loss in value and when there is no prospect of future profits by the company in question,

which would absorb the losses. The original value is reinstated if, in the future, the bases for the write-down no longer apply.

Inventories -- Inventories are stated at the lower of purchase or production cost, determined on the basis of weighted average cost, and their estimated realizable value taking account of market trends. Cost is calculated using the same criteria as that applied to fixed assets. Estimated realizable value is calculated taking account of manufacturing costs to be incurred and direct selling costs. Obsolete and slow-moving items are written down to their utilizable or realizable value. Up to 31 December 2003 inventory was recorded applying the L.I.F.O method.

Receivables -- Receivables are stated at their estimated realizable value.

Own shares – Own shares, classified among current assets since they represent a temporary investment of liquidity, are stated at the lower of weighted average purchase cost and their corresponding market value. For the purposes of determining market value, reference is made to the average listed stock market price struck in the last month of the accounting period.

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

Allowance for risks and charges -- These allowance cover known or probable losses, whose timing and amount could not be determined at the year-end. Provisions reflect the best estimate based on the information available.

The agent's supplementary indemnity provision is included in these allowances. This amount is paid by the company when agents terminate their service.

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

Payables -- Payables are stated at their nominal value.

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

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

Research and development costs are fully expensed as operating costs in the period incurred.

Lease contracts - Operating assets, acquired under financial lease, are reflected in the consolidated financial statements in accordance with financial lease methodology. This involves capitalizing the assets and depreciating them over their residual useful life, while the related financial payable is recorded among liabilities.

Income taxes for the year – The provision for income tax is based on estimated taxable income, which is calculated in accordance with current fiscal regulations. Provision is also made for deferred taxes on temporary differences between the value attributed to an asset or liability using statutory criteria and the corresponding value for tax purposes, and where applicable on consolidation adjustments. Deferred tax assets are recorded, where applicable, if there is reasonable certainty that they will reverse in future accounting periods.

Derivative Contracts -- The derivative hedging contracts on interest rate risk are valued consistently with the underlying liabilities and the relative financial flows are accounted for in the income statement over the duration of the contract, with the recording of deferrals and accruals in the assets and liabilities of the balance sheet. The edging nature of the derivative financial instruments on the interest rate risk exixsting at the year end, is evaluated considering the alignment of the instruments with the underlying liabilities in terms of notional value and interest rates, as well as the results obtained in terms of total cost of debt compared to the original pre-fixed hedging objectives. For the derivative contracts that do not have the above characteristics, any estimated loss with reference to the fair value at the year end date is recorded in the income statement.

TRANSLATION OF FOREIGN CURRENCY BALANCES

Receivables and payables originally denominated in foreign currency (concerning countries not belonging to the Euro-zone) are translated into Euro using the exchange rates prevailing at the transaction dates. Exchange differences realized upon collection of receivables or the settlement of payables are recorded in the statement of income.

Foreign currency receivables and payables are translated at the prevailing exchange rate as at December 31: the relative positive or negative effect is recorded in the income statement. Up to the year 2003 any unrealized exchange gain at the balance sheet date was not recorded, as permitted by prevailing legislation.

OTHER INFORMATION

Information regarding the economic and financial trend in the various sectors in which the Group operates is provided in the report on operations, while the breakdown of sales by geographical area is shown in the notes to the statement of income. Planned changes to the information system should in future make it possible to have more information on Segment Reporting as recommended by CONSOB.

ANALYSIS OF THE CAPTIONS REPORTED IN THE FINANCIAL STATEMENTS

BALANCE SHEET

COMMENTS ON THE MAIN ASSET CAPTIONS
■B. FIXED ASSETS

B.I- Intangible fixed assets
Movements in intangible fixed assets during the period are set out below:

	Gross value			
	Balance 01.01.04	Increases 2004	Other movements. 2004	Balance 31.12.04
Incorporation and expansion costs	198	0	0	198
Industrial patents and intellectual property rights	3,836	836	1,623	6,295
Concessions,licenses,trade marks & similar rights	10,059	0	0	10,059
Goodwill	6,612	45	0	6,657
Construction in progress and advances	1,623	0	(1,623)	0
Other	977	591	0	1,568
Total	**23,305**	**1,472**	**0**	**24,777**

	Accumulated amortization				Net value
	Balance 01.01.04	Amortization 2004	Other movements. 2004	Balance 31.12.04	Balance 31.12.04
Incorporation and expansion costs	(53)	(53)	0	(106)	**92**
Industrial patents and intellectual property rights	(3,724)	(923)	0	(4,647)	**1,648**
Concessions,licenses,trade marks &similar rights	(8,902)	(1,002)	0	(9,904)	**155**
Goodwill	(996)	(902)	0	(1,898)	**4,759**
Construction in progress and advances	0	0	0	0	**0**
Other	(549)	(210)	(30)	(789)	**779**
Total	**(14,224)**	**(3,090)**	**(30)**	**(17,344)**	**7,433**

Below are shown the intangible assets that have been revalued as permitted by law.

	Historical cost (provision)	Revaluation Law 342/2000	Total (provision)
Lepel Brand	4,855	5,165	**10,020**
	(4,855)	(5,010)	**(9,865)**

The amortization rates applied in the period are as follows:

	Rate
-Incorporation and expansion costs	20% - 33.33%
-Software	33.33%
-Brand	10%-20%
-Goodwill	13.33% - 20%
-Leasehold interest	Residual duration of the contract
-Deferred charges	20%

The goodwill on acquisition relating to the commercial activity of outlets is amortized over five years.

The incorporation and expansion costs refer to the charges incurred in relation to the merger operation for the incorporation of Lepel S.r.l. in the previous year (amortized in five years) as well as the costs for the study and realization of the new format of the retail outlets that will be adopted in the brand shops of the Parent Company (amortized in three years).
The caption 'trademark' relates to the brand Lepel , recorded following the already mentioned merger and revalued in the past in accordance with law 342/2000.
The goodwill refers for Euro 4,669 thousand (net of amortization) to the merger deficit arising on the incorporation of Lepel; this deficit was allocated to goodwill in that it is considered representative of the greater value of the incorporated compared to the current value of its assets and liabilities, value recognized at the moment of the acquisition and still considered present. This goodwill, in coherence with the treatment followed in the consolidated financial statements in relation to the amortization of the consolidation difference arising on the acquisition of the purchase of the investment in Lepel (amortized within 30 June 2010), is amortized over a period of 7.5 years The residual part of the goodwill refers to the purchase of two retail outlets.
The caption "others" principally relates to the costs incurred for the restructuring of six outlets rented by third parties, which directly sell products of the Company.

B.II- Tangible fixed assets
Additions and disposals and other movements in tangible fixed assets are given below.

	Gross value				
	Balance 01.01.04	Increases 2004	Decreases 2004	Other movements. 2004 (1)	Balance 31.12.04
Lands and buildings	25,460	0	0	0	25,460
Plant and machinery	54,956	177	(1,774)	0	53,359
Equipment	1,402	36	0	0	1,438
Other assets	6,431	92	(143)	0	6,380
Construction in progress and advances	68	0	(68)	0	0
Total	**88,317**	**305**	**(1,985)**	**0**	**86,637**

	Accumulated Depreciation					Net value
	Balance 01.01.04	Depreciation. 2004	Utilizations 2004	Other mov. 2004 (1)	Balance at 31.12.04	Balance 31.12.04
Land and buildings	(7,780)	(700)	0	0	(8,480)	**16,980**
Plant and machinery	(38,090)	(4,749)	1,606	0	(41,233)	**12,126**
Equipment	(1,146)	(122)	0	0	(1,268)	**170**
Other assets	(5,194)	(394)	142	0	(5,446)	**934**
Construction in progress and advances	0	0	0	0	0	**0**
Total	**(52,210)**	**(5,965)**	**1,748**	**0**	**(56,427)**	**30,210**

(1) the column comprises reclassifications, revaluations, write-downs and exchange differences arising on translation of financial statements in foreign currency

Tangible fixed assets at 31 December 2004 include revaluations carried out in compliance with specific laws, as follows:

Land and buildings	2,550
Plant and machinery	13,911
Equipment	59

Other assets	80
Total	**16,600**

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	3.0%
- Plant and machinery	12.5%
- Industrial equipment	25.0%
- Office machines	20.0%
- Office furniture and fittings	12.0%
- Cars	25.0%
- Vehicles	20.0%

Buildings of the Company have been mortgaged in favour of credit institutions for Euro 53,500 thousand against residual loans of Euro 27,000 thousand.
The building at Poggio Rusco, that following the company restructuring plan will no longer be used from March 2005, is stated at a net book value of Euro 427 thousand, below its realizable value.
The Company has lent assets free of charge to third parties, namely portable PCs and printers on loan to sales representatives for Euro 264 thousand as at 31 December 2004, display equipment to customers for Euro 168 thousand and machinery to subsidiaries and subcontractors for Euro 91 thousand.

■B.III- Financial fixed assets

Attachments 1a and 1b set out both movements in financial fixed assets (consisting of equity investments and loans), and the information required by article 2427. 5 of the Italian Civil Code for each subsidiary and associated company.
The book value of the investment in Le Bourget is Euro 5,916 thousand greater than the value deriving from the application of the net equity method; management is of the opinion that this difference does not constitute a permanent loss in value, in consideration of the write-down already made in the previous year amounting to Euro 1,173 thousand and a return to a positive result following the restructuring operations completed in the subsidiary and the expectations contained in the Industrial Plan. The recovery of the values recorded in the financial statements of the investment were verified based on the techniques and practices normally utilized in business valuations, in particular the impairment test was made on the basis of the cash flow method.
In relation to the company Bo.Mo. S.r.l., held 40% directly and 60% indirectly through Le Bourget, in 2004 the business unit relating to the packaging of socks and underwear was sold and as a consequence the company was placed in liquidation. no liabilities should arise from the liquidation.
The Company also holds a 50% interest in Sanpellegrino Polska, owned jointly with a local distributor; this company is destined to manufacture and market socks and stockings on the local market and throughout Eastern Europe. The book value of the investment, Euro 1,163 thousand, is Euro 96 thousand greater than the value deriving from the application of the net equity method; management is of the opinion that this difference does not constitute a permanent loss in value, in consideration of the return to a positive result in 2004 and that the actions taken should permit an improvement in the results in the medium term period of the Polish subsidiary.
Given that CSP has important controlling interests in other companies, it has prepared consolidated financial statements at the same date to accompany its statutory financial statements. The consolidated financial statements show results in line with those that would be obtained using the equity method to value equity investments. The consolidated shareholders’ equity and net result differ from those shown in the financial statements of CSP International S.p.A. because of the entries typically made on consolidation as well as adjustments to bring subsidiaries' accounts into line with Group accounting principles.

■C. CURRENT ASSETS

■C.I. Inventories

Inventories are made up as follows:

	31/12/2004	31/12/2003
Gross value	34,776	33,468
Allowance for obsolete stock	(2,002)	(752)
Net value	**32,774**	**32,716**

Inventories have remained substantially unchanged from the previous year. In 2004 the average cost criteria was adopted for the valuation of raw materials and finished products compared to the L.I.F.O method adopted in the previous year. The change in the criteria is due to the fact that the average cost is the criteria adopted at Group level and also in view of the passage to the international accounting standards that do not provide for the use of the L.I.F.O method: in this context and in relation to the implementation of the new information system on SAP platform adopted in 2004 it would have been necessary to develop a specific procedure for L.I.F.O to be utilized only for the year 2004, having to adopt in any case the average cost from the year 2005. The change in the criteria resulted in the realization in the L.I.F.O "reserve" equal at December 31, 2003 to Euro 913 thousand and a positive effect on the results net of taxes paid (only IRAP) of Euro 874 thousand.
The allowance for obsolescence was determined on a specific basis and takes into account the possibility of utilization of products on alternative markets or their re-processing.
At the year-end the Company has goods on deposit with third parties for a total of Euro 3,303 thousand, which includes Euro 1,912 thousand (Euro 3,225 thousand at 31 December 2003) of goods sent to subcontractors for processing and Euro 1,391 thousand (Euro 1,340 thousand at 31 December 2003) of finished products with distributors.

■C.II. RECEIVABLES

The breakdown of receivables included in current assets, which do not include balances falling due beyond 5 years, is as follows:

■C.II.1. Trade receivables

Trade receivables may be analyzed as follows:

	31/12/2004	31/12/2003
Trade receivables	32,554	33,308
Bills subject to collection	4,768	7,805
Customers-invoices to be issued	251	285
Credit notes to be issued	(1,176)	(1,503)
Allowance for doubtful accounts	(2,236)	(2,276)
Total	**34,161**	**37,619**

The decrease in receivables (Euro 3,458 thousand) with respect to the previous year is in line with the sales trend.
All amounts are due within 12 months.
The geographic division of trade receivables at 31 December 2004 is as follows:

Italy	European Union	Rest of the World	Total
28,970	2,571	2,620	**34,161**

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

	01/01/04	Utilization	Provisions	31/12/04
Allowance deductible for fiscal purposes	246	(246)	222	222
Allowance not deductible for fiscal purposes	2,030	(244)	228	2,014
Total	**2,276**	**(490)**	**450**	**2,236**

During the year, the allowance was used to cover receivables deemed to be completely unrecoverable; it was increased on the basis of future forecast losses on receivables outstanding at the balance sheet date.

■C.II.2. Receivables from subsidiaries

This caption refers to trade receivables due from Le Bourget, Euro 7,503 thousand, and from Sanpellegrino Polska, Euro 585 thousand.
Other information on intercompany transactions is provided in the director's report on operations.

■C.II.4 bis. Tax receivables

Tax receivables are comprised as follows:

	31/12/2004	31/12/2003
VAT Credits	1,119	110
Advances on income taxes	113	827
Foreign VAT credits	15	15
Total other current receivables	**1,247**	**952**

■C.II.4 ter. Deferred tax asset

The caption, equal to Euro 2,088 thousand (Euro 1,212 thousand at 31 December 2003), refer to the positive balance of deferred taxation arising on temporary differences between the accounting values of assets and liabilities (mainly for doubtful accounts and allowance for obsolescence) and their corresponding value for tax purposes. For further details reference should be made to attachment No. 3.

■C.II.5. Other receivables

The balance includes various receivables from others in Italy, the largest amount relating to advances to suppliers of Euro 364 thousand and a receivable from the social security institutions of Euro 237 thousand.
The guarantee deposits are due within 5 years.

■C.III.5 Own shares

The Group at December 31, 2004 does not hold own shares, having sold all the shares held in portfolio during the year and specifically on July 27,2004 sold 1,200,000 shares and on October 20, 2004 the remaining 1,158,850 shares. Against these sales the Company recorded gross gains equal to Euro 97 thousand.
During the year a write-down of Euro 170 thousand was also made to adjust the value of the shares held in the portfolio to their market value at the reference date of 30 June 2004.

■C.IV. Liquid funds

These represent cash on hand and bank current accounts open at 31 December 2003.

■D. ACCRUED INCOME AND PREPAYMENTS

This item is comprised as follows:

	31/12/2004	31/12/2003
Prepaid T.V. Commercials	54	0
Prepaid substitute tax on merger	888	1.048
Prepayments	89	52
Total	**1,031**	**1,100**

At 31 December 2004 this account principally relates to the substitute tax paid in order to permit the fiscal deduction of the difference arising on the merger through incorporation of Lepel Srl into the Parent Company, which will be charged to the income statement over the period of expected future benefit (in terms of the deductibility of the amortization on the greater value).

The prepayments over five years amount to Euro 81 thousand.

COMMENTS ON THE MAIN LIABILITY CAPTIONS

■A. SHAREHOLDERS' EQUITY

■A.I. Share capital

The share capital at 31 December 2003, consists of n. 24,500,000 ordinary shares with a par value of Euro 0.52 each, fully subscribed and paid-in.

■A.II. Share premium reserve

The share premium reserve refers to the increase in share capital carried out in 1997 when the Parent Company went public on the Italian Stock Exchange.

■A.III. Revaluation reserves

These reserves are broken down as follows:

	31/12/2004	31/12/2003
Revaluation Law596/75	0	32
Revaluation Law. 72/83	0	192
Revaluation Law 413/91	0	393
RevaluationLaw342/00	9,605	12,406
Total	**9,605**	**13,023**

The reduction in the above mentioned reserves is attributable to their utilization for the covering of the losses in the year 2003, as deliberated by the Shareholder's Meeting of 30 April, 2004.

The following table provides information on the distributable of the net equity reserves:

Description	Amount	Possibility of utilization	Quota distributable	Summary of utilizations made in previous three years *	
				For covering of losses	For other reasons
Share capital	12,740				
Share capital reserve					
Share premium reserve	18,076	A, B	18,076		
Reserves					
Revaluation law 576	0			32 (1)	
Revaluation law 72/83	0			193 (1)	
Revaluation law 413/91	0			393 (1)	
Revaluation law 342/2000	9,605	A, B, C	9,605	2,801 (1)	
Legal reserve	1,359	B			
Other reserves					
- Non distributable profits	7,998	A, B, C	7,998	8,051 (2)	2,450 (4)
- Grants Law 696	0			206 (3)	
Total	**49,778**		**35,679**	**11,676**	**2,450**
Non distributable **			18,168		
Residual quota distributable			**17,511**		

Legend:
A: for share capital increase
B: to cover losses
C: for distribution to shareholders

Note:
* The utilizations are provided from the year 2002, in the absence of the necessary data for prior years.
** Represents the amount of the non distributable quota relating to the share premium reserve (Euro 18,076 thousand) , non distributable until the legal reserve reaches 20% of the share capital, and for the part that covers intangible assets not yet amortized as per article 2426 of the Civil code (Euro 92

thousand).
(1) Amount utilized in 2004.
(2) Amount utilized in 2002, 2003 and 2004.
(3) Amount utilized in 2004.
(4) Amount utilized for distribution to shareholders in 2002 and 2003.

■A.IV. Legal reserve

At 31 December 2004 this reserve has not changed.

■A.VII. Other reserves

The non distributable reserves decreased by Euro 5,841 thousand as a result of the coverage of last year's losses, and have increased by Euro 3,315 thousand in respect of the cancellation of the reserve for own shares in portfolio.

■B. ALLOWANCE FOR RISKS AND CHARGES

Changes in this item are set out below:

	01/01/2004	Provisions	Utilization	31/12/2004
-Taxation	**2,765**	270	(186)	**2,849**
-Other				
-Allowance for future contingencies	206	0	(103)	103
-Returns allowance	50	70	(50)	70
-Restructuring fund	0	386	0	386
-Agents supplementary indemnity provisions	724	109	(13)	820
-Other provisions	0	43	0	44
Total others	**980**	608	(166)	**1,423**
Total	**3,745**	878	(352)	**4,272**

Taxation includes deferred taxes (equal to Euro 2,652 thousand) mainly referring to the accelerated depreciation no longer recorded in the income statement since 2003 but indicated for tax purposes as a deduction in the taxable income and gains on the disposal of assets which benefit from a deferred tax treatment. For further details reference should be made to attachment No. 3.
The returns provision was made against the normal returns that are statistically verified in the following period.
At December 31, 2004 a restructuring provision was made, equal to Euro 386 thousand, in relation to the estimate of the costs that the Company will incur through the closure of the factory at Poggio Rusco (55 employees in redundancy) and for the integration of the factory at Rivarolo del Re (relating to 54 employees).
The agents' supplementary indemnity has been accrued in accordance with current legislation and the collective labour contract.
The caption other provisions includes the provision relating to the fair value valuation of a Interest Rate Swap derivative contract that although in nature is a coverage on risk fluctuations has some characteristics that do not conform to the stringent requisites required by IAS 39.

■C. SEVERANCE INDEMNITIES

Movements during the year have been as follows:

	01/01/2004	Provisions	Utilization	31/12/2004
Severance indemnity	**7,059**	1,208	(819)	**7,448**

Utilizations include Euro 556 thousand paid to leavers and advances of Euro 263 thousand granted to employees. The provision differs from the amount booked to the statement of income under labour cost as it does not include amounts accrued during the year for payments to supplementary pension funds.

■D. PAYABLES

■D.2. Bonds

On the occasion of the Shareholders' Meeting held on 30 April 2004, the shareholders belonging to a shareholder pact agreement subscribed to a reserved bond of Euro 5,000 thousand with the full repayment in 5 years. The interest rate is equal to Euribor 6 months, plus 2 percentage points (currently 4.192%).

■D.3. Bank borrowings

Bank borrowings amount to Euro 44,100 thousand compared to Euro 54,052 thousand in the previous year, with a decrease of Euro 9,952 thousand principally due to the reductions in working capital.
This caption includes Euro 21,500 thousand of advances subject to collection, export advances and the current portion of medium/long-term loans and Euro 22,600 thousand of medium/long-term loans and other borrowings.
The breakdown of amounts due to banks by repayment deadline is the following:

	31/12/2004	31/12/2003
Current accounts	16,100	30,475
Loans:		
- due within 1 year	5,400	9,445
- due between 1 to 5 years	16,600	13,132
- due over 5 years	6,000	1,000
Total	**44,100**	**54,052**

During the year 2004 the Company repaid in advance a loan of Euro 6,197 thousand and obtained pool financing from primary credit institutions of Euro 18,000 thousand, with mortgages on the buildings of the Company, for a duration of 8 years, repayable in 15 six-monthly instalments with a variable interest rate based on Euribor at 6 months.
In 2002, the Company re-negotiated, taking advantage of particularly favourable interest rates, a coverage operation on the existing loans: the nominal amount of the operation was Euro 15,494 thousand with expiry date of 6 February, 2007. The fair value valuation of these financial instruments at the end of the year would have resulted in the recording of a charge of Euro 43 thousand, as already commented upon in the reserves for risks.
The overall trend of changes in financial flows is analyzed in the cash flow statement, attached to these explanatory notes.

■D.6 . Trade payables

This caption has increased by Euro 835 thousand compared to 2003 as a result of variations in the timing of purchases and the lengthening of the payment period.
Trade payables are all due within 12 months.
The geographic division of trade payables at 31 December 2004 is as follows:

Italy	European Union	Rest of the World	Total
24,622	1,901	499	27,022

■D. 8 . Subsidiaries

This caption refers to trade payables due to Le Bourget, Euro 500 thousand, and Sanpellegrino Polska, Euro 167 thousand.

■D.11 Tax authorities

These are broken down as follows:

	31/12/2004	31/12/2003
Tax liability	0	1,210
Withholding taxes on payments to consultants /agents	162	190
Withholding on wages/salaries	597	608

Total within 12 months	**759**	**2,008**
Tax payables beyond 12 months	0	0
Total	**759**	**2,008**

At the end of the previous year the caption Tax liability related to substitute tax on the merger deficit paid in 2004.
For the purposes of direct taxation and VAT the tax years are still open for 2000 onwards.
The limitation periods of the assessment relating to the above-mentioned taxation periods maintained their "normal" expiry (4 years) for the adherence of the company to the amnesty tax as per article 8 of Law 289/02, as well as article 2 of Law 350/03. However these periods have been extended by 2 years in accordance with article 10 of the above-mentioned Law 289/02 and article 2, paragraph 44, letter f) of Law 350/03.
It is recalled that during 2001 Lepel S.r.l., subsequently merged by incorporation, was subject to a verification by the Modena Court Police in relation to certain exceptions noted, upon which a defensive memoriam was presented to the Tax office of Carpi (MO). At the present moment the Tax Office has not yet notified the Company of any assessment or any other notification in relation to the above-mentioned verifications. Therefore no provisions for liabilities were made in relation to this.

■D.12. Social security institutions

These include the following items:

	31/12/2004	31/12/2003
Social security institutions	810	790
Agents social security (Ennasarco)	16	19
Agents social security (F.I.R.R.)	58	45
Total	**884**	**854**

■D.13 Other payables

These comprise:

	31/12/2004	31/12/2003
Payable to employees	1,553	837
Other debts	21	34
	1,574	**871**

Payables to employees include holiday pay of Euro 595 thousand at 31 December 2004. The increase compared to the previous year is due to the timing in the payment of salaries.
Other payables are all due within 12 months.

■E. ACCRUED LIABILITIES AND DEFERRED INCOME

This item is comprised as follows:

	31/12/2004	31/12/2003
Accrued loan interest payable	45	31
Accrued staff bonuses	205	213
Total	**250**	**244**

The caption principally relates to the employee bonuses matured from July 1, 2004 to June 30, 2005.

MEMORANDUM ACCOUNTS

Guarantees given to third parties -- This relates to guarantees given to banks in favour of the French subsidiary for loans and credit lines granted to that company.
Purchasing commitments -- At 31 December 2003, there are commitments based on signed contracts for the purchase of fixed assets amounting to Euro 420 thousand. These commitments refer mainly to new software.
Third party assets held -- This includes goods of third parties for packaging.

COMMENTS ON THE MAIN STATEMENT OF INCOME CAPTIONS

For a more detailed analysis of the Group's activities, the statement of income, the events which have influenced the performance of operations during the year and significant subsequent events, reference should be made to the comments included in the report on operations which supplement those contained in these explanatory notes.

■A. PRODUCTION VALUE

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

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

	2004	2003
-Italy		
-stockings	32,413	31,002
-seamless underwear	8,694	14,167
-corsetry	25,207	25,956
-raw materials/other	1,512	1,345
- Western Europe		
-stockings	23,199	26,796
-seamless underwear	2,573	3,069
-corsetry	430	440
-raw materials/other	1,440	1,760
- Eastern Europe		
-stockings	10,293	11,896
-seamless underwear	1,076	2,174
-corsetry	690	1,173
-raw materials/other	1,136	1,380
- Non European Countries		
-stockings	1,204	1,323
-seamless underwear	253	217
-corsetry	170	160
-raw materials/other	180	29
Total	**110,470**	**122,887**

Revenues are shown net of returns, discounts and allowances and include sales to subsidiaries for Euro 16,048 thousand, compared to Euro 16,668 thousand in the previous year.
Sales of stockings decreased from Euro 71,017 thousand compared to Euro 67,109 thousand in the previous year, a decrease of Euro 3,908 thousand on the previous year, principally due to the continuing decline in demand for women's stockings worldwide. In 2004 these revenues include the sale of men’s stockings, totaling Euro 6,603 thousand, distributed in the large Italian chain stores based on a license agreement with the Sanpellegrino brand (in 2003 these sales amounted to Euro 690 thousand).
Sales of seamless underwear decreased from Euro 19,627 thousand to Euro 12,596 thousand, a decrease of 35.8% compared with the previous year due to the saturation of the market while corsetry decreased from Euro 27,729 thousand to Euro 26,497 thousand, a decrease of 4.4%.
In relation to the sales by geographical area, the most important decrease (net of men’s stocking sales) was recorded in the Italian market.

■A.5.a. Other revenues and income

This item is comprised as follows:

	2004	2003
Freight and processing charges billed to customer	104	175
Advertising contributions	156	233
Expenses re-invoiced to customers	38	45
Royalty income	458	550
Gains on disposal of assets	93	45
Out-of-period income for taxes	308	450
Other income	1,455	328
Total	**2,612**	**1,826**

In 2004 the account other income includes the compensation for administration, commercial and logistics services performed on behalf of the licensees of the Sanpellegrino men's socks equal to Euro 1,207 thousand (Euro 327 thousand in 2003).
The royalty income derives from contracts with licensees of Company brands. Contributions towards advertising costs are amounts recognized by suppliers for campaigns combining their brand with ours.

B. PRODUCTION COSTS

■B.6. Raw materials, consumables and supplies

The balance of Euro 47,904 thousand consists of Euro 41,296 thousand for purchases of raw materials for manufacturing (Euro 35,783 thousand in 2003) and Euro 6,608 thousand for packaging and consumable materials (Euro 6,745 thousand in 2003).
The increase compared to 2003 is principally due to the purchase of men's stockings (increase from Euro 692 thousand to Euro 6,642 thousand) in relation to the distribution relationship with the licensees previously commented upon.

■B.7. Services

This item is comprised as follows:

	2004	2003
-Outside contractors	12,275	12,793
-Advertising	12,389	13,666
-Independent sale agents and merchandising	4,767	4,917
-Transport	3,181	2,724
-Power and heating	3,083	3,110
-Directors emoluments	815	594
-Statutory Auditors emoluments	40	40
-Maintenance	1,407	1,581
-Insurance	325	338
-General and commercial consulting	705	889
-Travel	256	274
-Postage	217	213
-Other transport costs	218	219
-Legal	142	59
-Commercial information and communication costs	123	135
-Bank charges	232	183
-Other	847	538
Total	**41,022**	**42,273**

This caption has decreased by Euro 1,251 thousand compared with the previous year.
The most significant changes during the year concern:
- the advertising and promotion costs reduced by Euro 1,277 thousand;
- outside contractors (decrease of Euro 518 thousand), following the already mentioned slow down

in production activity;
- transport costs (increase of Euro 457 thousand) prevalently in relation to a change in the organization of sales to some regions in the large distribution stores in Italy and to the distribution of men’s stockings.

Attachment 4 gives further details on the emoluments of the directors and statutory auditors.

■B.9. Labour costs

This caption includes all the costs incurred on an on-going basis which directly concern employees in 2004. The detail of this caption is set out on the face of the statement of income. The decrease with respect to the previous year (Euro 442 thousand) is due to the reduction in the number of employees. Movements in staff numbers during the year are set out below:

	01/01/2004	New recruits	Leavers	31/12/2004	Media 2004
- Managers	10	4	(2)	12	11
- Supervisors	30	2	(4)	28	29
- Office staff	129	38	(25)	142	135
- Workers	541	10	(37)	514	528
Total	**710**	**54**	**(68)**	**696**	**703**

The new recruits and leavers categories also include internal promotions.

■B.10. Depreciation, amortization & write-downs

This item is composed as follows:

■a. Amortization of intangible fixed costs

	2004	2003
- Incorporation and expansion costs	53	53
- Software	923	275
- Brand	1,002	1,002
- Goodwill	54	49
- Merger deficit	849	849
- Deferred charges	49	56
- Leasehold improvements	134	51
- Other	27	21
Total	**3,091**	**2,356**

The increase in the amortization of the software is due to the entry into service of the new information system.

■b. Depreciation of tangible fixed assets

	2004	2003
- Buildings	698	699
- Light contractors	1	1
- Plant and machinery	4,749	5,244
- Equipment	122	158
- Furniture, office machines	63	59
- Electrical office machines	187	227
- Cars	107	111
- Vehicles	37	49
Total	**5,964**	**6,548**

Tangible fixed assets purchased in 2004 have been depreciated at 50% of the normal rate.
The accelerated depreciation in the year 2004, recorded as a decrease on assessable income only for fiscal declaration purposes from the previous year, amounts to Euro 641 thousand (gross of reversals

of Euro 221 thousand).

■d. Write-down of receivables included in current assets and of liquid funds

The caption "Write-down of receivables included in current assets and of liquid funds" consists of the provision required to adjust the value of receivables to their estimated realizable value. Losses for the year have been debited to the doubtful accounts reserve.

■B.12. Provisions for risks

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

■B.14. Other operating costs

This item is composed as follows:

	2004	2003
- Entertaining	240	111
- Membership fees	58	60
- Stationery and other materials	180	183
- Non deductible VAT on gifts	57	29
- Taxes and duties	179	188
- Losses on the sale of assets	175	146
- General expenses	23	32
- Other charges	88	41
Total	**1,000**	**790**

■C. FINANCIAL INCOME AND CHARGES

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

This item includes:

	2004	2003
-Interest receivable on current accounts	4	5
-Interest receivable from customers	6	7
-Gains from disposal of securities	97	0
- Other interest receivable	2	14
Total	**109**	**26**

The gain on the disposal of securities relates to the sale of treasury shares.

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

This item includes:

	2004	2003
-Interest payable on current accounts	219	647
- Interest payable on borrowings	669	882
- Interest payable on loans	752	741
-Interest payable on bonds	138	0
-Other interest and charges payable	77	68
Total	**1.855**	**2.338**

The decrease in financial charges is mainly due to a decrease in the average debt in the year.

■C.17.bis Exchange gains and losses

	2004	2003
Realized gains	44	34
Unrealized gains	1	0

Realized losses	(6)	(39)
Unrealized losses	(78)	0
Total	**(39)**	**(5)**

■D. ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

■ D.19.c. Write downs of securities held as current assets not representing equity investments

This caption comprises the write-down of own shares held in portfolio, adjusting them to market value, as specified in the comment on item 'C III 5.' on the assets side of the balance sheet.

■E.20.b. Other non-recurring income

This caption mainly refers to the income received from a settlement made relating to a previous equity acquisition (Euro 1,400 thousand) and to the sale to third parties of the Lepel brand limited to the United Kingdom and to Canada (Euro 1,500 thousand).

■E.21.c. Other non-recurring charges

The caption refers to the restructuring charges estimated relating to the closure of the Poggio Rusco factory and the reorganization of the Rivarolo del Re site.

■E.22 Income taxes for the year

The current income taxes for the year are calculated based on current fiscal legislation, after the necessary increases and decreases to the statutory results and amounts to a total of Euro 829 thousand. These income taxes consist of IRAP for Euro 668 thousand and the quota of the substitute tax on the merger deficit for the year of Euro 161 thousand.
The deferred tax charge amounts to Euro 85 thousand and principally relate to the provision of taxes on accelerated depreciations.
The deferred tax income amounts to Euro 876 thousand and originates from the temporary differences on costs fiscally not deductible (principally provisions for write-downs of receivables and inventory).
The fiscal losses in the years 2002, 2003 and 2004, carried forward for IRES purposes for the following 5 years amount to Euro 13,483 thousand; prudentially the benefit, Euro 4,449 thousand, will only be recorded at the moment of the relative utilization.

Ceresara, March 25, 2005

Chairman of the board of Directors
Francesco Bertoni

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 financial fixed assets for the year ended 31 December 2004, 1a - List of equity investments in accordance with article 2427 of D.Lgs 5/91, 1b
2. - Schedule of changes in shareholders' equity for the years ended 31 December 2004 and 2003
3. - Schedule of deferred tax assets and liabilities at 31 December 2004 and 2003
4. -Cash flow statement for the years ended 31 December 2004 and 2003
5. -Schedule of remuneration paid to the Directors, Statutory Auditors and General Managers for the year ended December 31, 2004
6. - List of equity investments held as of December 31, 2004

Attachment. N. 1a

SCHEDULE OF MOVEMENTS IN FINANCIAL FIXED ASSETS FOR THE YEAR ENDED 31 DECEMBER 2004 (IN THOUSAND OF EURO)

FIXED ASSETS	OPENING BALANCE				MOVEMENTS DURING THE YEAR					CLOSING BALANCE	
	HIST. COST	REVAL.	W/DOWN	BALANCE 31.12.2003	INCREASES	RECLASSIF.	DECREASES	REVALUATIONS	W/DOWN	BALANCE 31.12.2004	of which REVAL.
EQUITY INVESTMENTS											
SUBSIDIARY COMPANIES											
LE BOURGET S.A											
FRESNOY LE GRAND (F)	16,269		(4,180)	12,089						12,089	
BO.MO.SRL PONCARALE (BS)										-	
Via San Martino 8/12	11	-	-	11						11	
SANPELLEGRINO POLSKA Sp.Z.o.o.											
Ul.Lodzka, 27-KONSTANTYNOW (LODZ) (PL)	1,163			1,163						1,163	
TOTAL SUBSIDIARY COMPANIES	**17,443**	**-**	**(4,180)**	**13,263**	**-**	**-**	**0**	**-**	**0**	**13,263**	**-**
ASSOCIATED COMPANIES											
ROZAL SARL - PARIS (F)											
Rue Turbigo, 30	9		(9)	-						-	
TOTAL ASSOCIATED COMPANIES	**9**	**-**	**(9)**	**-**	**-**	**0**	**0**	**-**	**0**	**-**	**-**
OTHER COMPANIES											
CASSA RUR.ED ART. CASTELGOFFREDO (MN)											
Via Giotto, 2	-			-						-	
FONDO PENSIONE PREVIMODA - MILANO											
Viale Sarca, 223	2			2						2	
CONAI - ROME											
Viale dell'Astronomia, 30	2			2						2	
TOTAL OTHER EQUITY INVESTMENTS	**4**	**-**	**-**	**4**	**-**	**-**	**-**	**-**	**-**	**4**	**-**
TOTAL EQUITY INVESTMENTS	**17,456**	**-**	**(4,189)**	**13,267**	**-**	**-**	**0**	**-**	**0**	**13,267**	**-**
RECEIVABLES											
ASSOCIATED COMPANIES											
ROZAL SARL LOAN	31			31						-	
CSP HOSIERY Ltd (UK) LOAN				33			0			-	
TOTAL RECEIVABLES FROM ASSOC. COMPANIES	**31**	**-**	**-**	**64**	**-**	**-**	0	**-**	**-**	**-**	**-**
OTHER RECEIVABLES											
Advance tax on allowance for severance indemnities	**131**			**131**			(94)			**37**	
TOTAL OTHER RECEIVABLES	**131**	**-**	**-**	**131**	**-**	**-**	(94)	**-**	**-**	**37**	**-**
TOTAL RECEIVABLES	**162**	**-**	**-**	**162**	**-**	**-**	(94)	**-**	**-**	**37**	**-**

Attachment n. 1b (IN THOUSANDS OF EURO)

LIST OF EQUITY INVESTMENTS IN SUBSIDIARY AND ASSOCIATED COMPANIES AT 31 DECEMBER 2004 (ART. 2427.5 of the Civil Code)

NAME	SHARE CAPITAL LOCAL CURRENCY	SHAREHOLDERS' EQUITY	PROFIT OR (LOSS)	HOLDING %	BOOK VALUE	VALUE EX ART. 2426 No. 4 C.C. (net equity)	DIFFERENCE BETWEEN BOOK VALUE AND SHAREHOLDERS' EQUITY
EQUITY INVESTMENTS							
SUBSIDIARY COMPANIES							
Le Bourget S.A FRESNOY LE GRAND (F)	Euro 1,545,170	*** 1,006	(26)	99.97	12,089	6,173	(5,916)
SANPELLEGRINO POLSKA Sp.Z.o.o. Ul.Lodzka, 27-KONSTANTYNOW (LODZ) (PL)	Zloty 9,006,400	** 2,180	19	50	1,163	1,067	(96)
BO.MO. SRL - PONCARALE (BS) Via San Martino 8/12	Euro 93,600	*** 124	48	40	12	51	39
ASSOCIATED COMPANIES							
ROZAL SARL - PARIS (F) Rue Turbigo, 30	F.F 300,000	* (100)	(179)	20	-	(20)	(20)

NOTES:

* as per the financial statements at 30 June 2000, the latest available, being the company in liquidation

** as per financial statements at 31 December 2003, translated at exchange rates of the end of 2004

*** as per the statutory financial statements at 31 December 2004

Attachment n. 2 | (IN THOUSANDS OF EURO)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2003 AND 2004

Description	Share capital	Share premium	Reserve for own shares	Revaluation reserves	Legal reserve	Other reserves	Net profit (loss) for the year	Total shareholders' equity
Balances at 1 January 2003	12,740	18,076	3,774	13,023	1,359	9,402	(1,854)	56,520
Coverage of 2002 loss								
(General meeting of 30 April 2003)								
- Allocation to "reserve for undistributed profits"						(1,854)	1,854	-
- Dividends						(1,107)		(1,107)
Decrease in reserve for own shares			(459)			459		
Creation of the reserve for accelerated depreciationn						3,624		3,624
Net profit (loss) as at 31 December 2003							(9,259)	(9,259)
Balances at 31 December 2003	**12,740**	**18,076**	**3,315**	**13,023**	**1,359**	**10,524**	**(9,259)**	**49,778**
Coverage of 2003 loss								
(General meeting of 29 April 2004)								
- Allocation to Reserves				(3,418)		(5,841)	9,259	-
Decrease in reserve for own shares			(3,315)			3,315		
Net profit (loss) as at 31 December 2004							(7,119)	(7,119)
Balances at 31 December 2004	**12,740**	**18,076**	**-**	**9,605**	**1,359**	**7,998**	**(7,119)**	**42,659**

Attachment n. 3 **(IN THOUSANDS OF EURO)**

Statement of deferrend and anticipated taxes for the years ended at 31 December 2004 and 2003

DEFERRED TAX ASSETS	2004			2003		
	Taxable income	Tax rate	Taxes	Taxable income	Tax rate	Taxes
Allowance for inventory obsolescence	1.910	37,25%	712	752	37,25%	280
Allowance for doubtful accounts and fixed assets	2.474	33,00%	817	2.029	33,00%	670
Not deductible depreciation	525	37,25%	196	77	37,25%	29
Agents' supplementary indemnity provision and personnel allowances	738	33,00%	244	316	33,00%	104
Entertainment expenses	117	37,25%	43	79	37,25%	29
Other provisions for risks and charges	204	37,25%	76	268	37,25%	100
	5.968		**2.088**	**3.521**		**1.212**

DEFERRED TAXES	2004			2003		
	Taxable income	Tax rate	Taxes	Taxable income	Tax rate	Taxes
Accelerated depreciation	(6.971)	37,25%	(2.597)	(6.768)	37,25%	(2.521)
Gains on the disposal of assets	(150)	37,25%	(55)	(129)	37,25%	(48)
	(7.121)		**(2.652)**	**(6.897)**		**(2.569)**
DEFERRED TAXES NET			**(564)**			**(1.357)**

Attachment n. 4 (IN THOUSANDS OF EURO)

CASH FLOW STATEMENT
FOR THE YEARS 2004 AND 2003

		2004	2003
A.	**OPENING NET SHORT TERM FINANCIAL POSITION**	**(39,190)**	**(49,403)**
B.	**CASH FLOWS FROM (FOR) OPERATING ACTIVITIES**		
	Profit (loss) for the year	(7,119)	(9,259)
	Depreciation, amortization and writedowns	9,055	8,904
	Losses on and writedowns of financial fixed assets	0	1,173
	Net change in severance indemnities for employees and agents	485	445
	Net change in allowances for risks and charges	431	396
	Cash flows from operating activities before changes in working capital	*2,852*	*1,659*
	(Increase) decrease in trade receivables	4,707	5,833
	(Increase) decrease in inventories	(58)	12,311
	Increase (decrease) in trade and other payables	7	7,188
	Increase (decrease) in own shares	3,316	458
	Changes in other working capital items	(1,637)	1,240
	Effect of Lepel merger on changes of working capital items		(13,325)
	Total changes in working capital	*6,335*	*13,705*
	Cash flows from operating activities	**9,187**	**15,364**
C.	**CASH FLOWS FROM (FOR) INVESTMENT ACTIVITIES**		
	(Purchase) disposal of fixed assets:		
	Intangible	(1,443)	(1,588)
	Tangible	(67)	(646)
	Financial	125	82
		(1,384)	**(2,152)**
D.	**CASH FLOWS FROM (FOR) FINANCING ACTIVITIES**		
	New loans net of the current portion of loans transferred to current payables	8,468	550
	Dividends paid	0	(1,107)
	Bonds	5,000	0
		13,468	**(557)**
E.	**TOTAL CASH FLOWS FOR THE YEAR (B+C+D)**	**21,271**	**12,655**
F.	**Net liquidity (debt) of purchased companies at the acquisition date**	**0**	(2,442)
G.	**CLOSING NET SHORT TERM FINANCIAL POSITION (A+E+F)**	**(17,919)**	**(39,190)**

Detail of the composition of financial debt as at 31/12/2004 and at 31/12/2003	31/12/04	31/12/03
Liquid funds	3,581	730
Bank payables due within 12 months	(21,500)	(39,920)
Net short-term debt	**(17,919)**	**(39,190)**
Bonds	(5,000)	0
Bank payables due beyond 12 months	(22,600)	(14,132)
Net long-term debt	**(27,600)**	**(14,132)**
Total net financial debt	**(45,519)**	**(53,322)**

Attachment n. 5 **(IN THOUSANDS OF EURO)**

Attachment 3C - table 1

SCHEDULE OF REMUNERATION PAID TO THE DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS FOR THE YEAR ENDED 31 DECEMBER 2004

PERSON	DESCRIPTION OF OFFICE		REMUNERATION				
NAME	OFFICE HELD	TERM OF OFFICE	COMPENSATION		FRINGE BENEFITS	BONUSES AND OTHER INCENTIVES	OTHER REMUNER-ATION
			IN PARENT COMPANY	IN SUBSIDIARIES			
BERTONI FRANCESCO	Chairman of the Board	30.04.03 for 3 years	310		use of cell phone		
BERTONI ENZO	Vice Chairman of the Board	30.04.03 for 3 years	253		use of cell phone		
BOSSI GIANFRANCO	Managing director	30.04.03 for 2 years	290		use of cell phone		80**
BERTONI MARIA GRAZIA	Director	30.04.03 for 3 years			use of cell phone		72**
BERTONI CARLO	Director	30.04.03 for 3 years			use of cell phone		139**
TEDOLDI ARTURO	Director	30.04.03 for 2 years			use of cell phone		
ROSSI RENATO	Director	30.04.03 for 3 years	16				
BELLAVITA LUIGI	Director	06.08.04 for 2 years	6				
MASSIMO ARMANINI	Director	res. 16.02.2004	2				
STRACCIARI VANNA	Chairman of Statutity Auditors	30.04.03 for 3 years	17				
MONTESANO MARCO	Statutity Auditor	30.04.03 for 3 years	11				
SAVOIA LUCA	Statutity Auditor	30.04.03 for 3 years	11				

* salary

Attachment n. 6

List of significant investments held as of 31 December 2004

(Article 125 of CONSOB Resolution No. 11971 dated 14 May 1999; CONSOB clarification dated 14 July 2000)

Company	Number of shares or quotas held	% of share capital	Currency	Nominal value	Type of control	Nature of relationship	Ownership
Le Bourget S.A 02230 Fresnoy Le Grand France	1,544,765	99.97	Euro	1	By right	Direct	Owned
BO.MO.Srl put in liquidation Via Daniele Manin, 6 37122 Verona -Italy	37.440	40 (*)	Euro	1	By right	Direct and indirect (*)	Owned
SanPellegrino-Polska Sp.z.o.o. ZPCHr. ul. Lodska, 95050 Konstantynow - Lodz Poland	90,064	50	Zloty	50	By appointment and revocation of the directors	Direct	Owned
Rozal SARL (**) 30 Rue de Turbigo 5003 PARIS FRANCE	600	20	Euro	91.46	No control	Direct	Owned

Note: the share capital comprises ordinary shares or quotas with voting rights only.

(*) The remaining 60% (56,160 quotas) is owned indirectly through the controlled company Le Bourget S.A.

(**) Company put in liquidation in 2004

STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING IN ACCORDANCE WITH ARTICLE 153 OF THE LEGISLATIVE DECREE NO. 58, 1998 AND ARTICLE 2429 OF THE CIVIL CODE

To the shareholders' meeting of C.S.P. International Industria Calze S.p.A.

For the year ended December 31, 2004 we have performed controls and verifications in compliance with the requirements of law and the company by-laws and in accordance with the principles of conduct for Statutory Auditors as recommended by the Italian Accounting Profession (Consigli nazionali dei dottori commercialisti e dei ragionieri).
In particular, also in accordance with the instructions issued by Consob in the communication of April 6, 2001, we performed the following:
- We verified compliance with law and the company by-laws, noting that the company has, among other matters, amended the by-laws of the company in accordance with the company law reform;
- We have received from the directors, on a quarterly basis, information relating to the activities carried out and on the most significant economic, financial and equity transactions made by the company and we can reasonably assert that the actions taken and deliberated upon are in compliance with the law and the by-laws of the company and there have been no cases of imprudence, risks, potential conflict of interest or contrary to the deliberations taken in shareholders meetings or that would compromise the integrity of the value of the company;
- We have obtained information and verified, in relation to the extent of our responsibility, the adequacy of the organisation structure of the company, compliance with correct administrative principles and the adequacy of the company's instructions to its subsidiaries in accordance with article 114, paragraph 2 of the Legislative Decree 58/98, through the obtaining of information from the persons responsible for various departments and meetings with the auditing firm for reciprocal exchange of information and there were no matters to report upon;
- We have evaluated and verified the internal control and administration/accounting systems and the reliability of this latter to correctly represent the business operations, through the obtaining of information from the persons responsible for the different departments, the examination of company documents and the analysis of the results of the work performed by the audit firm, reviewing the activity of the person responsible for the internal control department and we have not noted any matters to report on;
- We have held meetings with personnel from the auditing firm in accordance with article 150, paragraph 2 of the Legislative Decree 58/98 and no significant information or facts arose that should be reported upon in the present report.

During the year 2004 there were no atypical and/or unusual transactions.
The Audit Firm performed its work in accordance with generally accepted auditing standards and did not report any exceptions. The audit firm was appointed to assist with the project for the adoption of international accounting standards. As Deloitte & Touche already audit the financial statements, it is considered that this appointment will provide the basis and integration of the Audit activities and is not incompatible with those activities. No assignments were made to parties related to the audit firm.
The request brought by a shareholder in accordance with article 2408 of the civil code was examined and adequate responses were provided on the correct conduct of the Company.
We have noted the adherence of the company to the Self-Governance Code prepared by the Corporate Governance Committee for quoted companies.
The supervision and control activities described above were performed through the participation at 5 meetings of the Board of the Statutory Auditors, at 2 Shareholders' Meetings and at 9 Board of Directors meetings held in accordance with statutory,

legislative and regulatory provisions and for which we can reasonably assure that the actions deliberated were in conformity with the law and the by-laws and there were no actions imprudent, of risk, in conflict of interest or that would compromise the integrity of the company assets; we also held 2 meeting with the persons responsible for accounting control in which data and important information was provided that must be illustrated in the present report. Finally, from August 6, 2004, with the Control Committee becoming operational, the Chairman of the Board, statutory auditor or a member of the Board, participated at committee meetings.
In relation to the financial statements for the year ended December 31, 2004, in addition to the above matters, we inform you that we have reviewed the general presentation, their general compliance with law in relation to their preparation and structure, and in relation to this, we have no matters to report.
We have verified that the financial statements correspond to the facts and the information which we have acquired during our work and we have no matters to report.
We also verified compliance with regulations relating to the preparation of the Director's Report on operations.
In as far as we are aware, the Directors, in the financial statements, did not make recourse to any exceptions as permitted by article 2423, paragraph 4 of the civil code.
In consideration of the matters illustrated above, and, taking into account, the results of the activities performed by the audit firm Deloitte & Touche spa contained in the auditors report, and with no matters to report, we propose to the Shareholders' Meeting to approve the financial statements for the year ended December 31, 2004 as they have been prepared by the directors.

Ceresara, April 11, 2005

The statutory auditors:

Vanna Stracciari	Chairman
Marco Montesano	Standing Member
Luca Savoia	Standing Member

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**AUDITORS' REPORT PURSUANT TO ART. 156
OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998**

**To the Shareholders of
CSP INTERNATIONAL IDUSTRIA CALZE S.p.A.**

1. We have audited the financial statements of CSP International Industria Calze S.p.A. as of and for the year ended December 31, 2004. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes as required by law, reference should be made to our auditors' report dated March 31, 2004.

3. In our opinion, the financial statements present fairly the financial position of CSP International Industria Calze S.p.A. as of December 31, 2004, and the results of its operations for the year then ended in accordance with the Italian law governing financial statements.

DELOITTE & TOUCHE S.p.A.

Signed by
Giancarlo De Marchi
Partner

Verona, Italy
March 31, 2005

This report has been translated into the English language solely for convenience of international readers.