QUARTERLY REPORT

AT

31 MARCH 2004

CSP GROUP

CSP INTERNATIONAL INDUSTRIA CALZE S.p.A.

VIA PIUBEGA, 5C - 46040 CERESARA (MN) - ITALY

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CORPORATE BODIES

Board of Directors

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

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.
(**) Notes on exercising power: powers of ordinary administration.

(***) Co-opted with the resolution of the Board of directors of 30.03.2004; the nomination was proposed to the ordinary shareholders' meeting of 30.04.2004

DIRECTORS' REPORT ON GROUP OPERATIONS

The first quarter of 2004 recorded a positive result, in line with the development of the three-year plan, presented with the first half-year results of 2003, that provides for:

- containment of the losses in the second half of 2003;
- pre-tax break-even in 2004;
- a net profit after taxes in 2005;

and, in terms of margin, EBITDA above 10% from 2004 and EBIT higher than 5% from 2006.

Salient results

A summary of the results for the first quarter of 2004, compared to the same period in the previous year are shown below:

- net sales amounted to Euro 36.58 million compared to Euro 40.82 million in 2003, a reduction of 10.4%;
- the gross margin has proportionally reduced less than sales, in fact the margin increased from 35.9% to 37.7% (for the full year of 2003 the margin was 32.3%);
- the EBITDA was Euro 3.49 million (9.5% of sales), in line with Euro 3.58 million in the first quarter of 2003 (8.8% of sales);
- the pre-tax profit for the first quarter was Euro 1.51 million compared to a loss of Euro 1.51 million in the first quarter of 2003.

Recovery signs

In the first quarter of 2004, as for the second part of 2003, there were some signs of recovery, which form the basis for the realisation of the Three-Year Plan.

As already noted, these signs of recovery have an initial affect on the balance sheet. This derives from the specific timing characteristics of the clothing market, where the collections commence almost one year before they reach the final customer. The time for reaction on the income statement is therefore conditioned to this operating basis. The most positive results related to:

AREA	**Results I quarter 2004 Results I quarter 2003**
Inventory	Euro - 5.3 million
Working Capital	Euro -13.5 million
Payables	Euro -13.6 million to Banks (and Euro -9.9 million compared to December 31, 2003) Euro -6.0 million total
Financial charges	Euro -0.3 million
Cost of labour	Euro -0.4 million

Among the signs in line with the plan for a return to profitability, we also note the following:

- the diversification in the underwear sector has reached 37.1% of sales compared to 35.1% in the first quarter of 2003 and 34.0% for the entire year 2003;
- the new products, introduced in the year 2003 and at the beginning of 2004, accounted for 13.2% of the sales in quantity and 27.8% in value of the Sanpellegrino and Oroblù brands in the quarter: they are products that have prices double of the average and consequently positive margins;
- employee numbers at the Parent Company reduced from 738 units in the first quarter of 2003 to 705 units in the first quarter of 2004.

A positive trend emerges from the analysis of the incidence of the gross margin:

- which was 35.9% in the first quarter of 2003;
- amounted to 32.3% for the full year 2003;
- decreased to 28.6% in the final quarter of 2003;
- increased to 37.7% in the first quarter of 2004;

The margin in the first quarter 2004 shows a positive percentage increase: of two points on the same period in the previous year, of five points on the entire previous year, and of nine points on the final quarter of 2003.

With the profit in the first quarter 2004, the cumulative results of the Group are break-even over 9 months: the EBT in the second half of 2003 and the first quarter of 2004 were in fact equal to Euro 217,000.

Group performance

Summary statement of income

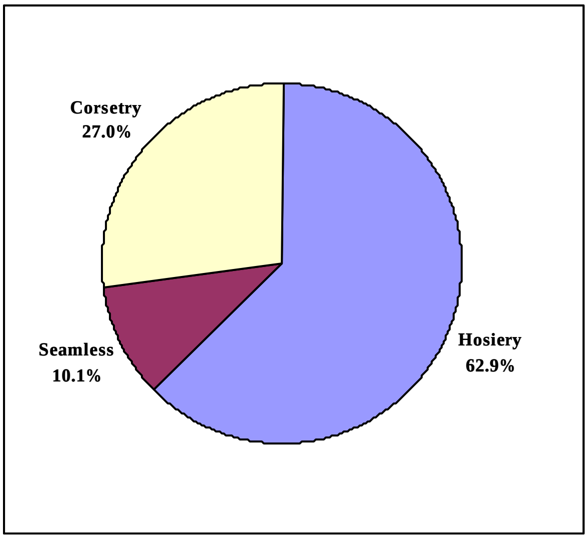
(in millions of Euro)	31 March 2004		31 March 2003		31 December 2003	
	value	**%**	**value**	**%**	**value**	**%**
Net sales	36.58	*100.0%*	40.82	*100.0%*	142.38	*100.0%*
Cost of Sales	22.79	*62.3%*	26.17	*64.1%*	96.36	*67.7%*
Gross profit	**13.79**	*37.7%*	**14.65**	*35.9%*	**46.02**	*32.3%*
Selling, general and administrative costs	13.00	*35.5%*	13.91	*34.1%*	50.47	*35.4%*
Operating profit	**0.79**	*2.2%*	**0.74**	*1.8%*	**(4.45)**	*-3.1%*
Net financial charges	0.67	*1.8%*	1.01	*2.5%*	3.26	*2.3%*
Net other (income) and charges	(0.02)	*0.0%*	1.23	*3.0%*	(0.13)	*0.0%*
Extraordinary charges (income)	(1.40)	*-3.8%*	0.00	*0.0%*	1.19	*0.8%*
Profit (loss) before taxes	**1.54**	*4.2%*	**(1.50)**	*-3.7%*	**(8.77)**	*-6.2%*
Income taxes	(*)	*(*)*	(*)	*(*)*	(1.52)	*-1.1%*
Net profit (loss) for the period	**1.54**	*4.2%*	**(1.50)**	*-3.7%*	**(10.29)**	*-7.3%*
Minority interests	(0.03)	*-0.1%*	0.02	*0.1%*	0.36	*0.3%*
Net profit (loss) for the Group	**1.51**	*4.1%*	**(1.48)**	*-3.6%*	**(9.93)**	*-7.0%*

(*) the results at March 31 are shown before taxation

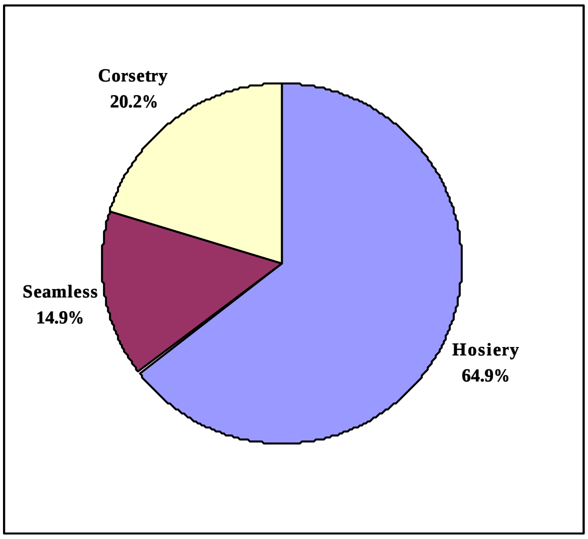
Net sales – Net sales in the first quarter of 2004 decreased from Euro 40.82 million to Euro 36.58 million, a decrease of 10.4% due to the continual decline in consumption, especially in hosiery, as well as some problems related to the delivery of goods in the first two months of the year, a consequence of the commencement of the Parent Company's new information system.

The following graphs show the breakdown of sales by product category, brand and geographical area for the quarter under review compared with the same quarter in the previous year:

PRODUCTS: % of sales at 31.03.04

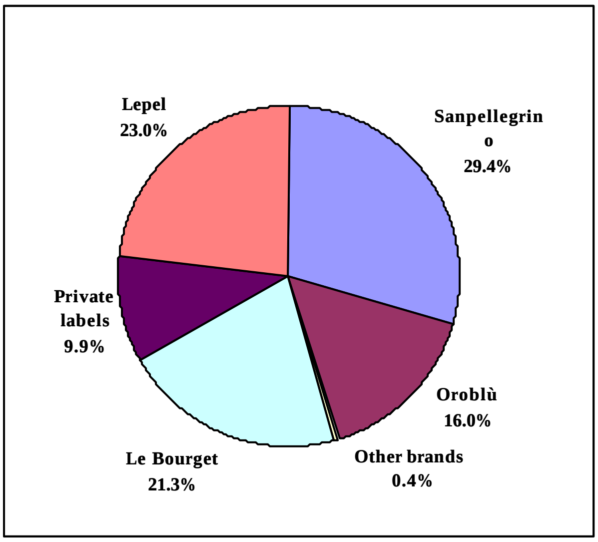


PRODUCTS: % of sales at 31.03.03

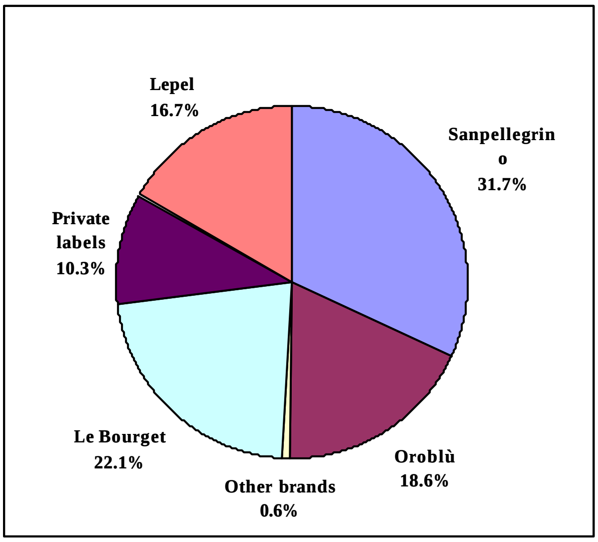


In the first quarter of 2004, sales of hosiery declined by 13.1% compared to the same period in 2003, confirming the chronic recessionary trend for this merchandise.
Sales of corsetry registered an appreciable increase of 19.3% compared to the same period in 2003, confirming the excellent welcome reserved by the market for all of the articles presented.
In relation to seamless, sales decreased from Euro 6.09 million to Euro 3.71 million (- 39.1%); the decrease is principally due to the reduction in consumption related to this merchandise, to the saturation of the market and reduced promotional activity of products of the Sanpellegrino brand, in particular in the wholesale channel.
Despite this, in the quarter under review, the combined seamless/corsetry sector represented 37.1% of the total turnover, compared to 35.1% in the first quarter 2003.

BRANDS: % of sales at 31.03.04

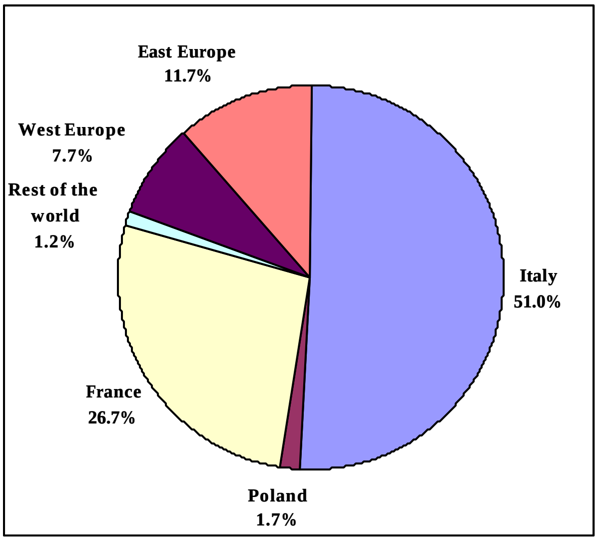


BRANDS: % of sales at 31.03.03

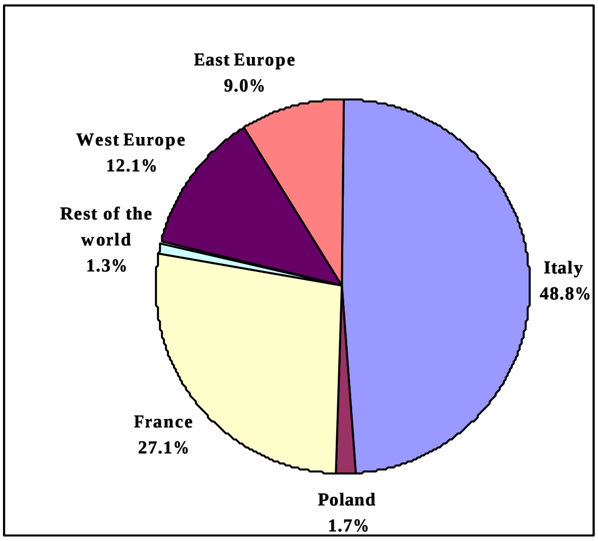


In relation to the sales by brand, in the first quarter of 2004 Lepel confirmed the positive performance already recorded in the previous quarters with an increase of 23.7% (Euro 1.61 million), compared to the same quarter in 2003.
Sanpellegrino and Oroblù as already mentioned were affected by the decrease in consumption in hosiery and seamless.
The brand Le Bourget recorded a decrease of 13.8% compared to the first quarter 2003, particularly affected by the decline in consumption in the French market.

AREAS: % of sales at 31.03.04



AREAS: % of sales at 31.03.03



As for the breakdown of sales by geographical area in the quarter under review, and due to the decline in overall sales the percentage of the Italian market increases - although recording a decrease in value terms of Euro 1.27 million (-6.4%).
The Eastern European market, consisting prevalently of the Russian market, recorded a positive result, with an increase of 16.8% compared to the first quarter of the previous year, confirming the signs of recovery in the second part of 2003.
The sales to the Russian market, third in importance after Italy and France, increased by 21.7% compared to the first quarter of 2003, thanks to the reorganisation of the Italy-Russia distribution system.
The reduction of sales in Western Europe (Euro 2.13 million) is principally due to the general decrease in consumption and organisational problems that impacted on sales in the first two months of the year.

Cost of sales – The cost of sales in the first quarter of 2004 amounted to Euro 22.79 million, with an incidence on net sales of 62.3% compared to 64.1% in the same period in the previous year.

Gross profit – The gross profit margin was 37.7% compared to 35.9% in the same period in the previous year.
The improvement is principally due to the change in the sales mix, in favour of products with higher margins, and the containment of costs in part related to the restructuring plan implemented in the previous year.

Selling, general and administrative costs – Selling, general and administrative costs amounted to Euro 13.00 million (35.5% of net sales), with a reduction of Euro 0.91 million compared to the same quarter in the previous year.
This decrease is essentially due to lower advertising investments (Euro -0.49 million), which as a percentage on sales remained substantially unchanged. The decrease in other variable expenses (commissions and other selling costs) is related to the decrease in sales.
However, it should be noted that due to the decrease in sales and the inclusion in this account of structural costs, the percentage of selling, general and administrative costs on net sales increased by 1.4 percentage points.

Operating result – The Ebit in the quarter was Euro 0.79 million compared to Euro 0.74 million in the same quarter in the previous year, with an incidence on net sales of 2.2% compared to 1.8%.
This result is principally due to the improvement of the margins on sales that was partially compensated by the above-mentioned increase in the incidence of selling, general and administrative costs.

Financial charges, net – Net financial charges, equal to Euro 0.67 million, reduced by Euro 0.34 million compared to the first quarter of the previous year principally due to the reduction in net debt.

Other income and charges – The significant decrease in the other charges compared to the first quarter of 2003 (Euro 1.25 million) is due to the fact that these charges included a significant write-down in the treasury shares held in portfolio for adjustment to market value at the end of the period. This valuation, for the period under review, did not result in the recording of significant values. The company continues to hold treasury shares, equal to 9.63% of the total, with a carrying value of Euro 1.3939 per share.

Extraordinary income and charges – This account, equal to Euro 1.40 million, refers to income received from a settlement made relating to a previous acquisition.

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

Summary balance sheet

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

(in millions of Euro)	31 March 2004	31 March 2003	31 December 2003
Current assets	109.39	115.55	106.57
Current liabilities	(47.02)	(39.70)	(37.81)
Net working capital	**62.37**	**75.85**	**68.76**
Equity investments (including own shares)	3.60	2.84	3.57
Tangible and intangible fixed assets	51.36	60.14	53.78
Capital employed	**117.33**	**138.83**	**126.11**
Other medium/long-term liabilities	(12.01)	(11.46)	(12.46)
Net capital employed	**105.32**	**127.37**	**113.65**
Net debt	59.74	73.29	69.60
Shareholders' equity attributable to minority interests	0.96	1.37	0.94
Net equity	44.62	52.71	43.11
Total	**105.32**	**127.37**	**113.65**

(*) the results at March 31 are shown before taxation

Working capital – The net working capital at March 31, 2004 amounts to Euro 62.37 million compared to Euro 68.76 million at December 31, 2003; this decrease is principally due to the increase in trade payables higher than the increase in inventory.

Capital invested – The capital invested decreases from Euro 126.11 million at December 31, 2003 to Euro 117.33 million, a decrease of Euro 8.78 million. This reduction, in addition to the above-mentioned decrease in working capital, is due to the decrease in fixed assets due to the effect of amortisation and depreciation.

Net debt – The net debt, as shown in the table below, decreased compared to December 31, 2003 by Euro 9.86 million, principally due to the above-mentioned reductions in working capital. Compared to March 31, 2003 the reduction in net debt was Euro 13.55 million.
The net financial position is comprised of:

(in millions of Euro)

	31 March 2004	31 March 2003	31 December 2003
Short-term bank borrowings	37.50	48.37	42.79
Current portion of medium/long-term debt	9.94	14.02	11.60
Cash and banks	(2.73)	(3.23)	(1.07)
Net short-term borrowings	**44.71**	**59.16**	**53.32**
Medium/long-term lending, net of the current portion	15.03	14.13	16.28
Net debt	**59.74**	**73.29**	**69.60**

Group performance company by company

a) Parent Company

Parent Company

Overall, the Parent Company – consisting of Sanpellegrino, Oroblù and Lepel, - despite a reduction in sales of 17.4% (including a reduction in intercompany sales of Euro 2.99 million) - recorded a pre-tax profit of Euro 2.49 million, also thanks to extraordinary income of Euro 1.4 million (while in the first quarter of the previous year the company recorded a loss of Euro 1.1 million).

Sanpellegrino and Oroblù Division

The sales decreased from Euro 25.65 million in the previous year to Euro 18.74 million in the current year, a reduction of 26.9% (the sales to the French subsidiary reduced significantly (Euro 2.96 million) partly due to a change in the timing of supply in order to optimise inventory management). This reduction in sales was in the first two months of the year, in part due to operating problems which were a consequence of the commencement of the new SAP system. The adoption of the new system resulted in a complete updating of the company organisation procedures, which slowed operations at the beginning of the year. The Company returned to normal operations in March. However, the delays of the first two months were not fully recovered.

Despite the initial difficulties, common to all companies in the passage to SAP, we believe that the new system is the best Information Technology existing, at international level, and can thus contribute to important improvements in the accuracy and reliability of the data and, in general, in the company organisational structure, once fully operational.

Lepel Division

The sales of the Lepel Division recorded an excellent increase of 13.9% compared to the same period in the previous year, thanks to a positive performance of all of the articles in the collection. In addition, Lepel was not delayed by the adoption of SAP, that – specifically for Lepel - will be completed only at the end of the first half of the year.

New products

There was a positive welcome of the new Sanpellegrino BioComplex cosmetic tights, developed together with the herbal institute L'Angelica and of the similar Oroblù BioAction tights, developed with the Swiss company Transvital, specialised in skin care and beauty.

The Lepel Revolution bra achieved significant numbers both in Wholesale and Large Retail Chain Stores.

Advertising activities

The new products were supported by important advertising campaigns:

- the Lepel Revolution bra had the support of a television campaign in January/February;
- the Sanpellegrino BioComplex tights collection was supported by a press advertising campaign, which commenced in March;
- the Oroblù Futurity bra was presented in a press advertising campaign, commencing from March;
- the Lepel Belseno line-extension bra was supported by bill board advertising in March /April, with Natalia Estrada.

b) Le Bourget

The subsidiary Le Bourget is the third brand, after Dim and Well, in the French market, the most important after Italy for the Group.
Le Bourget closed the first quarter of 2004 with a result close to break-even (Euro -46,000), despite a reduction of 12.4% in sales, thanks to a decrease of almost Euro 0.5 million in operating costs.
Despite the fall in sales, Le Bourget has maintained its market share in a market that has seen a decrease in consumption; The reduction was primarily due to the supply of private brands of the large retail chain stores.
The inventory reduced positively by Euro 1.36 million compared to the same period in 2003.

c) Sanpellegrino Polska

The Polish company is held 50% by CSP International, in a joint venture with an operator from Lodz. The company recorded a small profit in the first quarter of 2004 (+ Euro 61,000), despite a reduction in sales of Euro 0.67 million; the positive result was obtained due to a reduction in production costs equal to the reduction in sales.

Research & development

The presentation of new products, capable of
- stimulating the interest of the market and the final consumer;
- improve margins;
- increase market share;

is a central component of the Three-Year Plan.
We therefore highlight the new products that were presented to the market in the first quarter of 2004 and that will enter into the sales in the second part of the year.
- Sanpellegrino Pocket Tights, original pocket tights, presented in an innovative plastic package (model deposited);
- the Sanpellegrino “no-sign” Invisible seamless, which offers new comfort to the skin, at competitive prices;
- the corsetry collection of Oroblù Sublime;
- the sportive underwear collection of Play Lepel;
- In relation to the Sanpellegrino BioComplex cosmetic tights, the new product Rinfrescante, with natural extracts of mint and eucalyptol; Cell-Control, assists in anti cellulite and Epil-Control, that controls the development of piliferous;
- In relation to the collection of Oroblù BioAction cosmetic tights, the new products Refresh, Cellu-Light and Epil-Retard, with similar characteristics to the corresponding Sanpellegrino articles;
- new fashion collections, for autumn/winter 2004, for all of the brands of the Group, in hosiery, corsetry and seamless.

New licenses
In relation to diversification, the Parent Company is activating new licenses, in complementary markets to present markets: we note that the current licenses, in 2003, produced over Euro 0.5 million in royalties. In the first quarter of 2004 the licenses resulted in royalties of Euro 141,000.
On March 1, 2004 the Oroblù PullLovers & Co. license was presented to the market which extends the presence of Oroblù in the pullover market. In the first phase of activation the collection was sold to over 500 retail shops.

Brand stores

In the first quarter, a sales point for Oroblù was opened in Milan at Corso Buenos Aires, in addition to the two already operating.

Corporate events

After the close of the first quarter of 2004, on the occasion of the Shareholders' Meeting held on April 30, 2004, the shareholders belonging to a shareholders agreement pact adhered to a debenture loan with the following characteristics:

- the debenture has a value of Euro 5 million;
- it was subscribed 100% by the shareholders of the Pact;
- the duration is five years, with a Bullet repayment (one payment on expiry);
- the interest rate is equal to Euribor 6 months, plus 2 percentage points, equal to a total current rate of 3.9%.

Future Outlook

As per the Three-Year Business Plan, the result forecast for 2004 is break-even before taxes.
In relation to a year in which we confirm the objective of break-even before taxes, it will however be possible that the second quarter will report a negative result, due to the typical seasonal factors in our market, traditionally negative in the second quarter of the year.

Ceresara, May 14, 2004

Chairman of the Board of Directors

Attachments:

1. Reclassified income statement
2. Reclassified balance sheet

Reclassified Consolidated Statement of Income

(figures in thousands of Euro)

	31 March 2004	31 March 2003	31 December 2003
Net sales	36,439	40,682	141,840
Income from royalties	141	141	543
NET REVENUES	**36,580**	**40,823**	**142,383**
COST OF SALES			
Purchases	13,038	10,011	41,511
Labour cost	4,526	4,875	18,154
Services	3,494	4,041	13,195
Depreciation and amortisation	1,536	1,778	6,621
Other costs	1,991	1,930	6,681
(Increase) decrease in inventories	(1,798)	3,541	10,201
	22,787	**26,176**	**96,363**
GROSS PROFIT	**13,793**	**14,647**	**46,020**
SELLING, GENERAL AND ADMINISTRATIVE COSTS			
Labour cost	3,755	3,797	13,854
Advertising expenses	3,935	4,428	16,401
Commissions	915	1,035	3,475
Depreciation and amortisation	1,157	1,062	4,269
Other expenses	3,236	3,587	12,473
	12,998	**13,909**	**50,472**
OPERATING PROFIT	**795**	**738**	**(4,452)**
Financial charges (income), net	666	1,010	3,257
Writedown (writeup) of investments	0	0	0
Other (income) and charges	(19)	1,231	(128)
	647	**2,241**	**3,129**
PROFIT (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	**148**	**(1,503)**	**(7,581)**
Extraordinary charges and (income)	(1,397)	3	1,191
PROFIT (LOSS) BEFORE INCOME TAXES	**1,545**	**(1,506)**	**(8,772)**
Income taxes (*)	(*)	(*)	(1,523)
NET PROFIT (LOSS) FOR THE PERIOD	**1,545**	**(1,506)**	**(10,295)**
Minority interests	(31)	23	365
NET PROFIT (LOSS) FOR THE GROUP	**1,514**	**(1,483)**	**(9,930)**

(*) the figures at 31 March do not include income taxes.

(figures in thousands of Euro)

	31 March 2004	31 March 2003	31 December 2003
CURRENT ASSETS			
Cash and banks	2,731	3,232	1,065
Trade receivables	55,655	56,466	55,131
Due from subsidiary and associated companies	100	100	100
Other receivables	3,257	4,249	2,899
Inventories	48,906	54,233	47,141
Accrued income and prepaid expenses	1,475	501	1,297
Own shares	3,288	2,509	3,316
TOTAL CURRENT ASSETS	**115,412**	**121,290**	**110,949**
FIXED ASSETS			
Financial fixed assets:			
Financial receivables	214	321	241
Equity investments	99	11	11
Total financial fixed assets	**313**	**332**	**252**
Tangible fixed assets	37,124	43,834	38,792
Intangible fixed assets	14,233	16,303	14,988
TOTAL FIXED ASSETS	**51,670**	**60,469**	**54,032**
TOTAL ASSETS	**167,082**	**181,759**	**164,981**

Reclassified Consolidated Balance Sheet - Liabilities and shareholders' equity

(figures in thousands of Euro)

	31 March 2004	31 March 2003	31 December 2003
CURRENT LIABILITIES			
Short-term bank borrowings	37,499	48,375	42,787
Current portion of medium/long term debt	9,945	14,020	11,604
Trade payables due to third parties	38,616	31,010	30,328
Due to subsidiary/associated companies	0	0	0
Taxes payable	2,268	2,122	2,071
Other payables	5,640	6,042	5,086
Accrued liabilities and deferred income	489	519	324
TOTAL CURRENT LIABILITIES	**94,457**	**102,088**	**92,200**
MEDIUM/LONG-TERM LIABILITIES			
Medium/long-term debt, net of the current portion	15,032	14,129	16,278
Severance indemnities	7,099	6,928	7,239
Other provisions	4,914	4,532	5,224
TOTAL MEDIUM/LONG-TERM LIABILITIES	**27,045**	**25,589**	**28,741**
TOTAL LIABILITIES	**121,502**	**127,677**	**120,941**
MINORITY INTERESTS IN CAPITAL AND RESERVES	961	1,369	**935**
SHAREHOLDERS' EQUITY			
Share capital	12,740	12,740	12,740
Legal reserve	1,359	1,359	1,359
Share premium reserve	18,076	18,076	18,076
Other reserves	10,930	22,021	20,860
Net profit (loss) for the period (*)	1,514	(1,483)	(9,930)
TOTAL SHAREHOLDERS' EQUITY	**44,619**	**52,713**	**43,105**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**167,082**	**181,759**	**164,981**

(*) the figures at 31 March do not include income taxes.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS

Content and bases of the financial statements

These notes refer to the results of the first quarter of 2004. They have been prepared in accordance with current legislation, with comparative figures for the corresponding quarter of 2003 and the full year 2003.

The accounting and consolidation policies used in preparing these financial statements have been applied consistently with the previous year's consolidated financial sheets as of 31 December 2003, except for the following difference:

INCOME TAXES: no provisions have been made against the income taxes of the individual consolidated companies or against deferred tax assets and liabilities pertaining to the period under review, as permitted by CONSOB regulations for the preparation of interim financial statements, which we deemed applicable to this document as well.
These amounts will be determined upon preparation of the financial statements as at 31 December 2004.
This method guarantees consistency in the figures with the consolidated annual report for the previous year, taking into account the above difference in accounting treatment.

Scope of consolidation

The scope of consolidation as of 31 March 2004, has changed with respect to the financial statements as of 31 December 2003 owing to the exlusion from the scope of consolidation of the controlled company Bo.Mo. Srl, which sold its own business unit and will be winded-up.
The above mentioned equity investment as of 31 March 2004 was included in the financial statements on equity basis.
Consequently the scope of consolidation consist of the following companies:

Name	Address	Controlling interest %
CSP International Industria Calze SpA	Via Piubega, 5/c, 46040 Ceresara (Mantua - Italy)	Parent Company
Le Bourget S.A.	Rue J.P. Saltiel 02230- Fresnoy Le Grand, France	99.97%
Sanpellegrino-Polska Sp.z.o.o.	Ul. Lodska, 27 95-050 Konstantynow (Lodz) (PL)	50%