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Bulgari S.p.A. and Subsidiaries • 2000 Half-yearly report

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Bulgari S.p.A. and Subsidiaries
Report on the Financial Administration
as at 30 June 2000

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Bulgari S.p.A. and Subsidiaries

Report of the Board of Directors on the Financial Administration of the Bulgari Group and the Parent Company for the period ended 30 June 2000

Report of the Independent Auditors on the review of the six-month report

To the Shareholders of Bulgari S.p.A.

1. We have performed a review of the six-month report as of June 30, 2000, composed of the accounting schedules (balance sheet and income statement) and the related explanatory notes of Bulgari S.p.A. and of the consolidated report of the Group. We have also checked the part of the report related to the information on operations with the sole purpose of verifying the consistency thereof with the rest of the six-month report.

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

3. With regard to the comparative information related to the annual statutory and consolidated financial statements and to the prior year six-month report, reference should be made to our reports issued respectively on April 12, 2000 and on October 2, 1999.

4. Based on our review, we are not aware of any material modifications or additions that should be made to the accounting schedules and related explanatory notes identified in paragraph 1 of this report, for them to be in conformity with the reporting standards set out by the CONSOB regulation related to six-month reports as approved by Resolution No. 11971 of May 14, 1999 and subsequent amendments.

Arthur Andersen S.p.A.
Stefano Orlando, *Partner*
Rome, 13 September 2000

Bulgari S.p.A. and Subsidiaries

Report of the Board of Directors on the Financial Administration of the Bulgari Group and the Parent Company for the period ended 30 June 2000

Bulgari S.p.A. and Subsidiaries

Board of Directors' Report on the Financial Administration, as at 30 June 2000

Foreword

In accordance with Article 2428 of the Italian Civil Code, Law Decree No. 58/1998 and Consob decisions and recommendations No. 97001574 of 20 February 1997, No. 98015375 of 27 February 1998, No. 98084143 of 27 October 1998 and No. 11971 of 14 May 1999, the Board of Directors of Bulgari S.p.A. have, in respect of the financial statements and consolidated accounts, drawn up this Report on the Financial Administration for the first six months of the year 2000.

As at 30 June, 2000, the Board of Directors was constituted as follows:
Mr. Paolo Bulgari, *Chairman*
Mr. Nicola Bulgari, *Vice-Chairman*
Dr. Francesco Trapani, *Chief Executive Officer*
Attorney Francesco Ago, *Director*
Attorney Giuseppe Ansaldo, *Director*
Mr. Giulio Figarolo di Gropello, *Director*
Mr. Gary J. Gartner, *Director*

On 26 June 2000, the Board of Directors added to the fullest powers of ordinary and extraordinary administration in all areas of activity of the Company previously conferred on the Chairman and Managing Director by means of a resolution of May 6, 1998, authorising them to sign freely and separately from each other.
The following powers continue to be reserved exclusively to the Board of Directors:
• where a commitment exceeds the equivalent in euros of Lit. 60bn for any single transaction, the purchase and sale of equity interests, the establishment of new companies or partnerships in Italy or abroad, and transactions on new or already existing company capital;
• where a commitment exceeds the equivalent of Lit. 60bn for any single transaction, the conclusion of loan transactions and the issuance of guarantees;
• the purchase of goods and services, where the commitment exceeds Lit. 4bn for a single transaction;
• the purchase and sale of real estate, except with direct or indirect subsidiaries of the Company;
• the sale and disposal of trade marks, registered names, intellectual-property rights and inventions belonging to the Company, except in relation to temporary concessions of the same.
We also record the fact that neither the Chairman nor the Managing Director made use of any powers of extraordinary administration during the first six months of 2000, and that the Board delegated specific powers to them for some transactions in respect of the capital of subsidiaries for amounts exceeding the powers conferred on them.

As of the beginning of 2000, the Bulgari Group adopted the euro as its official currency of account. Therefore, the financial statements of the Group and of the Parent Company as at 30 June 2000 were prepared in euros. For comparative purposes, the financial statements as at 31 December 1999 and 30 June 1999 were also converted into euros.
The financial statements as at 30 June 2000, which were prepared according to the principles set forth in the aforesaid regulations, were compared to the statements for the year ended 31 December 1999, and with the financial statements as at 30 June 1999.

The financial statements of Bulgari S.p.A. and the consolidated financial statements as at 30 June 2000 were subjected a limited financial audit by Arthur Andersen S.p.A., in accordance with current regulations.

To the Shareholders,
Your Group achieved excellent results in the first half of the year 2000 in terms of revenues, operating profits and net income.

Consolidated net revenues of the Group totalled 272.1 million euros, an increase of 44.2% over the 188.7 million euro results for the first half of 1999. Volume increased by approximately 34%.

Consolidated operating profit of the Group rose from 28.4 million euros for the first half of 1999 to 50.7 million euros for the first half of 2000, an increase of 78.5%.
Consolidated net income of the Group reached 35.3 million euros, an increase of 101% compared to 17.6 million euros for the first half of 1999.

The net financial indebtedness and net share capital of the Group totalled 123.6 million euros and 322.5 million euros, respectively. During the first half of 1999 net financial indebtedness was equal to 59.8 million euros and net share capital totalled 251.7 million euros.

These figures show once again the extraordinary growth capacity of your Group which, using a development strategy well tested over the years, is growing at rates that are significantly higher than the average rates of the reference market.
Percentage growth rates have been increasing, despite the fact that the base has been growing progressively larger, which shows both additional potential for development and the advantages ensuing from the achievement and indeed surpassing of certain target figures. Of course, this implicitly confirms the effectiveness of the strategies pursued thus far and encourages us to continue in the same direction, perhaps even more rapidly.
It should also be noted how this percentage growth in revenues and profits is calculated in relation to the first half of 1999, which is certainly a difficult hurdle to surpass, given that during that period increases were achieved, compared to 1998, of 22% in revenues, 32% in operating profit, and 15% in net income.
It is also interesting to note that the expansion strategy pursued to date aims to achieve balanced growth, in the medium and long term, among the different markets and the various merchandise categories, while simultaneously seeking to take the greatest possible advantage of the opportunities presented by the market in the course of time.
In particular, during the past twelve to eighteen months, the Group has made an immense effort to improve the precious jewellery division, which can now boast an assortment of products of incomparable quality and design, and have certainly found favour with our clients very quickly (sales +79%).
Naturally, the improvement in the international economic and financial environment, although only moderate, and not extending to all markets, has increased consumers' confidence and prompted them to increase their purchases.
In particular, the financial markets were influenced by U.S. economic performance, and by the moves made by the Federal Reserve to keep inflation under control. In fact, the data released in April about the U.S. economy showed strong growth, and enabled us to intuit the formation of inflationary pressures in response to which, in all likelihood, the Central Bank would have imposed an increase in interest rates. In addition, the resulting fears of a restrictive monetary policy, combined with the changes in the prices of technology stocks, contributed to the weakness of the stock markets during the second quarter in both the U.S. and Europe.

There has been a slight economic upturn in Europe, due mainly to domestic demand, and the level of consumer confidence has improved significantly, compared to the environment at the beginning of 1999.
At present, with the rise in oil prices, the greatest risk seems to be from higher inflation, which, on an annual basis, reached 2.4% in June.

However, the upturn in domestic demand in Japan remains weak and the level of consumer confidence seems basically stable. Consumers' disposable income is not sufficient to revive domestic demand.
Consumer prices are up compared to the same period last year, reflecting the appreciation of the Yen.

The outlook for economic growth in the U.S., which is much better than in other leading economies, has fuelled the appreciation of the dollar vis-à-vis the other principal currencies. During the period between January and June 2000, the euro depreciated by 7% against the dollar and 4% against the Yen.

During the first six months of 2000, the price of gold remained close to the prices seen at the beginning of the year, i.e., US$ 280 per ounce, except in February, when the price rose to US$ 315 per ounce.

Also, during this first six months, the BVLGARI group engaged in intensive, new product- development and launch activities. In general, client acceptance of these new products was very positive and was sufficient to warrant production increases.
By way of example, we note that:
• numerous new jewellery products were introduced to the BVLGARI Classics lines, and a new line of pearl pieces was also introduced;
• the new Rettangolo watch collection, which was inspired by Art Déco aesthetics, was introduced. It is distinguished by its unusual and bold contemporary styling. The assortment of the Chrono line was expanded with the introduction of the new Chrono Amplificator;
• in perfumes, the sales force was given the new fragrance for women called BLV, which is characterised by unexpected olfactory timbres and by packaging which has an immense visual impact. BLV will start being sold to end clients in September;
• the Spring collection of leather accessories, characterised by new and lively colours, made its debut;
• in Home Design, the Tribal Crown collection was presented.

During this half-year, eleven new BVLGARI boutiques were opened, including some at airports, and all are in locations of particular interest with regard to "travel retail", a distribution channel in which we have decided to invest significantly. The selective distribution of watches and jewellery was also strengthened by the opening of approximately 50 new stores. During this first half, four important new projects were also finalised: E-Commerce, the acquisition of some licensees, the acquisition of companies in the watch sector, and the introduction of the closed fund, "Opera".

E-Commerce

This project involved entering into sales agreements with two different entities with a view to the on-line sale of a selected assortment of products. It will result in the construction of a new BVLGARI web site, and the acquisition of a stake in Luxlook Ltd, which is today one of the main "E-tailers" in the luxury-product sector.

Acquisition of licensees

The plan, prior to the expiration of the license agreement, and only for specific geographic areas, includes the acquisition of companies owned by some BVLGARI licensees. This plan also provides for the possibility of increasing the percentage of ownership in some companies currently operating as joint ventures. The acquisition of the company which manages the BVLGARI store in Honolulu was the first action in this project, and is expected to further expand the BVLGARI presence in areas with significant business potential.

Acquisition of the companies, Daniel Roth S.A., Gérald Genta S.A., Manufacture de Haute Horlogerie S.A.
By acquiring these companies, Bulgari has acquired two prestigious names in the Swiss watch sector, with its high growth potential. In addition, the craftsmanship and depth of technical knowledge of these companies in the "high complexity" watch sector will further strengthen the Group in the watch sector.

Introduction of the closed-end fund "Opera"

"Opera" is the name of the first closed-end fund, specialising in investments in "goods and services" sectors typical of the Italian life-style. This fund, which was established under Luxembourgeois law, and has capital of approximately 200 million euros, will mainly be investing in medium-sized companies, operating in sectors in which "made in Italy" affords a competitive advantage. In this project, Bulgari will act as an investor, with a stake of approximately 15-20% of the total fund, and also as a management partner, with a stake of 50% in the fund-management company.

Newly established companies

During the first six months of this year, the structure of the Group changed, with the establishment of three new companies: Bulgari Global Operations S.A., with its registered office in Neuchâtel, Bulgari Operational Services ApS, with its registered office in Copenhagen, and Opera Management S.A., with its registered office in Luxembourg, as described below.

Results

Compared to the first half of 1999, net consolidated revenues, less royalties and services to third parties, increased by approximately 82 million euros. This increase can be broken down as follows:

- Jewellery: 41 million euros
- Watches: 38 million euros
- Perfumes: 1.3 million euros (of which –0.4 million are from sales of Ferragamo / Ungaro name products)
- Accessories: 1.7 million euros

Operating profit increased by 78% compared to the first six months of last year, while the operating margin increased from 15.1% for the first half of 1999 to 18.6% for the first half of 2000. The increase in operating profit is even more significant if we consider the significant absolute increase disbursed in promotional spending. On a percentage basis, promotional spending went from 12.5% in the first half of 1999 to 12.2% in the first half of 2000. Among the most important promotional expenditures, we note those related to supporting the introduction of the Rettangolo watch, and the BLV fragrance, both of which occurred during the second quarter of 2000.

Net income, which increased by approximately 101% over the same period last year, totalled 35.3 million euros (17.6 million euros for the first half of 1999), and represented 13.0% of revenues (9.3% for the first half of 1999).

These results are summarised in Table 1 below.

Table 1 Bulgari Group summary income statement

(millions of euros)	30/06/00	30/06/99	31/12/99
Consolidated net revenues	272.1	188.7	485.3
Operating profit	50.7	28.4	81.4
Pre-tax profit	42.0	21.8	66.5
Net Income	35.3	17.6	59.0

Revenues increased in all geographic areas. Growth was particularly significant in Europe, the Far East, Japan and America, with increases of 56%, 47%, 46%, and 37%, respectively.
Revenues increased by 34% in Italy.

Table 2, below, shows the percentage breakdown of the increase in revenues by geographic area, according to market outlet.

Table 2 Bulgari Group increase in revenues by geographic area

Geographic area	30/06/00	30/06/99	31/12/99
Italy	+ 34%	0%	+ 17%
Europe (excluding Italy)	+ 56%	+ 5%	+ 20%
America	+ 37%	+ 18%	+ 26%
Japan	+ 46%	+ 44%	+ 60%
Far East	+ 47%	+ 50%	+ 58%
Middle East /Others	+ 31%	+ 33%	+ 19%

Table 3, below, shows the breakdown of revenues by geographic area, according to market outlet.

Table 3 Bulgari Group revenues by geographic area

Geographic area	30/06/00	30/06/99	31/12/99
Italy	12%	13%	13%
Europe (excluding Italy)	24%	23%	24%
America	20%	21%	23%
Japan	23%	22%	22%
Far East	16%	16%	14%
Middle East /Others	5%	5%	4%
Total revenues	100%	100%	100%

All product categories showed strong revenue increases.
The increase in jewellery revenues was particularly strong, at 79%. The significant increase in sales was surely related to the improved assortment of jewellery, especially precious jewellery, and the good sales of the B.zero1 ring. Watches increased an additional 43%, continuing the strong growth which occurred during the first half of 1999. It is interesting to note that the contribution to sales from the new "Rettangolo" collection was fairly marginal, and in fact the distribution of these products did not begin until June 2000.

Perfume revenues, increased by 4%, were affected by the reduction of stock by the distributors due to the forth coming launch of the new women's fragrance BLV.
Accessories – silk and leather goods, eyewear – achieved a 21% growth thanks to the clients' positive reaction to the new collection.

Table 4 Bulgari Group increase in revenues by product category	30/06/00	30/06/99	31/12/99
Jewellery	+ 79%	– 2%	+ 30%
Watches	+ 43%	+ 27%	+ 41%
Perfumes	+ 4%	+ 37%	+ 18%
Accessories	+ 21%	+128%	+ 41%
Royalties and other	+ 25%	+ 58%	+ 25%

Table 5, below, shows the breakdown of revenues by product category.

Table 5 Bulgari Group revenues by product category

	30/06/00	30/06/99	31/12/99
Jewellery	35%	28%	32%
Watches	46%	47%	45%
Perfumes	13%	18%	16%
Accessories	4%	4%	4%
Royalties and other	2%	3%	3%
Total	100%	100%	100%

The net indebtedness of the Group at the end of the first half of 2000 was 123.6 million euros, compared to net indebtedness of 59.8 million euros at 30 June 1999. This change was due mainly to a large increase in inventory, which rose from 270.9 million euros at 30 June 1999 to 369.1 million euros at 30 June 2000.
This 37% increase in the value of the inventory, which was less than the increase in turnover, resulted in a significant increase in the number of items in inventory, even accounting for new store openings and introduction of new products.

The net financial situation of the Group as at 30 June 2000 is shown in Table 6.

Table 6 Bulgari Group financial situation

(in millions of euros) Assets (Liabilities)	30/06/00	30/06/99	31/12/99
Bank overdraft and borrowings due within 1 year	(148.7)	(69.2)	(64.5)
Bank overdraft and borrowings due after 1 year	(2.4)	(1.4)	(1.9)
Cash and bank balances	22.5	7.4	20.6
Financial receivables available within 1 year	5.0	3.3	3.5
Financial assets available after 1 year	–	0.1	0.1
Total net cash (borrowings)	(123.6)	(59.8)	(42.2)

Investment spending

During the first half of 2000, 17.0 million euros were invested in tangible assets (as compared to 11.0 million euros during the first half of 1999), primarily to renovate shops, and administrative and production offices. Also during the first half of 2000, 14.7 million euros were invested in intangible assets (4.4 million euros during the first half of 1999), mainly to acquire licensees (with the respective goodwill) and to purchase and install an integrated platform for managing the main operational activities of the Group.

Events subsequent to 30 June 2000 and outlook for 2000

In keeping with the Group's strategic direction and operating plans, expansion of the distribution network will continue during the second half of 2000. As in the past, this expansion will take place through the opening of exclusive BVLGARI shops, both company-owned and franchised, as well as through third-party distributors.
In July 2000, a 2% stake in the share capital of Luxlook Ltd., a leader in luxury goods E-Commerce, was acquired through Bulgari International Corporation N.V..

In August, further to the agreement signed in June, Bulgari International Corporation N.V. acquired all of the equity in Gérald Genta S.A., Daniel Roth S.A. and Manufacture de Haute Horlogerie S.A. from The Hour Glass Group.

The trend of the consolidated revenues in the first months of this second half-year confirms the growth rate already achieved in the first six months, and gives reason to anticipate a favourable performance for the trading year overall.

Notes on the financial administration of the Parent Company, Bulgari S.p.A.

Financial Administration

For the first six months of 2000, total revenues posted by the Parent Company were 24.0 million euros, as compared to 17.3 million euros for the first half of 1999 (+38.7%).
Net income was 10.3 million euros, as compared to 3.3 million euros as at 30 June 1999. Operating profit improved significantly, from 5.6 million euros for the first half of 1999 to 11.8 million euros for the first half of 2000.
Revenues from royalties for the use of the BVLGARI trademark by subsidiaries and franchisees, which continue to account for approximately 92% of total revenues, were 22.1 million euros (+37% as compared to the first half of 1999).
The increase in revenues is largely due to the increase in sales volume of products with the BVLGARI trademark posted by licensees in the different product categories and to additional expansion of the distribution network. At constant exchange rates, the increase in royalty revenues would have been approximately 27%.

Table 7 Summary income statement

(in millions of euros)	30/06/00	30/06/99	31/12/99
Net revenues	24,0	17,3	42,6
Operating profit	11,8	5,6	18,2
Pre-tax profit	11,0	3,8	25,0
Net Income	10,3	3,3	23,8

The percentage breakdown of revenues by geographical area is shown in Table 8, below

Tabella 8 Geographic area

	30/06/00	30/06/99	31/12/99
Italy	19%	17%	16%
Europe (excluding Italy)	41%	39%	40%
America	7%	9%	9%
Japan	18%	19%	19%
Far East	12%	11%	12%
Middle East / Others	3%	5%	4%
Total revenues	100%	100%	100%

Operating costs totalled 12.2 million euros, as compared to 11.8 million euros for the first half of 1999, an increase of approximately 3%.

In greater detail we note that:
• The cost of services was 6.0 million euros (compared to 5.2 million euros for the first six months of 1999), and represented approximately 49% of the cost of production. They are associated mainly with advertising and promotional expenses, the cost of protecting and filing trademarks and designs, and expenses for technical, organisational, tax, legal and administrative consulting services.
• Personnel costs totalled 4.2 million euros, as compared to 4.0 million euros for the first half of 1999, while the average number of employees increased from 120 during the first half of 1999 to 136 for the first half of 2000. As at 30 June 2000, there were 145 employees (126 as at 31 December 1999).
• Charges for amortisation and depreciation of intangible and tangible assets, respectively, dropped from 1.6 million euros as at 30 June 1999 to 1.0 million euros for the first half of 2000. Of this amount, 0.6 million euros of amortisation of intangible assets related to the purchase, development and implementation of application software.

The decrease in amortisation and depreciation was due to costs incurred in 1995 for the Company's public offering, which were recorded in intangible assets and were completely amortised, as of 31 December 1999.
Financial income and expenses showed a positive balance of 11.0 million euros, as compared to 10.2 million euros for the first half of last year. As expected, dividends received in the period from the Dutch subsidiary Bulgari International Corporation N.V. equalled 9.2 million euros, as compared to 8.5 million euros at 30 June 1999.

Adjustments to the value of long-term assets of 10.7 million euros referred almost entirely to the write-down of the investment in Bulgari Netherlands B.V..

Tax expenses of 0.7 million euros relate entirely to provisions during the period for the Regional Tax on Production (IRAP).

Financial situation

The Parent Company's net cash as at 30 June 2000 totalled to 71.2 million euros, compared to 97.6 million euros, as at 31 December 1999, a decrease of 26.4 million euros. Net cash at the end of the first six months of 1999 was 76.4 million euros.
The decrease from 31 December 1999 was due mainly to long-term asset investments of 29.1 million euros, which were made during the six-month period, and by payment of the dividend for the 1999 accounting year of 16.5 million euros.
The Parent Company's cash continues to be used within the Group to reduce Group companies' bank borrowings.
The Parent Company's creditor position towards Group companies and the associated company Ferragamo Parfums Italia S.p.A. stood at 99.2 million euros, an increase of 5.5 million euros over the position of 93.7 million euros as at 31 December 1999.
Bank loans repayable after one year refers to a medium/long term loan granted by Simest S.p.A. and total 1.6 million euros, as compared to 1.1 million euros as at 31 December 1999.

Table 9 Financial situation

(in millions of euros)	30/06/00	31/12/99	30/06/99
Cash and bank balances	1.7	6.0	1.9
Bank overdraft and borrowings repayable within 1 year	(28.1)	(1.0)	(3.1)
Net cash (short term borrowings)	(26.4)	5.0	(1.2)
Bank overdraft and borrowings repayable after 1 year	(1.6)	(1.1)	(0.8)
Receivables from subsidiaries and affiliates	99.2	93.7	78.4
Total net cash (borrowings)	71.2	97.6	76.4

Investment spending

Investments during the first half of 2000 totalled 31.7 million euros, and were broken down as follows:
• 2.0 million euros in intangible assets, related mainly to the purchase of application software and related development and implementation costs;
• 0.6 million euros in tangible assets, related mainly to the purchase of computers and renovation of operating offices;
• 29.1 million euros in long-term assets, related to covering losses at Bulgari Netherlands B.V., Bulgari Parfums Italia S.p.A. and Ferragamo Parfums Italia S.p.A..

Research and development activities

During the first six months of 2000, the Parent Company did not carry out any research and development activity.

Relations with subsidiaries and associated companies

Bulgari S.p.A., based in Rome, is the Parent Company, and has authorised capital of 20.4 million euros. Bulgari S.p.A. is the owner of the BVLGARI trademark. The principal activities of the company are the following:

- buying holdings and making loans,
- buying stakes in and making loans to Group companies;
- commercial exploitation of the BVLGARI name and trademark;
- technical, financial and administrative co-ordination of the subsidiary companies;
- conception, planning and creation of articles of jewellery, gold, watches, perfumes, silk and leather accessories, and items in porcelain, silver and crystal.

In particular, it maintains commercial dealings governed by the specific contracts licensing the BVLGARI trademark, with the different subsidiaries which produce and distribute BVLGARI brand products.
The Parent Company's involvement in the financing of Group companies continues to be important with respect to centralised treasury management.
As at 30 June 2000, there were 7 directly-owned subsidiaries (three of which were based abroad) and 26 indirectly-owned companies, all based abroad.

Subsidiaries

Companies owned directly

Bulgari Gioielli S.p.A.
with its head office in Rome, is wholly owned and has an authorised capital of 2.6 million euros. Its business is the production of gemstone and gold jewellery.

Bulgari Italia S.p.A.
with its head office in Rome, is 99.86% owned and has an authorised capital of 3.9 million euros. Its business is the retail sale of jewellery, watches, perfumes and accessories, through its own exclusive shops.

Bulgari Parfums Italia S.p.A.
with its head office in Rome, is wholly owned and has an authorised capital of 1.0 million euros. Its business is the distribution and marketing of BVLGARI brand perfumes in Italy.

Bulgari Portugal Acessorios de Luxo Lda
with its head office in Funchal (Madeira), is wholly owned and has an authorised capital of 10.6 million Portuguese escudos.
The company was established in 1997 to spread the trademark in the accessories sector.

Bulgari Netherlands B.V.
with its head office in Amsterdam, is a wholly owned sub-holding company with an authorised capital of 21.8 million Dutch guilders.
The company holds stakes in Bulgari Corporation of America Inc. (100%), Bulgari U.K. Ltd (100%), Ungaro Parfums S.A. (50%) and Ferragamo Parfums S.A. (50%).

Bulgari International Corporation (BIC) NV
with its head office in Amsterdam, is a wholly owned sub-holding company with an authorised capital of 40.4 million Dutch guilders.
The company holds stakes in Bulgari Collection Internationale B.V., Bulgari Time (Switzerland) S.A., Bulgari S.A., Bulgari Jewels S.A., Bulgari France S.A., Bulgari (Deutschland) Gmbh, Bulgari Japan Ltd, Bulgari España S.A., Bulgari Parfums S.A., Bulgari Asia Ltd, Bulgari Latin America Services N.V., Bulgari Latin America N.V., Bulgari Belgium S.A., Bulgari Australia Pty Ltd, Bulgari (Malaysia) Sdn, Bulgari Global Operations S.A., Bulgari Operational Services ApS and Opera Management S.A..

Ferragamo Parfums Italia S.p.A.
with its head office in Rome, is 50% owned and has an authorised capital of 1.3 million euros. Its business is the distribution and marketing of Ferragamo and Ungaro perfumes in Italy.

Companies owned indirectly

Bulgari Collection Internationale B.V.
with its head office in Amsterdam, is wholly owned by Bulgari International Corporation N.V. and has an authorised capital of 4.25 million Dutch guilders. The company produces high-quality jewellery through its Swiss branch.

Bulgari Time (Switzerland) S.A.
with its head office in Neuchâtel, is 99.97% owned by Bulgari International Corporation N.V. and has an authorised capital of 1 million Swiss francs. Its business is the production of watches and accessories.

Bulgari S.A.
with its head office in Geneva, is owned 99.5% by Bulgari International Corporation N.V. and has an authorised capital of 600,000 Swiss francs. Its business is the retail sale of jewellery, watches, perfumes and accessories through its own exclusive shops in Geneva, Zurich and St. Moritz.

Bulgari Jewels S.A.
with its head office in Neuchâtel, is 99.99% owned by Bulgari International Corporation N.V. and has an authorised capital of 1 million Swiss francs. Its business is the production of gemstone and gold jewellery.

Bulgari France S.A.
with its head office in Paris, is 99.97% owned by Bulgari International Corporation N.V. and has an authorised capital of 1.5 million French francs. Its business is the retail sale of jewellery, watches, perfumes and accessories through its own exclusive shops. The company holds 99.99% of Bulgari Montecarlo S.A.M.

Bulgari (Deutschland) GmbH
with its head office in Monaco, is 100% owned by Bulgari International Corporation N.V. and has an authorised capital of 5 million deutschemarks. Its business is the retail sale of jewellery, watches, perfumes and accessories through its own exclusive shops.

Bulgari Japan Ltd
with its head office in Tokyo, is owned 51% by Bulgari International Corporation N.V. and has an authorised capital of 400 million yen. Its business is the retail sale of jewellery, watches, perfumes and accessories through its own exclusive shops. The remaining 49% of the authorised capital is owned by AOI and Itochu Groups.

Bulgari España S.A. Unipersonal
with its head office in Madrid, is 100% owned by Bulgari International Corporation N.V. and has an authorised capital of 486 million pesetas. Its business is the retail sale of jewellery, watches, perfumes and accessories, through its own exclusive shop.

Bulgari Parfums S.A.
with its head office in Neuchâtel, is 99.95% owned by Bulgari International Corporation N.V. and has an authorised capital of 1 million Swiss francs. Its business is the production, distribution and marketing of BVLGARI brand perfumes world-wide.

Bulgari Asia Ltd
with its head office in Hong Kong, is a sub-holding company 99.99% owned by Bulgari International Corporation N.V. and has an authorised capital of 12.1 million Hong Kong dollars. It manages the investment in Bulgari South Asian Operations Pte Ltd.

Bulgari Belgium S.A.
with its head office in Brussels, is wholly owned by Bulgari International Corporation N.V. and has an authorised capital of 64 million Belgian francs. Its business is the retail sale of jewellery, watches, perfumes and accessories through its own exclusive shop.

Bulgari Australia Pty Ltd
with its head office in Sidney, is wholly owned by Bulgari International Corporation N.V. and has an authorised capital of 1.2 Australian dollars. Its business is the retail sale of jewellery, watches, perfumes and accessories through its own exclusive shops.

Bulgari Latin America N.V.
with its head office in Aruba (Dutch West Indies), is wholly owned by Bulgari International Corporation N.V. and has an authorised capital of US$ 6,000. It distributes BVLGARI products in Latin America and the Caribbean.

Bulgari Latin America Services N.V.
with its head office in Aruba (Dutch West Indies), is wholly owned by Bulgari International Corporation N.V. and has an authorised capital of US$ 6,000. It provides logistical support and services to sellers and franchisees in Latin America and the Caribbean.

Bulgari (Malaysia) Sdn Bhd
with its head office in Kuala Lumpur, is wholly owned by Bulgari International Corporation N.V. and has an authorised capital of 1 million Malaysian ringitts. Its business is the retail sale of jewellery, watches, perfumes and accessories through its own exclusive shop.

Bulgari Global Operations S.A.
with its head office in Neuchâtel, is wholly owned by Bulgari International Corporation N.V. and has an authorised capital of 1 million Swiss francs. Its business is the development, production, promotion and marketing of BVLGARI products on an international level.

Bulgari Operational Services ApS
with its head office in Copenhagen, wholly owned by Bulgari International Corporation N.V. and has an authorised capital of 500,000 Danish kroner. Its business consists of leasing, to a specialist operator of an aircraft for rental to both Group companies and third parties.

Opera Management S.A.
with its head office in Luxembourg, is 50% owned by Bulgari International Corporation N.V. and has an authorised capital of 31,000 euros. The company will manage a closed investment fund, called Opera, which will invest mainly in companies which produce “made-in-Italy” goods and services which are characteristic of the Italian lifestyle.

Bulgari Corporation of America Inc.
with its head office in New York, is wholly owned by Bulgari Netherlands B.V. and has an authorised capital of US$ 53.8 million. Its business is the retail sale of jewellery, watches, perfumes and accessories, through its own exclusive shops. It also sells gemstone and gold jewellery in the United States to franchisees of the BVLGARI trademark.

Bulgari (UK) Ltd
with its head office in London, is wholly owned by Bulgari Netherlands B.V. and has an authorised capital of 1.5 million pounds. Its business is the retail sale of jewellery, watches, perfumes and accessories, through its own exclusive shops.

Ungaro Parfums S.A.
with its head office in Neuchâtel, is 50% owned by Bulgari Netherlands B.V. and has an authorised capital of 6 million Swiss francs. Its business is the production, distribution and marketing of Ungaro perfumes world-wide. The company was established in 1997 as a joint venture with the Ferragamo Group.

Ferragamo Parfums S.A.
with its head office in Neuchâtel, is 50% owned by Bulgari Netherlands B.V. and has an authorised capital of 8 million Swiss francs. Its business is the production, distribution and marketing of Ferragamo perfumes world-wide. The company was established in 1997 as a joint venture with the Ferragamo Group.

Bulgari Montecarlo S.A.M.
with its head office in Montecarlo, is 99.99% owned by Bulgari France S.A. and has an authorised capital of 5 million French francs. Its business is the retail sale of jewellery, watches, perfumes and accessories through its own exclusive shop.

Bulgari Parfums USA Inc.
with its head office in New York, is wholly owned by Bulgari Corporation of America Inc., and has an authorised capital of US$ 100,000. Its business is the distribution and marketing of Bulgari perfumes in the United States.

Ferragamo Parfums USA LLC
with its head office in New York, is 50% owned by Bulgari Corporation of America Inc. and has an authorised capital of US$ 500,000. Its business is the distribution and marketing of Ferragamo and Ungaro perfumes in the United States. The company was established in 1997 as a joint venture with the Ferragamo Group.

Bulgari South Asian Operations Pte Ltd
with its head office in Singapore, is 51% owned by Bulgari Asia Ltd and has an authorised capital of 1 million Singapore dollars. Its business is the retail sale of jewellery, watches, perfumes and accessories, through exclusive shops. The remaining 49% of the authorised capital is owned by the Ong Group.

Significant events

The General Meeting of Shareholders, held as both an Ordinary and Extraordinary meeting on 28 April 2000, approved the financial statements for the year ending 31 December 1999, which showed net income of Lit. 46.1 billion, (or 23.8 million euros), and approved, after the allocation to the legal reserve of Lit. 2.3 billion, the distribution of a dividend of Lit. 110 per share (0.056 euros), for a total of Lit. 32.0 billion (16.6 million euros).
The Ordinary General Meeting authorised transactions involving the purchase and sale of treasury shares, including through the use of put and call options, with the number of shares not to exceed 20,000,000, or 7% of the authorised capital, pursuant to art. 132 of the Consolidated Law No. 58 of 20/2/1998, and the schedules set forth in the Regulations of the Markets Organised and Managed by Borsa Italiana S.p.A..
The Extraordinary General Meeting approved the conversion of the authorised capital to euros and rounding the figure, established a nominal value per share of 0.07 euros, while drawing on the retained earnings reserve in the amount of 1,586,000 euros. Subsequent to the conversion, the authorised capital consisted of 291,419,760 ordinary shares, with a nominal value of 20,399,000 euros.
At the same meeting, the Extraordinary General Meeting also approved the proposal to authorise the Board of Directors, pursuant to art. 2443 of the Civil Code, to increase the authorised capital on a staggered basis in exchange for payment, through the issue of a maximum of 50,000,000 ordinary shares, up to a maximum nominal value of L. 1,000 billion, including share premium. The Meeting also resolved to confer on the Board of Directors the power to determine the price for the shares within the scope of the parameters proposed during the Board meeting of 6 March 2000.
In addition, the Extraordinary General Meeting of Shareholders approved the proposal to authorise the Board of Directors, pursuant to art. 2420 ter of the Civil Code, to issue, on one or more occasions, registered or bearer bonds, including convertible bonds, in an amount up to the paid-in capital and reserves shown in the most recent financial statements approved. The Meeting also resolved to confer on the Board of Directors the power to determine the price, number, features, methods and regulations for the bond, as well as the conversion ratio of the bonds, within the scope of the levels indicated during the Board meeting of 6 March 2000.
With respect to the stock-option plans for employees and the Managing Director, the Meeting approved the modification of the resolutions made at the Meetings of 10 April 1996 and 30 April 1998 concerning the increase in the authorised capital, removing from said resolutions the maximum limit on the issue price of the new shares, and the price will now be determined by the Board of Directors, which may delegate this power to the Chairman of the Board or to the Managing Director.

Again with respect to the stock-option plans for employees and the Managing Director, during the first half of 2000 options were exercised for a total of 40,800 shares, effective 1 January 2000, with a consequent increase in the authorised capital.
Therefore, as at 30 June 2000, the authorised capital consisted of 291,460,560 shares with a nominal value of 0.07 euros each, for a total value of 20.4 million euros.

As noted earlier, during the first half of 2000, transactions to cover losses were performed for a total amount of 29.1 million euros, of which 27.7 million euros were related to Bulgari Netherlands B.V..

On 20 June 2000, the Civil Court of Rome issued the decree approving the minutes of the Extraordinary General Meeting regarding the conversion of the authorised capital into euros.

As already described, Opera Management S.A., a company incorporated in Luxembourgeois law, was set up in June 2000 through the Dutch sub-holding company, Bulgari International Corporation N.V..
On 28 June 2000 an agreement was announced with The Hour Glass Group of Singapore for the acquisition of the companies, Gérard Genta S.A. and Daniel Roth S.A., leaders in the production of high-quality Swiss watches, and the company Manufacture de Haute Horlogerie S.A., the owner of production facilities.

Events subsequent to 30 June 2000 and outlook for performance

In July 2000, the renewal of the parasocial agreement of 18 May 1995 and subsequent amendments was duly announced, in respect of the ordinary shares of Bulgari S.p.A., concluded between Messrs. Paolo Bulgari, Nicola Bulgari and Francesco Trapani.
The share percentages granted pursuant to the agreement as regards both the individual and overall percentages, remain unchanged.

In July 2000, 2% of the share capital of Luxlook Ltd., a leader in luxury goods "e-commerce", was acquired through Bulgari International Corporation N.V.

In August, pursuant to the aforementioned agreement signed in June, Bulgari International Corporation N.V. wholly acquired Gérald Genta S.A., Daniel Roth S.A. and Manufacture de Haute Horlogerie S.A. from The Hour Glass Group.

The results achieved during the first half of 2000, and expectations of good sales of BVLGARI products, combined with the further scheduled expansion of the sales network, augur good results for the 2000 fiscal year.

Bulgari S.p.A.
The Chairman of the Board of Directors
Paolo Bulgari

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Bulgari S.p.A. and Subsidiaries

Consolidated financial statements
as at 30 June 2000 and 30 June 1999 and tables
from the consolidated financial statements
as at 31 December 1999

Bulgari S.p.A. and Subsidiaries

Consolidated Balance Sheet
as at 30 June 2000, 31 December 1999 and 30 June 1999
(amounts in thousands of euros)

Assets	30/6/1999	31/12/1998	30/6/1998
A. Receivable from shareholders for unpaid amounts	–	–	–
B. Long Term Assets			
I - Intangible Assets:			
1) Organization and start-up costs	182	167	286
2) Research, development and advertising costs	2,095	1,608	1,548
3) Patents and intellectual property rights	6,884	5,641	4,960
4) Concessions, trademarks, licenses, etc.	908	729	659
5) Goodwill	10,587	2,060	1,305
6) Accruals and advances	2,507	1,139	141
7) Other	2,808	2,984	3,841
8) Difference on consolidation	350	446	543
Total intangible assets	**26,321**	**14,774**	**13,283**
II - Tangible assets:			
1) Land and buildings	5,932	5,663	3,810
2) Plant and machinery	1,559	1,675	1,070
3) Industrial and commercial equipment	4,884	3,684	3,681
4) Other assets	60,080	55,071	51,685
5) Construction in progress and advance payments	6,357	1,535	2,417
Total tangible assets	**78,812**	**67,628**	**62,663**
III - Financial assets			
2) Receivables:			
d) from others			
due within one year	4,967	3,497	3,311
due after one year	9,641	11,751	9,257
Total financial assets	**14,608**	**15,248**	**12,568**
Total Long Term Assets (B)	**119,741**	**97,650**	**88,514**
C. Current Assets			
I - Inventories:			
1) Raw materials, parts and supplies	32,451	19,652	18,742
2) Work in progress and semi-finished goods	78,810	59,494	60,602
4) Finished products and packaging	257,804	202,874	191,547
Total inventories	**369,065**	**282,020**	**270,891**
II - Receivables:			
1) Trade receivables			
due within one year	88,639	95,093	67,755
5) Others			
due within one year	31,311	25,223	16,583
due beyond one year	30,471	28,737	23,818
Total receivables	**150,421**	**149,053**	**108,156**
IV - Cash and bank balances:			
1) Bank and postal deposits	21,800	19,963	6,628
2) Cheques on hand	176	106	61
3) Cash and valuables on hand	522	577	706
Total cash and bank balances	**22,498**	**20,646**	**7,395**
Total current assets (C)	**541,984**	**451,719**	**386,442**
D. Accrued income and prepaid expenses	**3,502**	**2,539**	**4,436**
Total assets (A+B+C+D)	**665,227**	**551,908**	**479,392**

Liabilities and Shareholders' Equity	30/06/2000	31/12/1999	30/06/1999
A. Shareholders' Equity			
I - Share capital	20,402	18,813	18,699
II - Share premium reserve	93,021	92,819	87,169
IV - Legal reserve	4,143	2,952	2,952
VII - Other reserves:	(3,554)	(9,101)	(8,287)
other reserves	2,106	2,106	2,106
reserves for differences on translation	(5,660)	(11,207)	(10,393)
VIII - Retained earnings	173,255	133,588	133,588
IX - Income (loss) for the period	35,281	59,001	17,569
Group shareholders' equity	322,548	298,072	251,690
Minority interests	8,149	7,571	5,270
Total shareholders' equity (A)	**330,697**	**305,643**	**256,960**
B. Reserves for risks and charges:			
2) For taxes	8,839	7,983	6,713
3) Other	1,081	1,234	502
Total reserves for risks and charges (B)	**9,920**	**9,217**	**7,215**
C. Reserve for employee-termination indemnities	**5,126**	**4,741**	**4,210**
D. Payables			
3) Bank overdraft and borrowings			
due within one year	148,672	64,577	69,177
due after one year	2,454	1,928	1,435
5) Advances			
due within one year	1,362	2,064	579
6) Trade payables			
due within one year	142,017	140,695	122,571
11) Taxes payable	12,930	11,425	8,948
12) Social-security institutions	1,531	1,516	1,215
13) Other payables			
due within one year	8,314	9,797	6,752
Total payables (D)	**317,280**	**232,002**	**210,677**
E. Accrued liabilities and deferred income	**2,204**	**305**	**330**
Total liabilities and shareholders' equity (A+B+C+D+E)	**665,227**	**551,908**	**479,392**

Contingent liabilities and guarantees			
Rental payments due	115,221	125,287	101,489
Guarantees received:			
From third parties	8,824	11,632	8,877
Other:			
Factoring	4,236	17,808	9,349
Futures contracts	225,546	160,055	132,963
Leases	48,838	34,436	26,364
Rentals	13,002	3,387	9,431
Total contingent liabilities and guarantees	**415,667**	**352,605**	**288,473**

Bulgari S.p.A. and Subsidiaries

Consolidated statement of income
for the periods ending 30 June 2000 and 30 June 1999,
and the year ending 31 December 1999
(amounts in thousands of euros)

		30/06/2000	30/06/1999	31/12/1999
A.	**Revenues**			
1)	**Revenues from sales and services**	**272,065**	**188,673**	**485,348**
	Gross sales	*284,438*	*195,369*	*505,264*
	Discounts and Allowances	*(18,406)*	*(11,529)*	*(33,560)*
	Net Sales	*266,032*	*183,840*	*471,704*
	Services Rendered	*753*	*703*	*4,234*
	Royalties	*5,280*	*4,130*	*9,410*
2)	Changes in inventories of work in progress, semi-finished and finished goods	65,421	51,161	50,233
5)	Other revenues and income	971	709	2,142
Total Revenues (A)		**338,457**	**240,543**	**537,723**
B.	Costs of production			
6)	Raw materials, parts, supplies, and other	161,967	103,666	210,260
7)	Services	68,653	57,943	126,355
8)	Rentals and lease payments	12,091	10,388	22,221
9)	Personnel costs:	39,675	30,460	68,585
	a) wages and salaries	*30,502*	*23,243*	*52,143*
	b) social security contributions	*6,486*	*4,784*	*10,980*
	c) employee-termination indemnities	*640*	*531*	*1,126*
	e) other costs	*2,047*	*1,902*	*4,336*
10)	Amortization, depreciation and write-downs			
a)	Amortization of intangible assets:	3,361	2,928	6,520
	organization and start-up costs	*40*	*135*	*267*
	research, development and advertising costs	*675*	*510*	*1,155*
	patents and intellectual property rights	*1,819*	*1,048*	*2,636*
	concessions, trademarks, licenses etc.	*151*	*118*	*258*
	goodwill	*417*	*160*	*281*
	other intangible assets	*142*	*854*	*1,713*
	difference on consolidation	*117*	*103*	*210*
b)	Depreciation of tangible assets:	7,835	6,734	15,499
	buildings	*133*	*157*	*186*
	plant and machinery	*278*	*180*	*464*
	industrial and commercial equipment	*810*	*471*	*992*
	other tangible assets	*6,614*	*5,926*	*13,857*
d)	Write-down of receivables included in current assets	245	189	1,118
		(11,919)	(4,738)	(5,561)
14)	Other operating expenses	5,878	4,523	11,327
Total production costs (B)		**287,786**	**212,093**	**456,324**
Difference between revenues and production costs (A–B)		**50,671**	**28,450**	**81,399**

	30/6/2000	30/06/1999	31/12/1999
C. Financial income and expenses			
16) Other financial income			
interest income on bank deposits	*2,161*	*1,148*	*2,925*
gain on foreign exchange	*33,268*	*20,310*	*33,431*
other financial income	*1,076*	*618*	*1,240*
17) Interest and other financial expenses			
interest and financial expenses	*6,791*	*3,907*	*9,925*
loss on foreign exchange	*34,289*	*22,173*	*36,456*
provision to the reserve for exchange losses	*198*	*158*	*319*
Total financial income and (expenses)	**(4,773)**	**(4,162)**	**(9,104)**
E. Extraordinary income and expenses			
21) Extraordinary expenses	2,106	1,746	3,818
Total Extraordinary income and expenses	**(2,106)**	**(1,746)**	**(3,818)**
Income before taxes and minority interests	**43,792**	**22,542**	**68,477**
22) Income taxes for the year	6,641	4,269	7,491
Minority interests	**(1,870)**	**(704)**	**(1,985)**
23) Net income for the period	**35,281**	**17,569**	**59,001**

Bulgari S.p.A. and Subsidiaries

Consolidated cash-flow statement
for the year ending 30 June 2000 and 30 June 1999
and the year ending 31 December 1999
(amounts in thousands of euros)

	30/06/2000	31/12/1999	30/06/1999
A. Net cash (short-term indebtedness) as at start of year	**(40.434)**	**7.994**	**7.994**
B. Cash flow from (to) operating activities			
Net income for the year	35,281	59,001	17,569
Amortization and depreciation	11,196	22,019	9,663
Net book value of assets sold during the period	112	47	60
Net change in reserve for employee-termination indemnities	385	703	171
Other net changes	(2,406)	(5,109)	(3,473)
Cash flow from operating activities before changes in working capital	44,568	76,661	23,990
(Increase) Decrease in receivables	1,302	(30,187)	3,919
(Increase) Decrease in inventories	(87,045)	(73,500)	(62,372)
Increase (Decrease) in trade payables and other liabilities	657	30,280	4,848
Other net changes	703	2,467	463
B. Total cash flow from operating activities	**(39,815)**	**5,721**	**(29,152)**
C. Cash flow from (to) investment activities			
Long-term asset investments:			
Intangible and tangible assets	(31,633)	(32,409)	(15,244)
C. Total cash flow to investment activities	**(31,633)**	**(32,409)**	**(15,244)**
D. Cash flows generated by shareholders' equity			
Changes in minority interests	578	2,372	71
Dividends paid	(16,557)	(11,957)	(11,957)
Share-capital change and share-premium increase	205	6,426	661
D. Total cash flow generated by shareholders' equity	**(15,774)**	**(3,159)**	**(11,225)**
E. Net cash flow from (to) investment activities			
Net change in medium and long-term payables	526	449	(43)
Other changes in medium and long-term receivables	376	(13,516)	(6,102)
E. Total cash flow to financing activities	**902**	**(13,067)**	**(6,145)**
F. Cash flow for the year (B+C+D+E)	**(86,320)**	**(42,914)**	**(61,766)**
G. Changes as in net shareholders' equity due to currency translation	**5,547**	**(5,514)**	**(4,699)**
H. Net cash (short-term indebtedness) at end of year (A+F+G)	**(121,207)**	**(40,434)**	**(58,471)**

Notes to the consolidated financial statements as at 30 June 2000

General accounting principles

The Consolidated Financial Statements of Bulgari S.p.A. and subsidiaries were prepared in accordance with Legislative Decree No. 127 of 9 April 1991, as were the consolidated financial statements as at 31 December 1999, and the consolidated financial statements as at 30 June 1999. They consist of the balance sheet, income statement and accompanying notes, and have been supplemented by a cash-flow statement to provide additional information.
The principles laid down in CONSOB Decisions No. 9389 of 1 August 1995 and No. 8195 of 30 June 1994 were also followed.
In order to the show the Group's assets and liabilities, financial situation and results as clearly as possible, and in view of their magnitude, the amounts have been expressed in thousands of euros where not otherwise indicated, and zero balances have been omitted.
The consolidated financial statement, as at 31 December 1999, and the consolidated financial statements, as at 30 June 1999, are shown for purposes of comparison.
The half-yearly report on the consolidated financial statement and that of the Parent Company were subjected to a limited accounting audit, pursuant to CONSOB Decision No. 10867 of 31 July 1997.

Scope of consolidation and reference financial statements

The consolidated financial statements, consolidated by the full-consolidation method, include the financial statements as at 30 June 2000 of Bulgari S.p.A., the Parent Company, and the financial statements of the companies over which Bulgari S.p.A. exercises control, directly or indirectly, pursuant to the Civil Code and Article 26 of Legislative Decree No. 127 of 9 April 1991.
Companies set up during the period ending 30 June 2000, such as Bulgari Global Operation S.A. and Bulgari Operational Services ApS, were fully consolidated.
Some companies, held at 50%, were included in the consolidation using the equity method.
The reference date for the consolidated financial statements coincides with the reference date of the financial statements of the holding company, Bulgari S.p.A. and all the consolidated subsidiaries, i.e. 30 June.
The financial statements of the individual companies were used for the consolidation. These statements were in some cases reclassified and adjusted to reflect the reference accounting principles applied by the Parent Company of the Group.
Fully consolidated subsidiaries are listed in Table 1; those consolidated using the equity method are shown in Table 2.

Principles of consolidation

The accounting principles used, based on the full consolidation method, are as follows:
• The book value of investments in consolidated companies is set off against corresponding shareholders' equity. Any excess of the cost of investments in subsidiaries over the book value, as at the date of acquisition of the assets acquired, is accounted for directly by increasing the carrying value of the individual asset items to which the excess refers; any difference generated subsequent to the acquisition, which cannot be charged to income for that year, is charged to the consolidation reserve to which the changes are applicable.
• That part of subsidiaries' profits, losses and net assets that is attributable to minority interests is shown under the appropriate item in the statements of income and shareholders' equity.
• Significant unrealised profits and losses arising from inter-company transactions are eliminated on consolidation, as are all transactions between consolidated companies giving rise to receivables, payables, costs and revenues.
• Any dividends distributed inside the Group are eliminated from the consolidated income statement.
• All adjustments in value and all provisions made solely to comply with tax rules are eliminated. Deferred and/or prepaid tax is calculated on the timing differences between taxable profits and the profits of subsidiaries, as consolidated in the Group financial statements.

• When translating the financial statements of foreign companies into euros, assets and liabilities are consolidated at the rates of exchange in effect on the closing date of the statements, shareholders' equity at historical exchange rates, and income statement items at average exchange rates for the period. The differences arising between one balance sheet date and the next as a result of converting shareholders' equity at closing-date exchange rates, and differences arising as a result of converting profits at average rather than closing-date rates, are posted directly to consolidated shareholders' equity among *Other reserves* under the heading *Reserve for translation differences*.

Conversion of amounts in the currencies of countries belonging to the economic and monetary union was carried out using the fixed exchange rates.
The exchange rates of countries not belonging to the monetary union are as follows:

	30/06/2000		31/12/1999		30/06/1999	
Divisa	Income Statement	Balance Sheet	Income Statement	Balance Sheet	Income Statement	Balance Sheet
US $	0.95610000	0.95560000	1.06533629	1.00460205	1.08866844	1.03279851
YEN	102.57998931	100.57003094	120.71506778	102.71992078	129.17076246	124.84004869
SF	1.58539999	1.55760001	1.60036862	1.60510477	1.59964145	1.60340345
Lgs	0.61210000	0.63230000	0.65856388	0.62169929	0.67222961	0.65630042
Sing $	1.63990000	1.65060000	1.80843194	1.67332387	1.86420004	1.75970156
HK $	7.45159981	7.46489985	8.29202179	7.80722524	8.49837605	8.02233160
AUD	1.57399999	1.58940000	1.65022073	1.54220561	1.69038639	1.55979731
MYR	3.63720006	3.62199997	4.05586516	3.81704025	–	–
DK	7.45079976	7.46100005	–	–	–	–

• Companies consolidated according to the equity method are included in the determination of all the items of the consolidated financial statements, in proportion to the percentage of ownership.

Accounting principles

The accounting principles used in the consolidated financial statements are those established by the Parent Company and applied to its own accounts, where recurrent. These principles have been applied to the Group's financial statements for the first six months of 2000, in a manner consistent with their use during the 1999 accounting year and the first six months of 1999.

Intangible assets

Intangible assets are posted at cost of acquisition, including incidental expenses, and are routinely amortized over their expected useful lives, up to a maximum of five years from the date of capitalization. However, the costs of obtaining leases on stores are amortized over the life of the lease.
Goodwill from the purchase of a firm or a branch is posted to assets, when a sum is paid for such goodwill, at an amount not greater than the price paid, and is amortized over five years.

Tangible assets

Tangible assets are stated at their cost of acquisition or transfer, including any directly-charged incidental expenses. Assets are routinely depreciated each year on a straight-line basis using rates that reflect the estimated useful life of the assets. The rates applied are given in the notes to the balance sheet.

Where, independently of depreciation already charged, an asset suffers a permanent impairment of value, the asset is written down accordingly. If in a subsequent year the basis for the write-down no longer applies, the original value is reinstated, adjusted only for accumulated depreciation.

Improvements to rented premises are recorded at cost and depreciated over the remaining life of the lease. Ordinary repair and maintenance expenditure is charged to the income statement as it is incurred. The cost of improvements is added to the value of the corresponding assets and depreciated over their remaining useful lives.

Financial investments
Financial investments, consisting of security deposits and financial receivables, are entered at the nominal value which corresponds to the financial receivables at net realized value.

Inventories
Inventories are stated at the lower of purchase or production cost or, if lower, at the probable net realizable value, as estimated on the basis of market conditions. Cost is determined as follows:
a. inventories of finished goods which are unique are valued individually on the basis of their specific production cost;
b. all other inventories, grouped in homogeneous categories, are valued on the basis of weighted average cost.
Obsolete and slow-moving items are written down on the basis of expected future-use value or market value by creating an appropriate reserve with a reduction of the value of the inventories.

Receivables and payables
Receivables are stated at their estimated realizable value. Payables are recorded at face value.
Foreign currency transactions by Group companies are recorded at the exchange rates in effect at the date they arise. Exchange-rate differences realized when payment in a foreign currency is received or made are carried to the income statement.
Where, after taking account of hedging contracts, a net loss arises at year end on the conversion, at the rates in effect on the balance-sheet date, of foreign currency receivables and payables which are due within the following year, the loss is entered in the income statement for the period. If a net profit arises, it is mentioned in a note to the consolidated financial statements.
Foreign currency receivables and payables hedged against currency risk are recorded at the rate of exchange fixed in the hedging transactions.
Receivables sold to factoring companies are eliminated from the *item trade receivables*. Where they have been sold with recourse, the commitments related to those receivables not yet expired at year-end, are shown under contingent liabilities.

Accrued income and prepaid expenses; accrued liabilities and deferred income
To accord with the principle of accruals accounting, portions of costs and revenues falling in two or more accounting periods are recorded under these headings.

Reserves for risks and charges
Reserves for risks and charges are set aside to cover certain or probable future losses or liabilities whose amount and date of occurrence could not be determined at the end of the year. Such provisions reflect a realistic estimate of the charges to be borne on the basis of available information.

Reserve for employee severance payments
The *reserve for employee severance payments* reflects accrued compensation due to employees in accordance under current legislation, collective labour agreements, and on the basis of the additional contractual benefits provided by companies in the Group. For the Group's Italian companies, this liability is subject to an index-based revaluation.

Contingent liabilities and guarantees
Indemnities and other guarantees granted to third parties and commitments assumed towards third parties are shown in the amount of the Group's commitments at the balance-sheet date.

Guarantees and commitments expressed in foreign currencies are shown in their euro equivalent, at the exchange rates prevailing at closure date of the balance-sheet.
Commitments resulting from derivatives contracts, which do not involve an exchange of assets, are shown at the face value of the underlying asset.
Accrued income and charges (premiums or discounts) relating to derivatives contracts are posted to the income statement for the period.

Costs and revenues
Costs and revenues are reflected in the income statement in accordance with the principles of accruals accounting.

Income taxes
Provisions for current taxes are made on the basis of the estimated liability for the period. Provisions are also made for deferred taxes, both payable and prepaid, to the extent that timing differences between taxable profits and the profits of subsidiaries as they are consolidated in the Group accounts can be expected to cancel out in later years. The provisions are calculated on the basis of the expected tax charge in the year when the differences will disappear, and are reviewed each year in the light of new events and more reliable projections.
Any tax liability on dividends paid by foreign subsidiaries is booked at the time they are distributed.

Other information
The following reclassifications were made, in order to make the data in the balance sheets for the first six months of 2000 comparable to that for the first six months of 1999:
• in the balance sheet, *Deferred taxes receivable* from the item *Other receivables due after one year*, under long-term investments to the item *Other receivables due after one year* of working capital, gross of deferred taxes payable shown under *Reserve for taxes*. This is required by the new accounting principle on income taxes from the National Council of Certified Public Accountants.

Reconciliation between Parent Company and consolidated financial statements

A summary reconciliation of Parent Company and Consolidated profits and balance sheets as at 30 June 2000 and 31 December 1999 is set out in Table 4.

Notes to the balance sheet

Balance sheet – Assets

Long-term assets

For the two classes of assets (intangible and tangible), the tabulations below indicate, for each item, beginning balance, changes during the period and closing balance.

Intangible assets

Net balance as at 30 June 2000: 26,321 thousand euros
Net balance as at 31 December 1999: 14,774 thousand euros
Net balance as at 30 June 1999: 13,283 thousand euros
The composition and movements of intangible assets as at 30 June 2000 were as follows:

Description	Historical cost as at 31/12/1999	Deprecia-tion Fund	Net value as at 31/12/1999	Increases	Amortisa-tion	Other net changes	Historical cost as at 30/06/2000	Deprecia-tion Fund	Net value as at 30/06/2000
• Organization and start-up costs	1,576	1,408	167	76	40	(21)	1,628	1,446	182
• Research development and advertising costs	4,722	3,114	1,608	1,107	675	55	5,986	3,891	2,095
• Industrial patents and intellectual property	10,055	4,415	5,641	2,934	1,819	128	13,192	6,308	6,884
• Concessions, trademarks and licences	1,502	773	729	306	151	24	1,857	949	908
• Goodwill	2,474	414	2,060	8,919	417	25	11,397	810	10,587
Accruals and advances	1,139	–	1,139	1,368	–	–	2,507	–	2,507
• Other:	12,672	9,688	2,984	–	142	(34)	5,703	2,895	2,808
• deferred charges	12,672	9,688	2,984	–	142	(34)	5,703	2,895	2,808
• Differences on consolidation	1,116	670	446	–	117	21	1,167	817	350
Total	35,256	20,482	14,774	14,710	3,361	198	43,437	17,116	26,321

The biggest increases referred to the following items:

- *Goodwill* refers to the purchase of the Waikiki store in Honolulu from the franchisee, Yoshida U.S.A. Hawaii is traditionally one of the largest markets for luxury goods, with important stores of the most prestigious brands.
- *Patents and intellectual property rights* represents the purchase of licences for an integrated software platform for managing the principal company activities, mainly by Bulgari Time S.A. (1,552m euros), Bulgari Global Operations S.A. (674m euros) and Bulgari S.p.A. (506m euros).
- *Research, development and advertising costs* refers mainly to development costs of Bulgari Time S.A. (797m euros) and Bulgari Parfums S.A. (183m euros).
- *Concessions, trademarks and licences* refers mainly to Bulgari Parfums S.A. (142m euros) and to Ungaro Parfums S.A. (132m euros).

Accruals and advances includes investments by Bulgari S.p.A. (1,368m euros) for the integrated application software just mentioned and the purchase of dedicated software for personnel management and training, which, as at the closing date of the accounting period, was still being implemented.

The net balance of the item Deferred charges principally comprises the expense of taking over leases, mainly by these Companies:
• Bulgari (U.K.) Ltd for 924m euros (961m euros, as at 31 December 1999);
• Bulgari Italia S.p.A. for 904m euros (959m euros, as at 31 December 1999) related mainly to the stores in Naples and Bologna;
• Bulgari (Deutschland) GmbH for 511m euros (568m euros, as at 31 December 1999);
• Bulgari France S.A. for 299m euros (324m euros, as at 31 December 1999).
Difference on consolidation refers to the greater value paid for Bulgari South Asian Operations Pte Ltd., compared to the net equity value.

Tangible assets
Net balance as at 30 June 2000: 78,812 thousand euros
Net balance as at 31 December 1999: 67,628 thousand euros
Net balance as at 30 June 1999: 62,663 thousand euros
The breakdown of tangible assets, and associated changes during the period is shown below:

Description	Historical cost as at 31/12/1999	Deprecia-tion Fund	Net value as at 31/12/1999	Purchases	Sales	Amortisa-tion	Other net changes	Historical cost as at 30/06/2000	Deprecia-tion Fund	Net value as at 30/06/2000
• Land and buildings	7,180	1,517	5,663	380	–	133	22	7,559	1,627	5,932
• Plant and machinery	5,713	4,038	1,675	156	–	278	6	6,006	4,447	1,559
• Industrial and commercial equipment	6,944	3,260	3,684	1,529	–	810	481	10,587	5,703	4,884
• Other goods, including:	113,105	58,034	55,071	8,540	112	6,614	3,195	124,410	64,330	60,080
• furniture, office equipment and furnishings	28,499	17,992	10,507	5,636	112	2,732	260	33,631	20,072	13,559
• motor vehicles	488	292	196	3	–	38	4	500	335	165
• improvements to rented premises	84,118	39,750	44,368	2,901	–	3,844	2,931	90,279	43,923	46,356
• Construction in progress and advance payments	1,535	–	1,535	6,318	–	–	(1496)	6,357	–	6,357
Total	134,477	66,849	67,628	16,923	112	7,835	2,208	154,919	76,107	78,812

The depreciation shown above was charged on the straight-line basis, on the basis of rates which reflect the expected useful lives of the assets. The rates applied are shown below.

Category	%
Land and buildings	3
Plant and machinery	7.5 - 30
Industrial and commercial equipment	20
Furniture, office machinery and fittings	12 - 20
Vehicles	25

Improvements to rented premises are stated at cost and amortized over the remaining life of the lease.
The item *Land and buildings* consists entirely of the building belonging to Bulgari Italia S.p.A. The increase of 380m euros was due mainly to renovation work at the store at Via Condotti No. 10 in Rome.
The biggest increases were posted in the following items:
• *Furniture, office machinery and furnishings* and *improvements to rented premises.* These items refer mainly to new or renovated Montecarlo and Nagoya-Takashimaya stores; renovation of the offices of Bulgari Time S.A. for 2,924m euros, the head offices of the Parent Company for 612m euros; and 1,305m euros for window displays for third-party distribution of Bvlgari products by Bulgari Time S.A.

• *Industrial and commercial equipment*. This heading includes 568m euros invested by Bulgari Global Operations S.A., 373m euros by Bulgari Parfums S.A. and 232m euros by Bulgari Gioielli S.p.A.
• *Construction in progress and advance payments*, which includes mainly the cost of the aircraft for Bulgari Operational Service ApS, 5,459m euros, restructuring of Bulgari Italia S.p.A., 390m euros, and administrative offices on Fifth Avenue for Bulgari Corporation of America Inc., 230m euros.
The item *Other net changes* mainly reflects the reclassification of *construction in progress and advance payments* from the previous accounting period, as well as differences on currency conversion due to exchange-rate fluctuations.

Long-term investments
Other receivables
Balance as at 30 June 2000 receivables due within 12 months, equal to 4,967 thousand euros
Balance as at 31 December 1999 receivables due within 12 months, equal to 3,497 thousand euros
Balance as at 30 June 1999 receivables due within 12 months, equal to 3,311 thousand euros
Balance as at 30 June 2000 receivables due after 12 months, equal to 9,641 thousand euros
Balance as at 31 December 1999 receivables due after 12 months, equal to 11,751 thousand euros
Balance as at 30 June 1999 receivables due after 12 months, equal to 9,257 thousand euros

Receivables due within 12 months include mainly:
• Loans from Bulgari Netherlands B.V. to Ferragamo Parfums S.A., of 3,871m euros, and to Ungaro Parfums S.A., of 675m euros. These loans, in Swiss francs, were made at a variable rate of 2.60%
• 130m euros for that portion of a loan due within 12 months, made by Bulgari Jewels S.A. to P.I.K. S.A. of Athens, a franchising company. This loan in Italian lire is payable by 30 January 2001 and was made at a fixed rated of 5.25%.
Receivables due after 12 months principally consisted of:
• 9,626m euros in security deposits, including 6,088m euros for the deposit on leased premises for the subsidiary Bulgari Japan Ltd. in Tokyo (8,032m euros as at 31 December 1999). The decrease from 31 December 1999 was chiefly due to the reduction of the security deposit upon renewal of the contract for the year 2000.
All security deposits are refundable according to the contract clauses.

Current assets
Inventories
Net balance as at 30 June 2000: 369,065 thousand euros
Net balance as at 31 December 1999: 282,020 thousand euros
Net balance as at 30 June 1999: 270,891 thousand euros

The breakdown of inventories is shown below.

Description	Gross value	Reserve for obsolescence	Net balance 30/06/2000	Net balance 31/12/1999
Raw materials	32,451	–	32,451	19,652
Parts and semi-finished goods	78,983	173	78,810	59,494
Packaging	6,604	–	6,604	5,280
Finished products	266,205	15,005	251,200	197,594
Total	384,243	15,178	369,065	282,020

Inventory levels increased compared to 31 December 1999, due to procurements associated with preparations for sales during the second half.
It is interesting to note that inventories increased only 36% while revenues increased 44%, with the consequent significant increase in inventory turnover between the two reference half-years.

Receivables
Trade receivables
Net balance as at 30 June 2000: 88,639 thousand euros
Net balance as at 30 June 1999: 67,755 thousand euros
Net balance as at 31 December 1999: 95,093 thousand euros
The breakdown of Trade receivables is shown below.

Description	Due within one year	Due beyond one year	Total receivables as at 30/06/2000	Write-down reserve as at 30/06/2000	Net balance as at 30/06/2000	Net balance as at 31/12/1999
Retail customers and distributors	71,037	–	71,037	1,819	69,218	78,689
Franchisees	19,814	–	19,814	393	19,421	16,404
Total	90,851	–	90,851	2,212	88,639	95,093

Trade receivables are net of the related write-down reserve of 2,212m euros and any receivables transferred with recourse. The total in the reserve takes into account the expected realization of the receivables, considering previous periods. The decrease in this item between December 1999 and June 2000 was due mainly to the seasonal nature of this item. In general, there is a peak at the end of the year. The increase compared to 30 June 1999 of approximately 21 million euros (up about 31%), is less than the increase in business volume.

Other receivables
Balance as at 30 June 2000 other receivables due within 12 months: 31,311 thousand euros
Balance as at 31 December 1999 other receivables due within 12 months: 25,223 thousand euros
Balance as at 30 June 1999 other receivables due within 12 months: 16,583 thousand euros
Balance as at 30 June 2000 other receivables due after 12 months: 30,471 thousand euros
Balance as at 31 December 1999 other receivables due after 12 months: 28,737 thousand euros
Balance as at 30 June 1999 other receivables due after 12 months: 23,818 thousand euros

The breakdown of other receivables is shown below.

Description	Balance as at 30/06/2000	Balance as at 31/12/1999
Receivables from tax authorities	23,184	17,896
Sundry receivables	8,127	7,327
Total other receivables due within one year	31,311	25,223
Receivables from tax authorities	12,227	9,613
Sundry receivables	18,244	19,124
Total other receivables due after 12 months	30,471	28,737

Receivables from tax authorities due within 12 months totalled 23,184m euros, and consisted mainly of Value Added Tax (VAT) and sales tax credits.

Receivables from tax authorities referred to:
• 6,588m euros (4,273m euros as at 30 June 1999) to Bulgari Italia S.p.A.; 4,099m euros (6,510m euros as at 31 December 1999) to Bulgari S.p.A., represents the cumulative VAT credit claimed from the tax authorities by the Italian companies for payment of the Group's VAT, pursuant to the last paragraph of art. 73, Presidential Decree No. 633/72 and art. 3 of Ministerial Decree of 31 December 1979; 822m euros to Bulgari Gioielli S.p.A.
• 8,304m euros owed to the Swiss companies (3,374m euros as at 31 December 1999).

In addition, the item *receivables from tax authorities* included Corporate Income Tax credits owed the Parent Company totalling 1,144m euros (834m euros as at 31 December 1999).

Miscellaneous receivables due within 1 year refers to 2,032m euros in receivables sold to factoring companies which were mostly collected at 30 June 2000 when this note was drafted, and to advance payments of the following companies: Bulgari Parfums S.A., 713m euros; Bulgari Jewels S.A., 729m euros; Bulgari International Corporation N.V., 1,046m euros.
The item also includes 2,189m euros in deferred taxes receivable posted against previous tax losses by a Group company. These losses are reasonably certain to be recovered within 12 months. As at 31 December 1999, this item was reclassified among *Other receivables due after the period*.
Receivable from tax authorities after 12 months includes principally VAT tax credits payable to Bulgari S.p.A. for 10,486m euros, mainly VAT receivables for reimbursement for the Parent Company, plus interest due, for 1995, 1996, 1997, 1998 and 1999.

Other receivables due after 12 months includes 18,166m euros for pre-paid taxed (19,047m euros as at 31 December 1999). These were calculated mainly during the elimination of inter-company profits posted among the companies of the Group, but yet to be collected from third parties.

Short-term investments

Cash and bank balances
Balance as at 30 June 2000: 22,498 thousand euros
Balance as at 31 December 1999: 20,646 thousand euros
Balance as at 30 June 1999: 7,395 thousand euros
The breakdown of cash and bank balances is shown below.

Description	Balance as at 30/06/2000	Balance as at 31/12/1999
Bank deposits	21,800	19,964
Cash and cheques on hand	698	682
Total cash and bank balances	22,498	20,646

The interest rates applied by the banks as at 30 June 2000 on current account transactions in the various currencies averaged about 2.5%.

Accrued income and prepaid expenses
Balance as at 30 June 2000: 3,502 thousand euros
Balance as at 31 December 1999: 2,539 thousand euros
Balance as at 30 June 1999: 4,436 thousand euros
A breakdown of Accrued income and prepaid expenses is given below.

Description	Balance as at 30/06/2000	Balance as at 31/12/1999
Total accrued income	332	146
Prepaid insurance premiums	432	529
Prepayments on rented premises	1,042	743
Other	1,696	1,121
Total prepaid expenses	3,170	2,393
Total accrued income and prepaid expenses	3,502	2,539

Balance sheet - Liabilities

Shareholders' equity

Share Capital

Balance as at 30 June 2000: 20,402 thousand euros

Balance as at 31 December 1999: 18,813 thousand euros

Balance as at 30 June 1999: 18,699 thousand euros

The share capital of the Parent Company totals 20,402m euros, fully subscribed and paid up, an increase of 1,589m euros, as compared to 31 December 1999.

The Extraordinary General Meeting of Shareholders (EGM) on 28 April 2000 approved converting the share capital to the Euro and set a nominal unit value of 0.07 Euro per share, by rounding up the excess, transferring 1,586m euros from the retained earnings reserve. Thus, upon conversion, authorized share capital consisted of 291,419,760 common shares worth 20,399m euros. As for the stock options plan for employees and the Managing Director, that the EGM approved on April 10, 1996, during the period an overall 40,800 new shares of stock options were exercised, effective 1 January 2000, with a consequent increase in the share capital of 3m euros.

Therefore, as at 30 June 2000, the share capital consisted of 291,460,560 shares with a nominal value of 0.07 Euro each, for a total value of 20,402m euros.

Share premium reserve

Balance as at 30 June 2000: 93,021 thousand euros

Balance as at 31 December 1999: 92,819 thousand euros

Balance as at 30 June 1999: 87,169 thousand euros

The share-premiums reserve increased by 202m euros during the first six months of 2000. The increase was due to the issue of 40,800 new shares, associated with the exercise of stock options mentioned above.

Legal reserve

Balance as at 30 June 2000: 4,143 thousand euros

Balance as at 31 December 1999: 2,952 thousand euros

Balance as at 30 June 1999: 2,952 thousand euros

The legal reserve increased by 1,191m euros from the amount shown in the financial statement as at 31 December 1999, after the allocation to it of 5% of the 1999 profits, as approved by the Ordinary General Meeting of 28 April 2000.

Other reserves

Balance as at 30 June 2000: (3,554) thousand euros

Balance as at 31 December 1999: (9,101) thousand euros

Balance as at 30 June 1999: (8,287) thousand euros

The breakdown of *Other reserves* in the balance sheet as at 30 June 2000 is shown below.

Description	Balance as at 30/06/2000	Balance as at 31/12/1999
Extraordinary reserve	28	28
Reserve for gains on assets contributed (Law No. 576/1975)	1,933	1,933
Taxed reserve 1983	145	145
Reserve for translation differences	(5,660)	(11,207)
Total	(3,554)	(9,101)

The reserve for translation differences represents exchange differences arising from currency translation and the consolidation of the accounts of subsidiaries drawn up in foreign currencies in accordance with the accounting principles set out in the principles of consolidation.

Minority interests
Balance as at 30 June 2000: 8,149 thousand euros
Balance as at 31 December 1999: 7,571 thousand euros
Balance as at 30 June 1999: 5,270 thousand euros
This item represents the portion of the Group's net book assets attributable to minority shareholders. It refers to Bulgari Japan Ltd. and Bulgari South Asian Operations Pte. Ltd., which are 51%-owned.

Reserve for risks and charges
Balance as at 30 June 2000: 9,920 thousand euros
Balance as at 31 December 1999: 9,217 thousand euros
Balance as at 30 June 1999: 7,215 thousand euros
This reserve changed thus during the first six months of 2000:

Description	Balance as at 31/12/1999	Set aside	Used	Other	Balance as at 30/06/2000
Reserve for taxes	7,983	713	(44)	187	8,839
• Reserve for taxes	2,621	330	(44)	31	2,938
• Reserve for deferred taxes	5,362	383	–	156	5,901
Other reserves:	1,234	214	(356)	(11)	1,081
• For exchange losses	319	198	(319)	–	198
• Other reserves	915	16	(37)	(11)	883
Total	9,217	927	(400)	176	9,920

Reserve for tax claims
The reserve for tax claims comprises mainly:
• 1,172m euros set aside as a precaution following notification of audit adjustments to the Parent Company income tax returns for 1988, 1989 and 1990, and to settle local income tax on the Parent Company's income tax return for 1993. The increase of 330m euros, as compared to 31 December 1999, refers to 326m euros set aside for the local income tax on the Parent Company's income tax return for 1993 and interest accruing on it. The Company has appealed the findings. The cases related to the 1988, 1989 and 1990 periods are pending before the Provincial Tax Commission of Rome.
• 557m euros set aside as a precaution for Customs levies on royalties of Bulgari Corporation of America Inc. for the years 1994, 1995, 1996, 1997 and 1998.
• 585m euros set aside as a precaution for tax audits of Bulgari (Deutschland) GmbH) for the years, 1990, 1991 and 1992. The company has appealed the findings in the cases of 1990 and 1991.
• 118m euros set aside as a precaution for Customs levies on Bulgari S.A. for the year 1997.
• 496m euros set aside as a precaution for tax disputes concerning Bulgari Belgium S.A.
The column *Other changes* basically comprises the net difference on currency translation of the balances shown.

Reserve for deferred taxes
The reserve for deferred taxes, 5,901m euros (5,362m euros as at 31 December 1999), refers mainly to adjustments of a strictly fiscal nature to the reserves for inventory and anticipated depreciation.

Reserve for exchange losses

The reserve for exchange losses was set aside for the negative net balance of individual currencies generated by Bulgari Gioielli S.p.A.'s currency entries.

Other reserves

Other reserves includes mainly the miscellaneous risk reserves set aside by Bulgari Italia S.p.A. for potential liabilities relating to a dispute over premises used by the company in Rome.

Reserve for employee-termination indemnities

Balance as at 30 June 2000: 5,126 thousand euros

Balance as at 31 December 1999: 4,741 thousand euros

Balance as at 30 June 1999: 4,210 thousand euros

The table below shows movements in the reserve for employee termination indemnities during the period. The reserve mainly concerns the Group's Italian companies and is calculated according to the laws and regulations currently in force.

Description	Balance as at 31/12/1999	Set-aside	Other changes	Balance as at 30/06/2000
Reserve	5,854	640	(257)	6,237
Advance payments	(1,113)	–	2	(1,111)
Net provisions	4,741	640	(255)	5,126

Payables

Bank overdraft and borrowings

Balance as at 30 June 2000: 151,126 thousand euros

Balance as at 31 December 1999: 66,505 thousand euros

Balance as at 30 June 1999: 70,612 thousand euros

A breakdown of bank borrowings is shown below.

Description	Due within 1 year	Due in 1 to 5 years	Due after 5 years	Balance as at 30/06/2000	Balance as at 31/12/1999
Bank overdrafts	12,379	–	–	12,379	823
Secured loans	50,136	2,454	–	52,590	32,667
Unsecured loans	86,157	–	–	86,157	33,015
Total	148,672	2,454	–	151,126	66,505

Secured loans due within one year refer mainly to Bulgari Corporation of America Inc., 24,853m euros, Ferragamo Parfums S.A., 8,828m euros, Bulgari (UK) Ltd., 7,117m euros, and Ungaro Parfums S.A., 4,369m euros.

Secured loans also include a loan to the Parent Company from Simest S.p.A. (formerly Mediocredito Centrale), with the help of a bank guarantee, payable in half-yearly instalments. The financing is in connection with the market penetration plan for the United States, Switzerland and Japan. The subsidized rate applied to the loan is 2.46% APR and its last payment is due 27 May 2005. Of the total, 615m euros is payable within one year and 1,635m euros, between one and five years.

Unsecured loans due within one year refers mainly to Bulgari Japan Ltd. for 38,779m euros, Bulgari S.p.A. for 26,368m euros, Bulgari (Deutschland) GmbH for 8,181m euros, Bulgari Parfums USA for 4,186m euros and Bulgari Jewels S.A. for 4,327m euros.

Short-term lines of credit total approximately 350 million Euros as at 30 June 2000. Those on hedging contracts totalled approximately 825 million Euros, of which some 154 million Euros were in use on that date.

Taxes payable
Balance as at 30 June 2000: 12,930 thousand euros
Balance as at 31 December 1999: 11,425 thousand euros
Balance as at 30 June 1999: 8,948 thousand euros
The breakdown of current tax liabilities (net of payments on account during the period) is shown below.

Description	Due within 12 months	Due after 12 months	Balance as at 30/06/2000	Balance as at 31/12/1999
Due to tax authorities	4,438	–	4,438	2,446
Net taxes payable	8,492	–	8,492	8,979
Total	12,930	–	12,930	11,425

The item *Due to tax authorities* consists mainly of payables owed by Bulgari Time S.A. for 1,000m euros (155m euros as at 31 December 1999), Bulgari Japan Ltd for 523m euros (112m euros as at 31 December 1999), Bulgari Corporation of America Inc for 409m euros (623m euros as at 31 December 1999), Bulgari (UK) Ltd for 459m euros (zero Euro as at 31 December 1999), Ungaro Parfums S.A. for 316m euros (312m euros as at 31 December 1999), and Bulgari S.p.A. for 231m euros (262m euros as at 31 December 1999).
These payables mainly refer to payables for VAT and similar taxes, as well as IRPEF (personal income tax withholding).
The item *Net taxes payable* is made up primarily of tax due on the income for the period, net of payments on account of 1,706m euros.

Other payables
Balance as at 30 June 2000: 8,314 thousand euros
Balance as at 31 December 1999: 9,797 thousand euros
Balance as at 30 June 1999: 6,752 thousand euros
The breakdown is shown below.

Description	Due within 12 months	Due after 12 months	Balance as at 30/06/2000	Balance as at 31/12/1999
Due to personnel	7,622	–	7,622	8,661
Due to shareholders	138	–	138	138
Other payables	554	–	554	998
Total	8,314	–	8,314	9,797

The amounts *Due to personnel* mainly reflect year-end provisions for holidays due and not yet taken, thirteenth month payroll, incentive bonuses and related social-security contributions owed by the company.
The total *Due to shareholders* reflects the total of dividends which were released for payment but not yet liquidated.
Other payables includes about 306m euros in fees owed the Board of Directors of the Parent Company.

Accrued expenses and deferred income
Balance as at 30 June 2000: 2,204 thousand euros
Balance as at 31 December 1999: 305 thousand euros
Balance as at 30 June 1999: 330 thousand euros

The breakdown, as at 30 June 2000, is shown below.

Description	Balance as at 30/06/2000	Balance as at 31/12/1999
Interest on loans and other financing transactions	360	176
Other	1,844	129
Total accrued expenses and deferred income	2,204	305

The item *Other* refers essentially to liabilities to personnel accrued during the period.

Contingent liabilities and guarantees
Balance as at 30 June 2000: 415,667 thousand euros
Balance as at 31 December 1999: 352,605 thousand euros
Balance as at 30 June 1999: 288,473 thousand euros
This item includes guarantees given on bank loans and other liabilities, and other commitments of the Group towards third parties. As at 30 June 2000, these items were as follows:

Description	Balance as at 30/06/2000	Balance as at 31/12/1999
Rents and leases	115,221	125,287
Guarantees received:		
from third parties	8,824	11,632
Other:		
Factoring	4,236	17,808
Futures contracts	225,546	160,055
Leasing	48,838	34,436
Rentals	13,002	3,387
Total	415,667	352,605

Commitments for rents and leases relate mainly to commitments on rented premises, and represent the total of future payments due to the leasing companies over the remaining terms of the contracts. These commitments total 112,633m euros (122,177m euros as at 31 December 1999).
Guarantees received includes a guarantee in favour of Bulgari S.p.A. for 207m euros from the Banco di Sicilia and for 2,066m euros from the Deutsche Bank, which were disbursed by Simest S.p.A. (formerly Mediocredito Centrale). This item also includes guarantees from third parties in favour of the tax authorities for VAT reimbursements applied for from the Chamber of Commerce and the Customs authorities, which total 3,762m euros.
Commitments to factoring companies are related to receivables sold with recourse, but not yet due as at the balance-sheet date. Substantially, all of these amounts have been collected by the date of this note.
Futures contracts commitments refers to hedging transactions.
Leasing refers to valuable assets held in custody by Bulgari Collection Internationale B.V. worth 25,487m euros, by Bulgari Corporation of America Inc worth 16,682m euros, and by Bulgari Italia S.p.A. worth 5,153m euros.
The contingent liabilities and guarantees do not include the guarantees provided by the Parent Company to third parties on behalf of its subsidiaries, as these commitments are already set out in the individual entries in the balance sheet.

Notes to the Income Statement

Revenues

Revenues from sales and services

Amount for the first six months of 2000: 272,065 thousand euros
Amount for the first six months of 1999: 188,673 thousand euros
Amount for the 1999 accounting year: 485,348 thousand euros
A breakdown of Revenues from sales and services as at 30/06/2000, compared to the first half of 1999 is given below:

Description	30/06/2000	30/06/1999
Revenues from sale of assets	266,032	183,840
Services	753	703
Royalties	5,280	4,130
Total	272,065	188,673

The item *Services* largely comprises revenues for services and contributions to advertising for the Ferragamo Group, as provided for in the joint-venture agreement.

The tables below give a breakdown of revenues by product category and geographical area:
- by product category:

Description	30/06/2000	30/06/1999
Jewellery	94,163	52,707
Watches	126,474	88,693
Perfumes	35,734	34,431
Accessories	9,661	8,009
Services	753	703
Royalties	5,280	4,130
Total	272,065	188,673

- by geographical area:

Description	30/06/2000	30/06/1999
Italy	32,248	24,066
Europe (excluding Italy)	66,744	42,887
America	54,897	39,942
Japan	61,853	42,456
Far East	43,663	29,631
Middle East	8,531	7,596
Other	4,129	2,095
Total	272,065	188,673

The item *Other* includes essentially revenues from Australia, totalling 3,673m euros.
The breakdown of revenues includes services and royalties.

Other revenues and income
Amount for the first six months of 2000: 971 thousand euros
Amount for the first six months of 1999: 709 thousand euros
Amount for the 1999 accounting year: 2,142 thousand euros
Other revenues and income totalling 971m euros mainly comprises insurance refunds, discounts from suppliers, operational debiting and gains, and profits from funds set aside in earlier periods.

Costs of production
Purchases of raw materials and finished goods
Amount for the first six months of 2000: 161,967 thousand euros
Amount for the first six months of 1999: 103,666 thousand euros
Amount for the 1999 accounting year: 210,260 thousand euros
Purchases of raw materials and finished goods totals 161,967m euros (103,666m euros in the first half of 1999). The increase over the first half of 1999 was essentially in line with the increased sales turnover and the further improvement in inventories of finished goods.

Cost of services
Amount for the first six months of 2000: 68,653 thousand euros
Amount for the first six months of 1999: 57,943 thousand euros
Amount for the 1999 accounting year: 126,355 thousand euros
A breakdown of this item is given below:

Description	30/06/2000	30/06/1999
Variable selling expenses	9,519	6,054
Production and administrative expenses	23,355	25,155
Fees paid to Directors and Statutory Auditors	1,181	1,070
Advertising and promotion	33,195	23,572
Services to customers	1,403	2,092
Total	68,653	57,943

Variable selling expenses mainly consists of commissions on credit cards totalling 1,995m euros (1,236m euros in the first half of 1999), product-transport costs totalling 2,209m euros (1,597m euros in the first half of 1999), commissions paid to agents for the sale of perfumery totalling 2,061m euros (1,652m euros in the first half of 1999).
Production and administrative expenses comprises mainly employee travelling expenses, including training-course expenses, reimbursed to employees, totalling 5,257m euros (3,994m euros in the first half of 1999), professional consulting fees totalling 4,322m euros (4,218m euros in the first half of 1999), utilities totalling 1,360m euros (1,116m euros in the first half of 1999), maintenance costs totalling per 1,119m euros (1,008m euros in the first half of 1999), insurance expenses totalling 710m euros (584m euros in the first half of 1999), costs of defending trade marks totalling 840m euros (717m euros in the first half of 1999), training costs totalling 711m euros (898m euros in the first half of 1999), and outside work totalling 6,161m euros.
Fees paid to Directors and Statutory Auditors refers to the remuneration of Directors and Statutory Auditors of the Parent Company for the performance of their duties, as well as any similar fees paid to them by other companies of the Group. The fees concerned are as follows:
- Board of Directors: 1,109m euros;
- Audit Committee: 72m euros.

The increase in *Advertising and promotion* relates mainly to promotional activities for the distribution and sale of jewellery, watches, accessories and perfumes.

Rental and lease payments
Amount for the first six months of 2000: 12,091 thousand euros
Amount for the first six months of 1999: 10,388 thousand euros
Amount for the 1999 accounting year: 22,221 thousand euros
This item totalled 12,091m euros (10,388m euros in the first half of 1999). It consists mainly of 11,247m euros (9,659m euros in the first half of 1999), paid by Group companies for their business premises. The increase from the previous period is due principally to the rent for newly-opened shops.

Personnel costs
Amount for the first six months of 2000: 39,675 thousand euros
Amount for the first six months of 1999: 30,460 thousand euros
Amount for the 1999 accounting year: 68,585 thousand euros
A breakdown of personnel costs is given in the Income Statement.
The increase in personnel costs is due to the increase in the number of employees, changes in salaries and the restructuring of the salary-incentive scheme.
The table below gives a breakdown of the average number of employees in all the companies of the Group, by employee type.

Average number of employees	30/06/2000	30/06/1999	31/12/1999
Senior Managers and Executives	292	218	231
Staff	913	743	783
Manual workers and others	153	141	138
Total	1.358	1.102	1.152

The total number of employees as at 30/06/2000 was 1,358 (1,102 in the first half of 1999).
The average was calculated by totalling the number of employees at the beginning and end of the year and dividing by two.
The item *Senior Managers and Executives* includes personnel whose professional qualifications classify them as managers in foreign companies.

Amortization and depreciation
Amortization
Amount for the first six months of 2000: 11,196 thousand euros
Amount for the first six months of 1999: 9,662 thousand euros
Amount for the 1999 accounting year: 22,019 thousand euros
A breakdown of this item under the two sub-headings is given in the Income Statement and in the tables showing changes in assets.
The increase in amortization of intangible assets, compared to last year, is due to higher investments for the period in *industrial patents and intellectual property rights* for new software, and to the item *Goodwill*, which includes the premium paid for the shops in Malaysia and Hawaii.
The item *Depreciation of other tangible assets*, 6,614m euros (5,926m euros in the first half of 1999), mainly consists of the depreciation of investments for taking over the leases of rental premises.

Other operating expenses
Amount for the first six months of 2000: 5,878 thousand euros
Amount for the first six months of 1999: 4,523 thousand euros
Amount for the 1999 accounting year: 11,327 thousand euros

Other operating expenses totals 5,878m euros (4,523m euros in the first half of 1999), These consist of general and administrative expenses of 4,422m euros (3,313m euros in the first half of 1999), vehicle operating expenses of 297m euros (271m euros in the first half of 1999), taxes and duties other than income tax of 512m euros (342m euros in the first half of 1999), other operating costs of 414m euros (463m euros in the first half of 1999), and legal expenses of 233m euros (135m euros in the first half of 1999).

Interest income
Amount for the first six months of 2000: 36,505 thousand euros
Amount for the first six months of 1999: 22,076 thousand euros
Amount for the 1999 accounting year: 37,596 thousand euros
This item breaks down thus:

Description	30/06/2000	30/06/1999
Interest income	2,161	1,148
Gains on foreign exchange	33,268	20,310
Other financial income	1,076	618
Total	36,505	22,076

Interest income includes premiums earned on treasury swaps and foreign-exchange hedging transactions amounting to 1,879m euros.
This increase in interest income is due to the optimisation of average liquidity by using more suitable cash-management instruments.
The item *Other financial income* mainly comprises cash rebates and discounts from suppliers.

Financial expenses
Amount for the first six months of 2000: 41,278 thousand euros
Amount for the first six months of 1999: 26,238 thousand euros
Amount for the 1999 accounting year: 46,700 thousand euros
This item is composed of the following:

Description	30/06/2000	30/06/1999
Interest on short-term borrowings	5,932	3,403
Interest on medium- and long-term borrowings	159	97
Other interest expenses	700	407
Losses on foreign exchange	34,289	22,173
Provision for exchange losses	198	158
Total	41,278	26,238

Interest on short-term borrowings comprises premiums paid on treasury swaps and foreign exchange hedging transactions amounting to 4,163m euros.
The net value of *losses on foreign exchange*, as at 30/06/2000, was 1,219m euros (2,021m euros in the first half of 1999).This difference corresponds to the net of exchange losses of 34,487m euros (including the provision for exchange losses) and exchange gains of 33,268m euros.
The increase in *losses on foreign exchange* is due to increased trading activity.
Other financial expenses mainly comprises commissions to banks, as well as rebates and cash discounts to customers.

Extraordinary expenses

Extraordinary expenses
Amount for the first six months of 2000: 2,106 thousand euros
Amount for the first six months of 1999: 1,746 thousand euros
Amount for the 1999 accounting year: 3,818 thousand euros
This item totals 2,106m euros (1,746m euros in the first half of 1999), and is due mainly to unrecoverable foreign taxes paid by the Parent Company, of 630m euros, to a set-aside for the 1993 local-income tax adjustment of 326m euros, and to prior-year charges of 962m euros.

Income taxes

Amount for the first six months of 2000: 6,641 thousand euros
Amount for the first six months of 1999: 4,269 thousand euros
Amount for the 1999 accounting year: 7,491 thousand euros
This item consists of the total amount of income taxes for the period.
The total income tax amounted to 6,641m euros (4,269m euros in the first half of 1999), and included:

- taxes for the period totalling 7,517m euros (4,799m euros in the first half of 1999);
- deferred taxes for the period totalling 742m euros (541m euros in the first half of 1999);
- prepaid taxes totalling 1,618m euros (1,072m euros in the first half of 1999) relating to the application of the Group's accounting principles.

The average tax rate for the Group was 15.8% (19.5% for the first half of 1999). This average rate benefits from the favourable tax regulations applicable to Swiss companies.

Minority interests

Amount for the first six months of 2000: 1,870 thousand euros
Amount for the first six months of 1999: 704 thousand euros
Amount for the 1999 accounting year: 1,985 thousand euros
This item states minority shareholders' share in the profits of Bulgari Japan Ltd and Bulgari South Asian Operations Pte Ltd, which are 51% owned by the Group and fully consolidated.

Bulgari S.p.A.
The Chairman
Mr. Paolo Bulgari

Bulgari S.p.A. and Subsidiaries

Fully consolidated subsidiaries
table 1

Company	% owned '00	% owned '99	Currency	Share Capital	Head office	Activity
Bulgari Gioielli S.p.A.	100.00	100.00	Euro	2,580,000	Rome	Jewellery production
Bulgari Italia S.p.A.	99.86	99.86	Euro	3,870,000	Rome	Retail sales
Bulgari International Corporation (BIC) N.V.	100.00	100.00	Euro	18,332,721	Amsterdam	Sub-holding
Bulgari Collection Internationale B.V.	100.00	100.00	Euro	1,928,566	Amsterdam	Precious jewellery
Bulgari Corporation of America Inc.	100.00	100.00	US$	78,850,000	New York	Retail sales
Bulgari S.A.	99.50	99.50	SF	600,000	Geneva	Retail sales
Bulgari Time (Switzerland) S.A.	99.99	99.99	SF	1,000,000	Neuchâtel	Watch and accessory producti
Bulgari Jewels S.A.	99.99	99.99	SF	1,000,000	Neuchâtel	Jewellery production
Bulgari France S.A.	99.96	99.96	Euro	228,674	Paris	Retail sales
Bulgari Montecarlo S.A.M.	99.99	99.99	Euro	762,245	Montecarlo	Retail sales
Bulgari (Deutschland) GmbH	100.00	100.00	Euro	2,556,459	Munich	Retail sales
Bulgari Japan Ltd.	51.00	51.00	Yen	400,000,000	Tokyo	Retail sales
Bulgari España S.A. Unipersonal	100.00	100.00	Euro	2,921,856	Madrid	Retail sales
Bulgari Parfums S.A.	99.98	99.98	SF	1,000,000	Neuchâtel	Perfume production
Bulgari Parfums Italia S.p.A.	100.00	100.00	Euro	1,020,000	Rome	Perfume sales
Bulgari Parfums USA Inc.	100.00	100.00	US$	100,000	New York	Perfume sales
Bulgari Netherlands B.V.	100.00	100.00	Euro	9,931,888	Amsterdam	Sub-holding
Bulgari Portugal Acessorios de Luxo Lda.	100.00	100.00	Euro	52,873	Madeira	Sub-holding
Bulgari Asia Ltd.	99.99	99.99	HK$	12,126,808	Hong Kong	Sub-holding
Bulgari South Asian Operations Pte Ltd.	51.00	51.00	Sg$	1,000,000	Singapore	Retail sales
Bulgari (UK) Ltd.	100.00	100.00	Lgs	1,500,000	London	Retail sales
Bulgari Latin America N.V.	100.00	100.00	US$	6,000	Aruba	Retail sales
Bulgari Latin America Service N.V.	100.00	100.00	US$	6,000	Aruba	Logistic support
Bulgari Belgium S.A.	100.00	100.00	Euro	2,478,935	Brussels	Retail sales
Bulgari Australia Pty. Ltd.	100.00	100.00	Aud	1,200,000	Sydney	Retail sales
Bulgari (Malaysia) Sdn Bhd	100.00	100.00	Rm	1,000,000	Kuala Lumpur	Retail sales
Bulgari Global Operations S.A.	100.00	–	SF	1,000,000	Neuchâtel	Logistic support
Bulgari Operational Services ApS	100.00	–	DK	500,000	Copenhagen	Services

Companies consolidated by the equity method
table 2

Company	% owned '00	% owned '99	Currency	Share Capital	Head office	Activity
Ferragamo Parfums Italia S.p.A.	50%	50%	Euro	1,275,000	Rome	Perfume sales
Ferragamo Parfums LLC	50%	50%	US$	500,000	New York	Perfume sales
Ferragamo Parfums S.A.	50%	50%	SF	10,000,000	Neuchâtel	Perfume production and sales
Ungaro Parfums S.A.	50%	50%	SF	8,000,000	Neuchâtel	Perfume production and sales
Opera Management S.A.	50%	–	Euro	31,000	Luxembourg	Services

Bulgari S.p.A. and Subsidiaries

Changes in consolidated shareholders' equity
as at 30 June 2000 and 31 December 1999
(amounts in thousands of euros)
table 3

	Share Capital	Share premium reserve	Legal reserve	Extraordinary Reserve	Taxed Reserve
Balances as at 31 December 1998	18,683	86,287	1,879	28	145
Dividends paid	–	–	–	–	–
Allocation of 1998 income to legal reserve	–	–	1,073	–	–
Allocation of 1998 income to retained earnings	–	–	–	–	–
Replenishment of share-premium reserve from sale of treasury stock	–	236	–	–	–
Increase in share capital due to exercise of options	130	6,297	–	–	–
Exchange differences on translation	–	–	–	–	–
Net income for the year	–	–	–	–	–
Balances as at 31 December 1999	18,813	92,819	2,952	28	145
Dividends paid	–	–	–	–	–
Allocation of 1999 income to legal reserve	–	–	1,191	–	–
Allocation of 1999 income to retained earnings	–	–	–	–	–
Increase in share capital due to exercise of options	3	202	–	–	–
Rounding of retained earnings on conversion to Euro	1,586	–	–	–	–
Exchange differences on translation	–	–	–	–	–
Net income for the year	–	–	–	–	–
Balances as at 30 June 2000	20,402	93,021	4,143	28	145

Gains on assets contributed	Treasury stock reserve	Reserve for translation differences	Retained Earnings	Net Income	Group shareholders' equity	Minority interests	Total shareholders' equity
1,933	236	(5,694)	102,557	44,062	250,116	5,199	255,315
–	–	–	–	(11,958)	(11,958)	–	(11,958)
–	–	–	–	(1,073)	–	–	–
–	–	–	31,031	(31,031)	–	–	–
–	(236)	–	–	–	–	–	–
–	–	–	–	–	6,427	–	6,427
–	–	(5,514)	–	–	(5,514)	387	(5,127)
–	–	–	–	59,001	59,001	1,985	60,986
1,933	–	(11,207)	133,588	59,001	298,072	7,571	305,643
–	–	–	–	(16,557)	(16,557)	–	(16,557)
–	–	–	–	(1,191)	–	–	–
–	–	–	41,253	(41,253)	–	–	–
–	–	–	–	–	205	–	205
–	–	–	(1,586)	–	–	–	–
–	–	5,547	–	–	5,547	(1,292)	4,255
–	–	–	–	35,281	35,281	1,870	37,151
1,933	–	(5,660)	173,255	35,281	322,548	8,149	330,697

Bulgari S.p.A. and Subsidiaries

Reconciliation of Parent Company shareholders' equity and net income and Group shareholders' equity and net income
(amounts in thousands of euros)
table 4

	Value as at 30 June 2000		Value as at 31 December 1999	
Description	Shareholders' equity	Net income	Shareholders' equity	Net income
Shareholders' equity and net income as shown in Bulgari S.p.A. financial statements	144,502	10,292	150,562	23,830
1. Elimination of adjustments and provisions made solely for tax purposes:				
Effect of accelerated depreciation:				
– Gross	246	(49)	295	(101)
– Deferred taxes	(102)	20	(122)	42
Total	144	(29)	173	(59)
Effect of excess provisions for doubtful receivables:				
– Gross	430	–	429	(61)
– Deferred taxes	(177)	–	(177)	25
Total	253	–	252	(36)
Total	397	(29)	425	(96)
2. Elimination of book values of investments in subsidiaries:				
Difference between book value and share of subsidiaries' shareholders' equity	274,216	–	216,323	–
Share of subsidiaries' net income	–	52,203	–	51,643
Total	274,216	52,203	216,323	51,643
3. Elimination of effect of intra-group transactions:				
Intra-Group profits included in values of final inventories:				
– Gross	(111,865)	(29,017)	(82,750)	(19,658)
– Deferred taxes	15,298	1,832	13,512	3,282
Total	(96,567)	(27,185)	(69,238)	(16,376)
Shareholders' equity and net income attributable to the Group	322,548	35,281	298,072	59,001
Shareholders' equity and net income attributable to minority interests	8,149	1,870	7,571	1,985
Shareholders' equity and net income as shown in consolidated financial statements	330,697	37,151	305,643	60,986

[redacted]

Bulgari S.p.A.

Financial statements
as at 30 June 2000 and 30 June 1999 and tables
from the financial statement
as at 31 December 2000

Bulgari S.p.A.

Balance Sheet
as at 30 June 2000, 31 December 1999 and 30 June 1999
(amounts in thousands of euros)

Assets		30/06/2000	31/12/1999	30/06/1999
A.	Receivable from shareholders for unpaid amounts	–	–	–
B.	Long-term assets			
I.	Intangible assets:			
1)	Organization and start-up costs	66	1	97
2)	Research, development and advertising costs	45	90	135
3)	Patents and intellectual property rights	1,471	1,556	1,784
6	Accruals and advances	2,507	1,139	127
7)	Other intangible assets	–	–	695
Total intangible assets		**4,089**	**2,786**	**2,838**
II.	Tangible assets:			
2)	Plant and machinery	71	81	90
3)	Industrial and commercial equipment	89	108	114
4)	Other tangible assets	2,296	1,724	1,735
5)	Construction in progress and advance payments	–	298	–
Total tangible assets		**2,456**	**2,211**	**1,939**
III.	Long-term investments			
1)	Interest held:			
a)	in subsidiaries	42,670	24,775	26,729
b)	in affiliates	637	145	646
Total interest held		43,307	24,920	27,375
2)	Receivables:			
a)	from subsidiaries			
	due within 12 months	170	341	170
	due after 12 months	–	–	341
d)	others			
	due after 12 months	4	26	52
Total receivables		174	367	563
Total financial assets		**43,481**	**25,287**	**27,938**
Total long-term assets (B)		**50,026**	**30,284**	**32,715**
C.	Current assets			
II.	Receivables:			
1)	Trade receivables			
	due within 12 months	3,150	2,910	2,250
2)	from subsidiaries			
	due within 12 months	124,308	118,740	94,527
3)	From affiliates			
	due within 12 months	61	423	621
5)	From others			
	due within 12 months	5,479	7,563	7,054
	due beyond 12 months	10,486	7,924	8,061
Total receivables		**143,484**	**137,560**	**112,513**
IV.	Cash and bank balances:			
1)	Bank and postal deposits	1,654	6,059	1,927
3)	Cash and valuables on hand	19	6	31
Total cash and bank balances		**1,673**	**6,065**	**1,958**
Total current assets (C)		**145,157**	**143,625**	**114,471**
D - Accrued income and prepaid expenses		**284**	**196**	**55**
Total assets (A+B+C+D)		**195,467**	**174,105**	**147,241**

Liabilities and Shareholders' Equity		30/06/2000	31/12/1999	30/06/1999
A.	Shareholders' Equity			
I	Share capital	20,402	18,813	18,699
II	Share premium reserve	93,021	92,819	87,169
III	Revaluation reserve	–	–	–
IV	Legal reserve	4,143	2,952	2,952
V	Reserve for treasury stock	–	–	–
VI	Reserves required by by-laws	–	–	–
VII	Other reserves	–	–	–
	1) Extraordinary reserve	28	28	28
	2) Taxed reserve (1983)	145	145	145
	3) Gains on contribution	1,933	1,933	1,933
Total other reserves		2,106	2,106	2,106
VII	Retained earnings	14,538	10,042	10,042
IX	Income (loss) for the period	10,292	23,830	3,377
Total shareholders' equity (A)		**144,502**	**150,562**	**124,345**
B.	Reserves for risks and charges:			
2)	For taxes	1,172	842	838
Total reserves for risks and charges (B)		**1,172**	**842**	**838**
C.	**Reserve for employee severance pay**	**1,777**	**1,772**	**1,621**
D.	Payables			
3)	Due to banks			
	due within 12 months	28,136	970	3,135
	due after 12 months	1,635	1,149	789
6)	Trade payables			
	due within 12 months	3,838	3,711	2,137
8)	Payable to subsidiaries			
	due within 12 months	11,949	11,855	11,803
11)	Taxes payable			
	due within 12 months	478	787	809
12)	Social security institutions			
	due within 12 months	319	333	317
13)	Other payables			
	due within 12 months	1,486	2,108	1,437
Total payables (D)		**47,841**	**20,913**	**20,427**
E.	**Accrued liabilities and deferred income**	**175**	**16**	**10**
Total liabilities and shareholders' equity (A+B+C+D+E)		**195,467**	**174,105**	**147,241**

Contingent liabilities and guarantees

Guarantees made:			
To subsidiaries	22,578	22,578	18,676
Other:			
Rental payments due	2,803	2,803	1,928
Future contracts	32,548	15,098	9,773
Total other	35,351	17,901	11,701
Guarantees received:			
From third parties	4,563	4,769	2,871
Total contingent liabilities and guarantees	**62,492**	**45,248**	**33,248**

Bulgari S.p.A.

Income statement
as at 30 June 2000, 30 June 1999
and for the year ending 31 December 1999
(amounts in thousands of euros)

		30/06/2000	30/06/1999	31/12/1999
A.	**Revenues**			
1.	Revenues from sales and services	22,132	16,167	40,154
5.	Other revenues and income	1,876	1,192	2,452
Total Revenues (A)		**24,008**	**17,359**	**42,606**
B.	**Production costs**			
7.	Services	6,022	5,234	10,731
8.	Rentals and lease payments	592	553	1,130
9.	Personnel costs:	4,233	4,010	8,289
	a) wages and salaries	*2,909*	*2,743*	*5,643*
	b) social-security contributions	*976*	*939*	*1,918*
	c) employee severance pay	*218*	*199*	*418*
	e) other costs	*130*	*129*	*310*
10.	Amortization, depreciation and write-downs	1,022	1,625	3,404
a)	Amortization of intangible assets:	644	1,322	2,773
	organization and start-up costs	*8*	*96*	*191*
	research, development and advertising costs	*45*	*45*	*90*
	patents and intellectual property rights	*591*	*486*	*1,101*
	other intangible assets	*–*	*695*	*1,391*
b)	Depreciation of tangible assets:	378	303	631
	plant and machinery	*18*	*20*	*42*
	industrial and commercial machinery	*20*	*21*	*43*
	other tangible assets	*340*	*262*	*546*
14.	Other operating expenses	363	385	832
Total production costs (B)		**12,232**	**11,807**	**24,386**
Difference between revenues and production costs (A-B)		**11,776**	**5,552**	**18,220**
C.	**Interest income and expenses**			
15.	Dividends			
	from subsidiaries	*9,245*	*8,522*	*24,015*
16.	Other financial income			
	from securities recorded in current assets not included in long term assets	*–*	*15*	*15*
	from subsidiaries	*2,714*	*1,790*	*3,964*
	from others	*1,712*	*831*	*2,340*
	Total other income	4,426	2,636	6,319
17.	Interest and other financial expenses			
	subsidiaries			
	to banks	*288*	*141*	*319*
	other	*2,352*	*782*	*1,932*
	Total interest and other financial expenses	2,640	923	2,251
Total interest income and expenses		**11,031**	**10,235**	**28,083**
D.	**Adjustments to long-term investments**			
19.	Write-downs of stakes held	10,747	11,245	20,413
E.	**Extraordinary income and expenses**			
20.	Extraordinary income	–	–	24
21.	Extraordinary expenses	1,048	734	873
Total extraordinary income and expenses		**(1,048)**	**(734)**	**(849)**
Income before taxes		**11,012**	**3,808**	**25,041**
22.	**Income taxes**	**720**	**431**	**1,211**
23.	**Net income for the period**	**10,292**	**3,377**	**23,830**

Bulgari S.p.A.

Cash flow statement
for the periods ending 30 June 2000 and 30 June 1999
and the year ending 31 December 1999
(amounts in thousand of euros)

		30/06/2000	31/12/1999	30/06/1999
A.	**Net cash (short-term indebtedness) at start of period**	**5,095**	**1,827**	**1,827**
B.	Cash flow from (to) operating activities			
	Net income for the period	10,292	3,377	23,830
	Amortization and depreciation	1,022	1,625	3,404
	Net book value of assets sold during the period			
	Revaluation of financial assets	10,747	11,245	20,413
	Net change in reserve for employee termination indemnities	5	(114)	36
	Other changes in medium or long-term liabilities	330	(91)	(87)
	Cash flow from operating activities before changes in working capital	22,396	16,042	47,596
	(Increase) Decrease in receivables	(5,924)	(6,455)	(31,502)
	Increase (Decrease) in trade payables and other liabilities	(724)	(671)	1,621
	Other net changes	71	115	(20)
B.	**Total cash flow from operating activities for the period**	**15,819**	**9,031**	**17,695**
C.	Cash flow from (to) investment activities			
	Long-term asset investments:			
	Intangible	(1,948)	(675)	(2,073)
	Tangible	(623)	(350)	(950)
	Financial	(29,134)	–	(6,714)
C.	**Total cash flow from (to) investment activities**	**(31,705)**	**(1,025)**	**(9,737)**
D.	Cash flows generated by shareholders' equity			
	Dividends paid	(16,556)	(11,958)	(11,958)
	Increase in share capital and share premiums	204	661	6,426
D.	**Total cash flow generated by shareholders' equity**	**(16,352)**	**(11,297)**	**(5,532)**
E.	Net cash flow from (to) investment activities			
	Net change in medium and long-term receivables due within 12 months	193	170	367
	Net change in medium and long-term payables due after 12 months	486	115	475
E.	**Total cash flow to financing activities**	**679**	**285**	**842**
F.	**Cash flow for the period (B+C+D+E)**	**(31,559)**	**(3,006)**	**3,268**
G.	**Net cash (short-term indebtedness) at end of period (A+F)**	**(26,464)**	**(1,179)**	**5,095**

General principles

The financial statements were prepared in accordance with the Civil Code. They consist of the Balance Sheet (based on the model indicated in Articles 2424 and 2424 bis of the Civil Code), and the Income Statement (based on the model stated in Articles 2425 and 2425 bis of the Civil Code). The principles laid down in CONSOB Directives no. 9389 of 1 August 1985 and no. 8195 of 30 June 1994 were also followed. The financial statements have, moreover, been supplemented by the cash-flow statement.
The purpose of these notes is to illustrate, analyse, and in some cases, to supplement the information given in the financial statements, and the main items of the balance sheet and income statement. In addition, all the supplementary information considered necessary for a true and correct representation is presented, even if not specifically so required by law. To facilitate comparisons, corresponding amounts as at 31 December 1999 and 30 June 1999, have been stated for each item in the balance sheet and income statement.
Unless otherwise indicated, amounts have been expressed in thousands of euros, and zero values have been omitted.

Accounting principles

The accounting principles adopted in preparing the financial statements are in line with those applied to the annual reports, and comply with CONSOB recommendations. The most important accounting principles adopted are as follows:

Intangible assets
Intangible assets are booked at the cost of acquisition, including related expenses, and are routinely amortised over their expected useful lives within a maximum period of five years, counting from the date they are first recorded in assets.
The items *organisation and start-up costs, research, development and advertising costs* and the costs and commissions of obtaining a listing on the stock exchange, included in *other tangible assets*, have been recorded under this item, with the agreement of our Statutory Auditors.
The costs relating to intellectual-property rights refer to applications software with legal copyright protection, and are amortised over three years.

Tangible assets
Tangible assets are booked at the cost of acquisition, including any related expenses directly attributable to them. These assets are routinely depreciated each year on a straight-line basis, at rates reflecting their remaining useful lives. The rates applied are shown in the notes to the balance sheet.
For assets acquired during the course of the year, the rate of depreciation is reduced by 50%.
Ordinary maintenance and repair costs are charged to the income statement when incurred. The costs of any improvements are added to the value of the corresponding assets and are depreciated over their remaining useful lives.
The cost of improvements to rented assets is depreciated over the remaining life of the leases.
The amounts shown are net of accumulated depreciation.

Long-term investments
Investments are recorded at cost of acquisition. Those in foreign currency have been converted into the currency of record at the exchange rate in effect on the date of acquisition.
Where the company invested in has suffered losses and a profit sufficiently large to absorb the losses is not anticipated in the immediate future, the book value is written down to reflect such permanent loss in value. The value is written back up to its original value in later years, if the reasons for the original write-down no longer prevail.
As at 30 June 2000, all long-term investments were in unlisted companies.

Receivables and payables

Receivables are stated at their probable realisable value, which is the difference between their face value and any provisions made to doubtful accounts, and are posted to the direct reduction of the value of the item.

Payables are stated at face value.

Receivables and payables originally expressed in foreign currencies are converted into euros at the exchange rates in effect at the time of the respective transaction. Exchange-rate differences realised when payment is received or made, are posted to the income statement.

Where, after taking account of hedging contracts, a net loss arises at the balance-sheet date, from the translation of foreign currency receivables and payables due within one year, such loss is checked and entered in the income statement for the period, with a contra entry to a currency fluctuation reserve. If, however, a net profit arises, for prudential reasons it is not recognised and no reference is made to it in the notes.

Accruals and pre-payments

In accordance with the principle of accrual accounting, portions of costs and revenues related to two or more years are recorded under these headings.

Reserves for risks and charges

Reserves for risks and charges are set aside to cover certain or probable future losses or liabilities, for which the amount and date of occurrence could not be determined at the end of the period. These reserves are a reasonable estimate of the expense that will be incurred, based on available information.

Reserve for employee-termination indemnities

The reserve for employee termination indemnities is set-aside in an amount equal to the entire accrued liability to employees under current legislation and collective labour agreements, and is stated net of sums already advanced. This liability is subject to index-based revaluation.

Contingent liabilities and guarantees

Indemnities and other guarantees granted, as well as commitments assumed towards third parties, are recorded at the amount of the Company's commitment at the balance-sheet date. Commitments on derivatives contracts which do not involve exchange of capital are recorded at the reference nominal amount. The related expenses or income (discounts or premiums) on derivatives contracts are reflected in the income statement, in accordance with the matching principle.

Guarantees and commitments expressed in foreign currencies are shown in their euro equivalent at the exchange rates in effect, as at 30 June 2000.

Costs and revenues

These are recorded in the income statement in accordance with the principles of accrual accounting.

Dividends

Dividends and the associated tax credits are recorded in the period in which the dividends are actually paid.

Income taxes

Income taxes are recorded on the basis of an estimate of taxable income for the period, according to current law. Any taxes due on reserves suspended for tax purposes, will be entered when distribution of profits, reserves and provisions is voted upon, and will be charged against these items.

Deferred and prepaid taxes
Deferred and prepaid taxes are calculated on the basis of timing differences between asset amounts recorded in the financial statements and the corresponding amounts recognised for tax purposes using the tax liability method. As of 1999, prepaid taxes are recorded only if there is a reasonable certainty that they can be recovered. They are shown in the financial statements in accordance with the principle set forth in Accounting Standard no. 25 of the Commission for the regulation of accounting standards.

Exceptions under Article 2423, paragraph 4, of the Civil Code
There were no exceptions under paragraph 4 of Article 2423 of the Civil Code.

Notes to the balance sheet

Balance sheet – Assets

Assets
For each of the three classes of assets (intangibles, tangibles and long-term assets), the tables below show the historic cost for each item, accumulated amortisation and depreciation, changes during the period, and final balances.

Intangible assets
Net balance as at 30 June 2000: 4,089 thousand euros
Net balance as at 31 December 1999: 2,786 thousand euros
Net balance as at 30 June 1999: 2,838 thousand euros

Description	Historical Cost as at 31/12/99	Accumulated depreciation	Net value on 31/12/99	Increase	Decrease	Amortisation	Reserve used	Historical Cost on 30/06/00	Accumulated depreciation	Net value on 30/06/00
Organisation and start-up costs: Capital increase	956	(955)	1	73	–	(8)	–	1,029	(963)	66
Research, development and advertising	270	(180)	90	–	–	(45)	–	270	(225)	45
Patents and intellectual property rights	3,610	(2,054)	1,556	507	–	(591)	–	4,117	(2,646)	1,471
Accruals and advances	1,139	–	1,139	1,368	–	–	–	2,507	–	2,507
Total	5,975	(3,189)	2,786	1,948	–	(644)	–	7,923	3,834	4,089

Intangible assets totalled 4,089m euros, an increase of 1,303m euros, compared to 31 December 1999.
Amortisation for the period totalled 644m euros, while increases recorded totalled 1.948m euros, of which 1,368m euros was related to accruals and advances.
Organisation and start-up costs includes expenses related to the increase in share capital.
Research, development and advertising costs refers to research costs incurred in 1998 for the launch of new production in the accessories sector.
Patents and intellectual property includes rights to application software.
Accruals and advances refers to costs incurred in the development of the applications software and the purchase of additional software used for personnel training and management. It was still being implemented as at the closing of the period end-date.

Tangible assets
Net balance as at 30 June 2000: 2,456 thousand euros
Net balance as at 31 December 1999: 2,211 thousand euros
Net balance as at 30 June 1999: 1,939 thousand euros
Changes in tangible assets are shown in the table below:

Description	Historical Cost on 31/12/99	Accumulated depreciation	Net value on 31/12/99	Increase	Change	Decrease	Amortisation	Reserve used	Historical Cost on 30/06/00	Accumulated depreciation	Net value on 30/06/00
Plant and machinery	438	(357)	81	8	–	–	(18)	–	446	(375)	71
Industrial and commercial equipment	401	(293)	108	1	–	–	(20)	–	402	(313)	89
Other tangible assets	4,767	(3,043)	1,724	614	–	298	(340)	–	5,679	(3,383)	2,296
Construction in progress and advance payments	298	–	298	–	–	(298)	–	–	–	–	–
Total	5,904	(3,693)	2,211	623	–	–	(378)	–	6,527	(4,071)	2,456
(*) *including accelerated depreciation*	–	(873)	–	–	–	–	–	–	–	(873)	–

Tangible assets totalled 2,456m euros, a net increase of 245m euros, as compared to 31 December 1999.
The assets break down as follows:
Plant and machinery totalled 71m euros, a decrease of 10m euros related to alarm and communication systems.
Industrial and commercial equipment totalled 89m euros, a decrease of 19m euros compared to 31 December 1999. This item referred mainly to equipment and accessories for setting up displays and show windows.

Other tangible assets, consisting of furniture, fixtures and office machinery, electronic equipment, vehicles and costs of improvement to rented premises, totalled 2,296m euros - an increase of 572m euros, as compared to 31 December 1999.
Depreciation charge on tangible assets for the period came to 378m euros and was calculated on the basis of the following depreciation rates:

Plant and machinery	25% - 30%
Industrial and commercial equipment	15%
Other tangible assets:	
– Electronic office machines	20%
– Office furniture and equipment	12%
– Vehicles	25%
– Fixtures	15%

Improvements to rented premises were recorded at cost and are depreciated over the remaining life of the lease. The two different depreciation rates applied to *plant and machinery* refer to special communications equipment and alarm systems, respectively.
During the first half of 2000 no accelerated depreciation was charged.

Long-term asset investments

Investments
Net balance as at 30 June 2000: 43,307 thousand euros
Net balance as at 31 December 1999: 24,920 thousand euros
Net balance as at 30 June 1999: 27,375 thousand euros

Investments	% owned	Balance at 31/12/99	Increases	Decreases	Balance at 30/06/00
Bulgari Italia S.p.A.	99.86%	2,856	–	–	2,856
Bulgari Gioielli S.p.A.	100%	2,593	–	–	2,593
Bulgari Parfums Italia S.p.A.	100%	1,204	873	(873)	1,204
Bulgari International Corporation N.V.	100%	17,954	–	–	17,954
Bulgari Netherlands B.V.	100%	115	27,769	(9,874)	18,010
Bulgari Portugal Lda	100%	53	–	–	53
Total	–	24,775	28,642	(10,747)	42,670
Investments in associates					
Ferragamo Parfums Italia S.p.A.	50%	145	492	–	637
Total associates		145	492	–	637
Total investments		24,920	29,134	(10,747)	43,307

Investments in subsidiaries
Net balance as at 30 June 2000: 42,670 thousand euros
Net balance as at 31 December 1999: 24,775 thousand euros
Net balance as at 30 June 1999: 26,729 thousand euros
Long-term asset investments in subsidiaries totalled 42,670m euros, an increase of 17,895m euros, as compared to 31 December 1999. As shown in the table above, this item changed during the period, as follows:
• The investment in Bulgari Netherlands B.V. increased by 27,769m euros, as the result of a capital increase of 61.2 million Dutch guilders; at the end of the period, due to a lasting loss in value of the investment in Bulgari Netherlands B.V., the investment was written down by the amount of the loss for the period ending 30 June 2000, or 9,847m euros (equal to 21.7 million Dutch guilders).
• The investment in Bulgari Parfums Italia S.p.A. increased by 873m euros and decreased by the same amount, due to the covering of losses that occurred during fiscal year 1999 and the current period.

Investments in associated companies
Net balance as at 30 June 2000: 637 thousand euros
Net balance as at 31 December 1999: 145 thousand euros
Net balance as at 30 June 1999: 646 thousand euros
Investments in associated companies refers to the 50% stake in a joint venture with the Ferragamo Group, in the Ferragamo Parfums Italia S.p.A. company.
During the first half of 2000, the amount recorded, as at 31 December 1999, increased by 492m euros, due to a contribution made to cover prior losses.

Loans to subsidiaries
Balance as at 30 June 2000: 170 thousand euros
Balance as at 31 December 1999: 341 thousand euros
Balance as at 30 June 1999: 511 thousand euros
The item *Loans to subsidiaries* totalled 170m euros, all due within one year. This item consisted of loans to Bulgari Corporation of America amounting to 41m euros and Bulgari S.A. for 129m euros, both falling due on 5 November 2000.
The loans are at an interest rate of 5.85%, are not covered by specific guarantees, and are linked to the preferential rate loan from Società Simest S.p.A., discussed below under the liabilities side of the Balance Sheet.

Current assets

Receivables
Trade receivables
Balance as at 30 June 2000: 3,150 thousand euros
Balance as at 31 December 1999: 2,910 thousand euros
Balance as at 30 June 1999: 2,250 thousand euros
This item, which totalled 3,150m euros, consists entirely of trade receivables due within one year, and is up by 240m euros from 31 December 1999. Essentially, it is made up of royalty payments owed by trademark franchisees. All of these receivables are deemed collectable but in order to obtain the tax benefits set forth in Article 71 of Presidential Decree 917 of 1986, provisions were made to the *doubtful accounts* reserve in previous years. These provisions, which total 492m euros, go directly to reduce the value of the receivables, using the reserve for write-down of receivables. For the sake of simplicity, they were all booked as a reduction to the *trade receivables* account.

Description	30/06/2000	31/12/1999
Trade receivables	3,642	3,402
– less provisions for doubtful accounts	(492)	(492)
Total trade receivables	3,150	2,910

Receivables from subsidiaries
Balance as at 30 June 2000: 124,308 thousand euros
Balance as at 31 December 1999: 118,740 thousand euros
Balance as at 30 June 1999: 94,527 thousand euros
This item totalled 124,308m euros as at 30 June 2000, as compared to 118,740m euros as at 31 December 1999. It consists of current receivables from subsidiaries and breaks down as shown below:

Description	30/06/2000	31/12/1999
Loans	99,202	93,392
Trade receivables	24,448	24,685
Other	658	663
Total receivables from subsidiaries	124,308	118,740

Loan receivables, of 99,202m euros, refers mainly to intra-group overdrafts on current accounts in euros and foreign currency, deriving from centralised treasury management of the Italian subsidiaries, as well as short-term loans repayable on demand.
The intra-group overdrafts of 94,597m euros, refers mainly to Bulgari Italia S.p.A. and Bulgari Gioielli S.p.A.. As at 30 June 2000 short-term loans had been extended to Bulgari Operational Services ApS, a newly-established company engaged in the leasing of airplanes, through specialty aircraft operators, and to Bulgari International Corporation N.V., for 4,605m euros.
The loans to subsidiaries, which are in euros and foreign currency, were made at the market rates for demand bank-accounts.
Trade receivables totalled 24,448m euros. They refer mainly to receivables due from trademark royalties.
Other receivables refers to the receivable from Bulgari Parfums Italia S.p.A. for transfer of a VAT credit in the context of the Group VAT return.

Other receivables
Balance as at 30 June 2000: 15,965 thousand euros
Balance as at 31 December 1999: 15,487 thousand euros
Balance as at 30 June 1999: 15,115 thousand euros
This item breaks down as follows:

Description	30/06/00	31/12/99
Due within one year:		
VAT credits	4,099	6,510
Corporate income-tax credits	1,144	834
Advances to suppliers	78	1
Receivable from tax authorities, Law 662/96	138	154
Loans to employees	8	14
Other	12	50
Total due within one year	5,479	7,563
Due after more than one year:		
VAT credits	10,486	7,924
Total due after more than one year	10,486	7,924
Total other receivables	15,965	15,487

As at 30 June 2000, this item increased overall by 478m euros compared to 31 December 1999.
The breakdown shows that even with the VAT refund request for 2,816m euros, filed with the annual tax return for 1999, receivables due within one year decreased by 2,084m euros, while receivables due after more than one year increased by 2,562m euros.
The VAT credit due represents the cumulative credit claimed from the tax authority by the Italian companies in respect of the Group VAT clearing, pursuant to the final clause of Article 73 of Presidential Decree 633/72 and Article 3 of the Ministerial Decree of 12/13/1979.
The amount shown as due after more than one year refers to the VAT credit for which reimbursement was requested, plus interest due, for the years 1996, 1997, 1998 and 1999.

Cash and bank balances
Balance as at 30 June 2000: 1,672 thousand euros
Balance as at 31 December 1999: 6,065 thousand euros
Balance as at 30 June 1999: 1,958 thousand euros
Cash and bank balances at 30 June 2000 totalled 1,672m euros, a decrease of 4,393m euros compared to the year ending 31 December 1999.

Description	30/06/00	31/12/99
Bank deposits	1,653	6,059
Cash and valuables on hand	19	6
Total	1,672	6,065

Balance sheet – Liabilities

Shareholders' Equity
Balance as at 30 June 2000: 144,502 thousand euros
Balance as at 31 December 1999: 150,562 thousand euros
Balance as at 30 June 1999: 124,344 thousand euros
Changes in the items comprising shareholders' equity are shown in an attachment to these statements.
We comment below on the principal items and on related changes.

Share capital
Balance as at 30 June 2000: 20,402 thousand euros
Balance as at 31 December 1999: 18,813 thousand euros
Balance as at 30 June 1999: 18,699 thousand euros
The share capital, which is fully subscribed and paid-up, is 24,402m euros, an increase of 1,589m euros, compared to 31 December 1999.
The Extraordinary General Meeting of Shareholders of 28 April 2000 approved the conversion of the share capital to euros and the establishment of the nominal unit value of the shares (rounding up/down), at 0.07 euros, taking the amount of 1,586m euros from the retained earnings reserve. At the time of the conversion, the share capital therefore consisted of 291,419,760 ordinary shares with a value of 20,399m euros.
As for the stock-options plan for employees and the Managing Director which was approved by the Extraordinary General Meeting of 10 April 1996, during the first half of 2000 stock options, were exercised for a total of 40,800 new-issue ordinary shares (effective 1 January 2000), with a consequent increase in the share capital of 3m euros. Therefore, as at 30 June 2000, the share capital consisted of 291,460,560 shares, with a nominal value of 0.07 euros each, for a total value of 20,402m euros.

Share premium reserve
Balance as at 30 June 2000: 93,021 thousand euros
Balance as at 31 December 1999: 92,819 thousand euros
Balance as at 30 June 1999: 87,169 thousand euros
The share-premium reserve increased by 202 thousand euros during the first six months of 2000.
The increase derives from the issue of 40,800 new shares at a premium tied to the exercise of the stock options in the stock options plan mentioned above.

Legal reserve
Balance as at 30 June 2000: 4,143 thousand euros
Balance as at 31 December 1999: 2,952 thousand euros
Balance as at 30 June 1999: 2,952 thousand euros
The legal reserve increased by 1,191m euros from the amount shown in the financial statement as at 31 December 1999, after the allocation to it of 5% of the 1999 profits, as approved by the Ordinary General Meeting of 28 April 2000.

Other reserves
Balance as at 30 June 2000: 2,106 thousand euros
Balance as at 31 December 1999: 2,106 thousand euros
Balance as at 30 June 1999: 2,106 thousand euros

This item is unchanged from 31 December 1999, and breaks down as follows.

Description	30/06/2000	31/12/1999
1. Extraordinary reserve	28	28
2. Gain on assets contributed (Law No. 576/1975)	1,933	1,933
3. Taxed reserve 1983	145	145
Total	2,106	2,106

Retained earnings
Balance as at 30 June 2000: 14,538 thousand euros
Balance as at 31 December 1999: 10,042 thousand euros
Balance as at 30 June 1999: 10,042 thousand euros
This item shows net income of prior years carried forward. The amount shown in the statements is up by 4,496m euros compared to 31 December 1999, due to the following changes:

- increase of 6,083m euros after the allocation to this reserve of residual income from 1999, approved by the Ordinary General Meeting of 28 April 2000;
- decrease after allocation to the share capital of 1,586m euros due to the aforementioned conversion of the share capital into euros.

Reserves for risks and charges
Balance as at 30 June 2000: 1,172,000m euros
Balance as at 31 December 1999: 842 thousand euros
Balance as at 30 June 1999: 838 thousand euros
This item totalled 1,172m euros, and consists solely of the reserve for taxes, set aside following notification of audit adjustments to the income tax returns for 1988, 1989 and 1990, and the readjustment for local income taxes of the tax return for 1993. The increase of 330m euros, compared to 31 December 1999, refers to the provision made for the local income tax adjustment for 1993 in the amount of 326m euros, as well as the provision for interest accrued during the period. The challenge to this has been filed.
Separate appeals are pending before the Provincial Tax Commission of Rome with respect to the adjustment notices for 1988, 1989 and 1990.

Description	Balance as at 31/12/99	Payments on account	Net balance as at 31/12/99	Provisions	Reserve used	Net balance as at 30/06/2000
Reserve for taxes	874	32	842	330	–	1,172

Reserve for employee termination indemnities
Balance as at 30 June 2000: 1,777 thousand euros
Balance as at 31 December 1999: 1,772 thousand euros
Balance as at 30 June 1999: 1,621 thousand euros
This reserve was set up in accordance with Article 2120 of the Civil Code, and the amounts were calculated according to Law No. 482/85. Changes in the reserve during the first half of 2000 are shown below:

Description	31/12/99	Increases	Payments	30/06/00
Reserve	2,136	244	(239)	2,141
Advances	(364)	–	–	(364)
Net reserve	1,772	244	(239)	1,777

Payables

Bank overdraft and borrowings

Balance as at 30 June 2000: 29,771 thousand euros

Balance as at 31 December 1999: 2,119 thousand euros

Balance as at 30 June 1999: 3,924 thousand euros

Bank overdraft and borrowings are shown below:

Description	Due within 1 year	Due in 1 to 5 years	Due in more than 5 years	Total as at 30/06/00	Total as at 31/12/99
Unsecured demand account overdrafts	27,521	–	–	27,521	429
Secured loans	615	1,635	–	2,250	1,690
Total	28,136	1,635	–	29,771	2,119

This item, which totalled 29,771m euros, increased by 27,652m euros compared to 31 December 1999, mainly due to unsecured short-term loans totalling 26,367m euros, as at 30 June 2000.

Secured loans of 2,250m euros refers to a loan from Simest S.p.A., disbursed in several instalments, repayable in half-yearly instalments, and secured by a bank guarantee. It is in connection with market-penetration programmes carried out in the United States, Switzerland and Singapore.

The preferential rate applied to the loan was 2,46% per annum, and the final maturity of the loan is 27 May 2005.

Trade payables

Balance as at 30 June 2000: 3,838 thousand euros

Balance as at 31 December 1999: 3,711 thousand euros

Balance as at 30 June 1999: 2,137 thousand euros

Trade payables totalled 3,838m euros as at 30 June 2000, compared to 3,711m euros as at 31 December 1999.

This item consists of trade payables, including payables on invoices to be received that apply to the period.

Payable to subsidiaries

Balance as at 30 June 2000: 11,949 thousand euros

Balance as at 31 December 1999: 11,855 thousand euros

Balance as at 30 June 1999: 11,803 thousand euros

A breakdown is given below.

Description	30/06/00	31/12/99
Borrowings	258	–
Trade payables	336	225
Other payables	11,355	11,630
Total	11,949	11,855

Payables to subsidiaries showed a balance as at 30 June 2000 of 11,949m euros and increased by 94m euros compared to 31 December 1999.

They consisted mainly of VAT credits transferred by Bulgari Italia S.p.A. and Bulgari Gioielli S.p.A. to the Group clearing system, and are included in the item "*Other payables*".

Borrowings from subsidiaries totalled 258m euros, while trade payables of 336m euros refer mainly to invoices to be received that are applicable to the six-month period.

Taxes payable
Balance as at 30 June 2000: 478 thousand euros
Balance as at 31 December 1999: 787 thousand euros
Balance as at 30 June 1999: 809 thousand euros
A breakdown is given below. All the amounts shown are due within one year.

Description	30/06/00	31/12/99
Payable for:		
Local income tax (IRAP)	247	525
Withholding on dividends	231	261
Other	–	1
Total	478	787

Payable to social security institutions
Balance as at 30 June 2000: 319 thousand euros
Balance as at 31 December 1999: 333 thousand euros
Balance as at 30 June 1999: 317 thousand euros
Payables to social-security institutions totalled 319m euros, all due within one year. They refer to liabilities to said institutions for contributions by both the Company and its employees, due on benefits paid in June 2000.

Other liabilities
Balance as at 30 June 2000: 1,485 thousand euros
Balance as at 31 December 1999: 2,108 thousand euros
Balance as at 30 June 1999: 1,437 thousand euros
This item, all of which is payable within 1 year, totalled 1,485m euros. A breakdown is shown below.

Description	30/06/00	31/12/99
Wages and salaries due to employees	806	998
Charges on unpaid wages and salaries	232	286
Other	309	686
Dividends owed to shareholders	138	138
Total	1,485	2,108

Wages and salaries due to employees relates to deferred remuneration and includes amounts provided for holidays due but not taken, the thirteenth-month payment, incentive bonuses, and provisions for termination indemnities related to these amounts.
Charges on unpaid wages and salaries refers to the total expense payable by the company, calculated on deferred wages and salaries.
Other payables includes the fees payable to the Board of Directors and the Statutory Auditors for the first half of 2000.
Dividends owed to shareholders refers to dividends approved but not yet distributed.

Contingent liabilities and guarantees
Balance as at 30 June 2000: 62,492 thousand euros
Balance as at 31 December 1999: 45,248 thousand euros
Balance as at 30 June 1999: 33,248 thousand euros
This item comprises the guarantees given on bank loans and other obligations and commitments assumed by the Company toward third parties.

Compared to 31 December 1999, the item increased by 17,244m euros, mainly due to commitments assumed with respect to derivatives contracts.
A breakdown of the contingent liabilities and guarantees have already been provided in the notes to the Balance Sheet.
"Guarantees given" refers mainly to guarantees issued to lending institutions on lines of credit granted to subsidiaries.
The item "Other" comprises rental commitments under leases on the Company's head office and administrative offices and long-term lease payments on motor vehicles. It also includes commitments assumed under forward contracts entered into with credit institutions to cover exchange-rate risk on loans and trade receivables.
Guarantees received refer mainly to the guarantee provided by lending institutions in favour of the Company, with respect to the aforementioned loan made by Simest S.p.A., and to the guarantees issued by third parties in favour of the tax authority, with respect to VAT credits for which refunds have been requested.

Notes to the Income Statement

Revenues

Revenues from sales and services

Amount for the first six months of 2000: 22,132 thousand euros

Amount for the first six months of 1999: 16,167 thousand euros

Amount for the 1999 accounting year: 40,154 thousand euros

Revenues from sales and services totalled 22,132m euros, as compared to 16,167m euros as at 30 June 1999. A breakdown is given below.

Description	30/06/00	30/06/99
Revenues for use of trademark:		
royalties from Group companies	17,506	12,403
royalties from franchisees	4,387	3,539
Total royalties	21,893	15,942
Revenues from services:		
Services to Group Companies	239	225
Total revenues from royalties and services	22,132	16,167

Revenues from the use of the trademark totalled 21,893m euros, an increase of 5,951m euros (approximately +37%) compared to the first six months of 1999.

Royalties from Group companies totalled 17,506m euros, compared to 12,403m euros as at 30 June 1999, while royalties from franchisees totalled 4,387m euros, as compared to 3,539m euros for the first half of 1999. *Royalties from franchisees* also includes revenues from Luxottica S.p.A. and Rosenthal Italia.

At constant exchange rates, royalty revenues would have increased by approximately 27%.

Services provided under contract by the Company to its subsidiaries during the first half of 2000 generated revenues of 239m euros, in line with those of the first six months of 1999.

The table below gives a breakdown of revenues by geographical area:

Revenues by geographical area	30/06/00	30/06/99
Italy	4,266	2,724
Europe (excluding Italy)	9,088	6,353
America	1,623	1,382
Japan	3,882	2,994
Far East	2,587	1,847
Middle East and Other	686	867
Total	22,132	16,167

Other revenues and income

Amount for the first six months of 2000: 1,879 thousand euros

Amount for the first six months of 1999: 1,192 thousand euros

Amount for the 1999 accounting year: 2,452 thousand euros

Other revenues and income totalled 1,879m euros and consisted mainly of operational revenue from Group companies of 1,747m euros (1,099m euros as at 30 June 1999). These revenues refer to subletting contracts with Bulgari Gioielli S.p.A. and Bulgari Parfums Italia S.p.A., and to charges for applications software, including the cost of the usage license and related development and implementation costs. These agreements with subsidiaries are governed by specific contracts between the parties.

The table below shows the breakdown of this item:

Description	30/06/00	30/06/99
Operating costs charged to group companies	1,747	1,099
Non-operating income	77	47
Other	55	46
Total other revenues and income	1,879	1,192

Costs of production

Costs of services

Amount for the first six months of 2000: 6,022 thousand euros
Amount for the first six months of 1999: 5,234 thousand euros
Amount for the 1999 accounting year: 10,731 thousand euros
As at 30 June 2000, the costs of services totalled 6,022m euros, an increase of 788m euros compared to 30 June 1999. The breakdown is shown below:

Description	30/06/00	30/06/99
Advertising and promotion	1,423	1,301
Technical, organisational, legal, fiscal and administrative consulting services	1,377	1,280
Remuneration of Directors and Statutory Auditors	1,017	885
Services for employees and management	880	795
Protection and registration of trademarks and designs	551	426
Energy, telephones and communications	312	230
Maintenance	255	163
Insurance	45	42
Other services	162	112
Total	6,022	5,234

The more significant items shown in the table are examined below.
– Advertising and promotion expenses totalled 1,423m euros, as compared to the 1,301m euros posted as at 30 June 1999, an increase of 122m euros;
– Consulting services cost 1,377m euros, an increase of 97m euros compared to the first half of last year. These costs include fiscal, legal, technical, commercial and administrative services, as well as organisational consulting costs for employees, training costs, and personnel selection and search costs;
– Remuneration of directors and statutory auditors totalled 1,017m euros and included payments to directors of 981m euros and to the auditors of 36m euros;
– Costs of services for employees and management were 880m euros (795m euros for the first half of 1999), an increase of 85m euros. This item includes reimbursement of travel costs to employees and directors travelling on behalf of the firm.

Rental and lease payments

Amount for the first six months of 2000: 592 thousand euros
Amount for the first six months of 1999: 553 thousand euros
Amount for the 1999 accounting year: 1,130 thousand euros
Rental and lease payments totalled 592m euros (553m euros, as at 30 June 1999) and are related to payments for the registered offices and the management and administrative offices. This item also includes payments under operating leases on company cars.
The amounts for rent are shown gross of the amounts cherged to Bulgari Gioielli S.p.A. and Bulgari Parfums Italia S.p.A. for the space sublet to them.

Personnel costs
Amount for the first six months of 2000: 4,233 thousand euros
Amount for the first six months of 1999: 4,010 thousand euros
Amount for the 1999 accounting year: 8,289 thousand euros
A detailed breakdown of these costs has already been provided in the income statement.
Personnel costs totalled 4,233m euros, an increase of 223m euros compared to 30 June 1999. The number of employees increased from 126 as at 31 December 1999 to 145 as at 30 June 2000, with an average of 136 employees for the current six month period (120 employees in the first half of 1999).
A breakdown by category of the change in the number of employees during the first half of 2000 is given below.

	As at 31/12/99	Joined	Left	As at 30/06/00	Average for the first half of 2000	Average for the first half of 1999
Senior Managers	18	–	(3)	15	16	17
Managers	15	3	(2)	16	16	12
Office Workers	80	21	(3)	98	89	77
Manual Workers	13	3	–	16	15	14
Total	126	27	(8)	145	136	120

Amortisation and depreciation
Amortisation
Amount for the first six months of 2000: 1,022 thousand euros
Amount for the first six months of 1999: 1,625 thousand euros
Amount for the 1999 accounting year: 3,404 thousand euros
Amortisation charges totalled 1,022m euros, a decrease of 603m euros compared to 30 June 1999. The decrease was due mainly to the completion, as at 31 December 1999, of the amortisation of costs incurred in 1995 for the Company's stock-exchange listing, which were recorded in intangible assets.
The breakdown of this item under intangible and tangible assets is shown in the income statement and in the notes setting out changes in assets.

Financial income and expenses
Amount for the first six months of 2000: 11,031 thousand euros
Amount for the first six months of 1999: 10,235 thousand euros
Amount for the 1999 accounting year: 28,083 thousand euros
This item totalled 11,031m euros as at 30 June 2000, an increase of 796m euros compared to the first half of last year, due mainly to higher dividends received during the period.
The significant amounts of foreign-exchange gains and losses were mainly related to financial activity carried out by the Italian companies of the Group to hedge foreign-exchange risks.

Financial income
Amount for the first six months of 2000: 13,671 thousand euros
Amount for the first six months of 1999: 11,158 thousand euros
Amount for the 1999 accounting year: 30,334 thousand euros
Financial income as at 30 June 2000 totalled 13,671m euros, as compared to 11,158m euros for the first half of 1999. As at 30 June 2000, 9,245m euros had been received in dividends from Bulgari International Corporation N.V., as compared to 9,245m euros in dividends from the same company as at 30 June 1999.

The table below gives a breakdown of this item.

Description	30/06/00	30/06/99
Dividends	9,245	8,522
Interest on loans to subsidiaries	2,714	1,790
Premiums earned and interest on bank deposits	206	122
Foreign-exchange gains	1,506	709
Other income	–	15
Total	13,671	11,158

Interest paid and other financial expenses
Amount for the first six months of 2000: 2,640 thousand euros
Amount for the first six months of 1999: 923 thousand euros
Amount for the 1999 accounting year: 2,251 thousand euros
Interest and other financial expenses totalled 2,640m euros, an increase of 1,717m euros compared to the first half of last year, due mainly to foreign-exchange losses recorded during the period. A breakdown is given below.

Description	30/06/00	30/06/99
Interest paid to banks:		
– Premiums and interest paid on short-term borrowings	268	113
– Interest on medium and long-term borrowings	20	27
Total interest paid.	288	140
Other financial expenses:		
– Foreign-exchange losses	2,250	741
– Miscellaneous financial expenses	102	42
Total other financial expenses	2,352	783
Total interest paid and other financial expenses	2,640	923

The net value of exchange losses as at 30 June 2000 was 744m euros, the difference between foreign-exchange losses of 2,250m euros and foreign-exchange gains of 1,506m euros. This loss was due to the weakness shown by the euro against other currencies, particularly the U.S. dollar and the Japanese Yen, throughout the first half of 2000.

Adjustments to financial assets
Write-down of investments
Amount for the first six months of 2000: 10,747 thousand euros
Amount for the first six months of 1999: 11,245 thousand euros
Amount for the 1999 accounting year: 20,413 thousand euros
As at 30 June 2000, this item had a balance of 10,747m euros, compared to 11,245m euros for the first half of 1999.
In evaluating the investments held as at 30 June 2000, a write-down of 9,874m euros was made in the investment in Bulgari Netherlands B.V..
Based on an analysis of the financial and economic situation of Bulgari Netherlands B.V. as at 30 June 2000, the loss of 21.7 million Dutch guilders recorded for the first half was deemed to be of a lasting nature.
A transaction to cover the losses for the accounting year and the six-month period of Bulgari Parfums Italia S.p.A. was also performed, involving a reduction and subsequent re-establishment of the share capital in the amount of 873m euros.

Extraordinary income and expenses
Extraordinary expenses
Amount for the first six months of 2000: 1,048 thousand euros
Amount for the first six months of 1999: 734 thousand euros
Amount for the 1999 accounting year: 873 thousand euros
Extraordinary expenses totalled 1,048m euros, as compared to 734m euros for the first half of the previous year. These referred mainly to non-deductible taxes definitively paid abroad and not recoverable, to extraordinary losses, and to the provision made with respect to a local income-tax adjustment for 1993.

Income taxes
Amount for the first six months of 2000: 720 thousand euros
Amount for the first six months of 1999: 431 thousand euros
Amount for the 1999 accounting year: 1,211 thousand euros
The balance of 720m euros is entirely related to the IRAP (regional tax) provision for the first half of 2000. The amount shown as at 30 June 1999 was also entirely related to IRAP provisions.

Bulgari S.p.A.
The Chairman of the Board of Directors
Mr. Paolo Bulgari

Bulgari S.p.A.

Changes in the composition of shareholders' equity
as at 30 June 2000 and 31 December 1999
(amounts in thousands of euros)
table 5

	Authorized capital	Legal reserve	Share premium reserve	Extra-ordinary reserve	Taxed reserve	Gains on assets contributed	Treasury shares reserve	Retained earnings	Income for the year	T
Balances as at 1 January 1999	18,683	1,879	86,287	28	145	1,933	235	1,615	21,457	132,2
Allocation of 1998 net income to:										
– Legal reserve		1,073							(1,073)	
– Dividend for 1998									(11,957)	(11,9
– Retained earnings								8,427	(8,427)	
Replenishment share premium reserve from sale of treasury shares			235				(235)			
Authorized capital increase from exercise of options	130		6,297							6,4
Net income for 1999									23,830	23,8
Balances as at 31 December 1999	18,813	2,952	92,819	28	145	1,933	0	10,042	23,830	150,5
Allocation of 1999 net income to:										
– Legal reserve		1,191							(1,191)	
– Dividend for 1999									(16,557)	(16,5
– Retained earnings								6,082	(6,082)	
Authorized capital increase from exercise of options	3		202							2
Retained earnings to authorised capital due to rounding on conversion to euros	1,586							(1,586)		
Net income as at 30 June 2000									10,292	10,2
Balances as at 30 June 2000	20,402	4,143	93,021	28	145	1,933	0	14,538	10,292	144,5

Bulgari S.p.A.

List of direct investments in subsidiaries and associated companies as at 30 June 2000 (amounts in thousands of euros) table 6

	Authorized capital	Book Value on 31/12/1999	Increases	Decreases	Book Value on 30/06/1999	% owned	Shareholders' equity on 30/06/2000	Net income (loss) for 30/06/2000	Corrispond. Shareholders' Equity	Book Value	Differe (B) – (A posi
									(A)	(B)	(B
Subsidiaries											
Bulgari Italia S.p.A. Via dei Condotti, 10 Rome	3,870	2,856			2,856	99.86%	1,653	391	1,651	2,856	1,2
Bulgari Gioielli S.p.A. Lungotevere Marzio, 11 Rome	2,580	2,593			2,593	100%	5,701	141	5,701	2,593	
Bulgari Parfums Italia S.p.A. Lungotevere Marzio, 11 Rome	1,020	1,204	873	(873)	1,204	100%	1,553	(328)	1,553	1,204	
Bulgari International Corp. N.V. Fred. Roeskestraat 123 Amsterdam Netherlands	*Hfl 40,400,000*	17,954			17,954	100%	*Hfl 124,639,978*	*Hfl 60,022,434*	56,559	17,954	
Bulgari Netherlands B.V. Fred. Roeskestraat 123 Amsterdam Netherlands	*Hfl 21,887,000*	115	27,769	(9,874)	18,010	100%	*Hfl 31,306,092*	*Hfl (21,758,328)*	14,206	18,010	3,8
Bulgari Portugal Acess. de Luxo Lda Funchal - Rua Arriaga 30 Madeira Portogallo	*Esc. 10,600,000*	53			53	100%	*Esc. 3,556,952*	*Esc. (888,937)*	18	53	
Total subsidiaries		**24,775**	**28,642**	**(10,747)**	**42,670**						
Associated Companies											
Ferragamo Parfums Italia S.p.A. Lungotevere Marzio, 12 - Rome	1,275	1,250		(968)	282	50%	564	(940)	282	282	
Total associated companies		**1,250**	**–**	**(968)**	**282**						
Total subsidiaries and associated companies		**26,025**	**28,642**	**(11,715)**	**42,952**						

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