

Bulgari S.p.A. and Subsidiaries

Quarterly Report of the Bulgari Group as at 31 March 2000

Foreword

The Quarterly Report as at 31 March 2000 was prepared in accordance with Article 82 of CONSOB Regulation No. 11971 of 14 May 1999 and successive amendments. The economic data relate to the period 1 January 2000 – 31 March 2000. The equity data relate to 31 March 2000 and to 31 December 1999.

The data, as at 31 March 2000 and 31 March 1999, was not audited. The data, as at 31 December 1999, was audited by Arthur Andersen S.p.A.

Results

The Bulgari Group obtained excellent results during the first quarter of 2000, in terms of revenues as well as operating and net profit. In fact, it posted a significant growth in sales volume even in this first part of the year. Sales volume has seen a progressive acceleration particularly from the second part of 1999. Certainly the positive economic backdrop, combined with a general improvement of the social climate, have favoured an increase in the demand for luxury goods. In particular, the strengthening of the Japanese yen, from about 115 Yen per US dollar to about 105 Yen per US dollar (the average of the two referenced periods), has favoured a resumption of purchasing by Japanese tourists abroad. Europe, no longer suffering from the Balkan war and enjoying a certain economic recovery, has also featured a strong increase in demand.

This positive context, together with an optimal offering of Bvlgari products, allowed us to achieve a strong growth in results. In fact, consolidated net revenues for the Group totalled 122.6 million euros and increased by 56.4% compared to the 78.4 million euros for the first quarter of 1999. At comparable exchange-rates, the increase would be about 45%.

The strong increase in revenues, combined with almost constant margin contributions, has better enabled it to absorb fixed costs better, with the consequent accentuation of profitability. In fact, the consolidated operating profit of the Group went from 5.5 million euros in the first quarter 1999 to 23.0 million euros in the first quarter of 2000, showing an increase of 320%.

Consolidated net profit for the Group reached 12.6 million euros, as compared to a result of -0.6 million euros for the first quarter of 1999.

The results are summarized below in Table 1.

TABLE 1
BULGARI GROUP
SUMMARY INCOME STATEMENT

(millions of euros)	31/03/00	31/03/99
Consolidated net revenues	122.6	78.4
Operating profit	23.0	5.5
Pre-tax profit	16.7	1.9
Net Income	12.6	-0.6

Analysis of revenues

All product categories contributed to the growth in revenues. Jewellery, in particular, increased by 111%, confirming both the success of the new collections and the renewed customer interest in such products. Watches posted a growth, 54%, confirming the expansion rate achieved in recent years. Perfumes and accessories recorded more subdued growth rates, turnover in fact benefiting, in the first quarter of 1999, from the sale of products in an initial marketing phase.

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

TABLE 2

BULGARI GROUP INCREASE IN REVENUES BY PRODUCT CATEGORY

	31/03/00	31/03/99
JEWELLERY	+111.3%	- 14%
WATCHES	+ 54%	+ 22%
PERFUMES	+ 8%	+ 65%
ACCESSORIES	+3%	+ 249%
ROYALTIES AND OTHER	+ 32%	+ 7%

Table 3, on the other hand, shows the impact on total Group revenues by product category.

TABLE 3
BULGARI GROUP
REVENUES BY PRODUCT CATEGORY

	31/03/00	31/03/99
JEWELLERY	35%	26%
WATCHES	46%	47%
PERFUMES	13%	19%
ACCESSORIES	4%	5%
ROYALTIES AND OTHER	2%	3%
TOTAL	100%	100%

Revenues increased in all geographical areas, especially Europe and the Far East. In particular, in the Far East, once the economic crisis was resolved, a strong recovery in sales was recorded in Singapore and Hong Kong, due also to increased purchases by Japanese tourists.

Table 4 shows the percentage breakdown of the increase in revenues by geographic area, according to market outlet.

TABLE 4
BULGARI GROUP
INCREASE IN REVENUES BY GEOGRAPHIC AREA

Geographic area	31/03/00
Italy	+ 26%
Europe (excluding Italy)	+74%
America	+51%
Japan	+ 54%
Far East	+ 71%
Middle East /Others	+ 48%

Table 5, below, shows the breakdown of revenues by geographic area, according to market outlet.

TABLE 5
BULGARI GROUP
REVENUES BY GEOGRAPHIC AREA

Geographic area	31/03/00	31/03/99
Italy	10%	13%
Europe (excluding Italy)	24%	21%
America	21%	22%
Japan	22%	22%
Far East	18%	17%
Middle East /Others	5%	5%
TOTAL REVENUES	100%	100%

Analysis of the net financial situation

Net financial indebtedness and net shareholder-equity of the Group at the end of March 2000 were respectively 61.0 million euros and 310.4 million euros, as compared to a net financial indebtedness of 42.2 million euros and net shareholders' equity of 298.0 million euros as at 31 December 1999. The increased financial requirements are, in large part, associated to an increase in inventory, which peaked seasonally between December and March. In effect, comparing the value of inventories as at 31 March 2000 and 31 March 1999, an increase of 33% is evident that is significantly lower than the increase in turnover.

The net financial situation of the Group, as at 31 March 2000, is shown in Table 6

TABLE 6
 BULGARI GROUP
 NET FINANCIAL SITUATION

(millions of euros) asset (liability)	31/03/00	31/12/99
Bank overdraft and borrowings due within 1 year	(87.0)	(64.5)
Bank overdraft and borrowings due after 1 year	(1.8)	(1.9)
Cash and bank balances	21.5	20.6
Financial receivables available within 1 year	6.3	3.5
Financial receivables available after 1 year		0.1
TOTAL NET INDEBTEDNESS	(61.0)	(42.2)

During the first quarter of 2000, two new exclusive BVLGARI boutiques (one company-owned and one franchise) were inaugurated, bringing the total number of single-brand shops to 97.

The results for the first quarter, combined with a favourable economic backdrop, augur well for the remainder of the accounting year.

Bulgari S.p.A. and Subsidiaries
Consolidated Balance Sheet
as of 31 March 2000 and 31 December 1999
(Data in thousands of Euros)

ASSETS	31/03/2000	31/12/1999
Intangible assets	16.862	14.774
Tangible assets	71.084	67.628
Financial assets	16.132	15.248
Total assets	104.078	97.650
Inventories	320.018	282.020
Trade receivables	77.660	95.093
Other receivables	59.032	56.499
Cash and bank balances	21.551	20.646
Total assets	582.339	551.908
LIABILITIES AND SHAREHOLDERS' EQUITY		
Group Shareholders' Equity	310.484	298.072
Minority interests	7.164	7.571
Net Shareholders' Equity	317.648	305.643
Reserves for risks and charges	10.015	9.217
Reserve for employee-termination indemnities	4.830	4.741
Bank overdraft and borrowings	88.799	66.505
Trade payables and Other payables	161.047	165.802
Total Liabilities and Shareholders' Equity	582.339	551.908

Bulgari S.p.A. and Subsidiaries
Consolidated income statement
for the years ending 31 March 2000 and 31 March 1999

(Amounts in thousands of euros)

	31/03/2000	31/03/1999
A. Revenues		
Revenues from sales and services	122.624	78.360
Changes in inventory of work in progress, semi-finished and finished goods	22.091	46.238
Other revenues and income	501	296
Total Revenues (A)	145.216	124.894
Total production costs (B)		
	122.214	119.415
Difference between revenues and production costs (A-B)	23.002	5.479
C. Financial income and expenses		
Financial income and (expenses)	(1.398)	(945)
Gains (losses) on foreign exchange	(2.604)	(1.074)
C. Total financial income and (expenses)	(4.002)	(2.019)
E. Total extraordinary income and (expenses)		
	(1.528)	(1.014)
Income before taxes and minority interests	17.472	2.446
Income taxes for the year	4.066	2.499
Minority interests	(760)	(565)
Net income for the year	12.646	(618)

Bulgari S.p.A. and Subsidiaries

Notes to the consolidated financial statements as at 31 March 2000

GENERAL ACCOUNTING PRINCIPLES

The Consolidated Quarterly Report is based on the general accounting principles, consolidation principles and valuation principles, used for the Annual Report and the Half-Yearly Report.

The Quarterly Report was prepared in accordance with article 82 of the "Regulation Implementing the Legislative Decree No. 58 of 24 February 1998 on the Subject of Issuers" (CONSOB Decision No. 11971 of 14 May 1999, and successive amendments).

The Bulgari Group has been preparing its consolidated accounts in euros as from the year 2000. Consequently, the Group Financial Statement as at 31 March 2000 has been prepared in euros. For the purposes of comparison, the consolidated financial statements as at 31 December 1999 and 31 March 1999 were converted to euros.

The equity data relates to 31 March 2000 and to 31 December 1999; the economic data, to the first quarter of 2000 and the first quarter of 1999.

In order to show the Group's assets and liabilities, financial situation and results as clearly as possible, 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 quarterly report was not audited.

EXCHANGE RATES

The following rates were used in relation to the Euro:

Currency	31/03/2000		31/12/1999		31/03/1999	
	Income Statement	Balance Sheet	Income Statement	Balance Sheet	Income Statement	Balance Sheet
ITL	0.000516460	0.000516460	0.000516460	0.000516460	0.000516460	0.000516460
US \$	1.013446660	1.046791580	0.938670740	0.995419030	0.890862330	0.930923890
DM	0.511291880	0.511291880	0.511291880	0.511291880	0.511291880	0.511291880
FF	0.152449020	0.152449020	0.152449020	0.152449020	0.152449020	0.152449020
Hfl	0.453780220	0.453780220	0.453780220	0.453780220	0.453780220	0.453780220
YEN	0.009475590	0.010149190	0.008283970	0.009735210	0.007648730	0.007824320
SF	0.622222160	0.628654050	0.624856040	0.623012290	0.625155580	0.625744340
PTS	0.006010120	0.006010120	0.006010120	0.006010120	0.006010120	0.006010120
Lgs	1.627269960	1.670843780	1.518455590	1.608494680	1.454936550	1.500823750
Sing \$	0.601101730	0.611545990	0.552965240	0.597612940	0.522979750	0.537430210
Esc	0.004987980	0.004987980	0.004987980	0.004987980	0.004987980	0.004987980
HK \$	0.131164190	0.134403180	0.120597850	0.128086480	0.113217680	0.119699220
AUD	0.639863530	0.632471060	0.605979540	0.648421970	-	-
BEF	0.024789350	0.024789350	0.024789350	0.024789350	-	-
MYR	0.268566570	0.275421390	0.246556520	0.261983090	-	-

NOTES TO THE BALANCE SHEET.

BALANCE SHEET – ASSETS.

(amounts in thousands of Euros)

Intangible assets

Balance as at 31/03/2000: 16,862 thousand euros

Balance as at 31/12/1999: 14,774 thousand euros

The largest increases relate to the following items:

- *Research, development and advertising costs* includes mainly development costs of Bulgari Time S.A., totalling 977m euros;
- *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., totalling 935m euros.
- *Accruals and advances* comprises investments by the Parent Company (887m euros) for the integrated application software just mentioned and the purchase of dedicated software for personnel management and training

Tangible assets

Balance as at 31/03/2000: 71,084 thousand euros

Balance as at 31/12/1999: 67,628 thousand euros

The largest increases were posted to the following items:

- ◆ *Furniture, office equipment and furnishings*, totalling 3.381m euros. This amount refers to 2,612m euros by Bulgari Time S.A. and relates to 1,636m euros for the development of display space to present new watch models in Geneva. The stands will be depreciated over their expected life of three years. Investments by Bulgari Time S.A. also include 870m euros to purchase display windows in the shops of distributors of watches and accessories.
- ◆ *Improvements to rented premises*, totalling 2.435m euros, refers mainly to the administrative offices of Bulgari Time S.A., 341m euros, of Bulgari S.p.A., 317m euros, of the Laboratory of Bulgari Gioielli S.p.A., 957m euros, and to the opening of the new shop at Nagoja-Takashimaya, 307m euros.

Current assets

Inventories

Balance as at 31/03/2000: 320,018 thousand euros

Balance as at 31/12/1999: 282,020 thousand euros

The increase in inventories compared to 31 December 1999, relates mainly to finished goods and packaging, and is due to restocking by merchandising companies during the first part of the year. A significant improvement in inventory turnover is therefore evident, compared to 31 March 1999. This is connected to the strong increase in sales recorded in the last part of 1999 and during the first months of 2000. In fact, compared to 31 March 1999, inventory has increased by 33%, while sales increased by 57%.

Trade receivables

Balance as at 31/03/2000: 77,660 thousand euros

Balance as at 31/12/1999: 95,093 thousand euros

Trade receivables dropped by 17,433m euros during the first two periods mainly due to the seasonal nature of sales, which usually peak during the year-end period.

BALANCE SHEET -- LIABILITIES
(amounts in thousands of euros)

Reserve for risks and charges

Balance as at 31/03/2000: 10,015 thousand euros

Balance as at 31/12/1999: 9,217 thousand euros

This item broke down thus as at 31 March 2000:

Description	Balance as at 31/03/2000	Balance as at 31/12/1999
Reserve for taxes	8,638	7,983
- Reserve for taxes	2,825	2,621
- Reserve for deferred taxes	5,813	5,362
Other reserves:	1,377	1,234
- For exchange losses	506	319
- Other reserves	871	915
Total	10,015	9,217

NOTES TO THE INCOME STATEMENT

(amounts in thousands of Euros)

Revenues

Revenues from sales and services

Amount for the first quarter of 2000: 122,624 thousand euros

Amount for the first quarter of 1999: 78,360 thousand euros

A breakdown of *Revenues from sales and services* for the first quarter of 2000 follows:

Description	31/03/2000	31/03/1999
Revenues from disposal of assets	119,738	76,175
Services	353	260
Royalties	2,533	1,925
Total	122,624	78,360

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

- by product category:

Description	31/03/2000	31/03/1999
Jewellery	42,488	20,105
Watches	56,748	36,829
Perfumes	16,143	15,015
Accessories	4,359	4,226
Services	353	260
Royalties	2,533	1,925
Total	122,624	78,360

- by geographical area:

Description	31/03/2000	31/03/1999
Italy	12,824	10,190
Europe (excluding Italy)	29,349	16,831
America	25,511	16,908
Japan	26,590	17,311
Far East	22,561	13,221
Middle East and Other	5,789	3,899
Total	122,624	78,360

The detail on revenues includes services and royalties.

Costs of production

Amount for the first quarter of 2000: 122,214 thousand euros

Amount for the first quarter of 1999: 119,415 thousand euros

This item breaks down as follows:

Description	31/03/2000	31/03/1999
Purchases of raw materials and goods	70,521	56,011
Changes in inventory of raw materials and goods	(8,679)	17,920
Personnel costs	18,776	14,888
Production and administrative expenses	23,970	16,260
Amortization and depreciation	5,161	4,355
Advertising and promotion	12,465	9,981
Total	122,214	119,415

Financial income and expenses

Financial income

Amount for the first quarter of 2000: 12,944 thousand euros

Amount for the first quarter of 1999: 14,920 thousand euros

This item breaks down as follows:

Description	31/03/2000	31/03/1999
Interest income	1,555	839
Gains on foreign exchange	11,389	14,081
Total	12,944	14,920

Financial expenses

Amount for the first quarter of 2000: 16,946 thousand euros

Amount for the first quarter of 1999: 16,939 thousand euros

Description	31/03/2000	31/03/1999
Interest on borrowings	2,953	1,784
Losses on foreign exchange	13,585	15,155
Provision for exchange losses	408	-
Total	16,946	16,939

The net balance from financial management, as concerns financial expenses, rose from 945m euros to 1,398m euros. This mainly ensues from the increase in average indebtedness between the two periods. *Losses on foreign exchange* rose from 1,074m euros to 2,604m euros, due to hedging activity to cover sales orders billed in Japanese yen and American dollars.

Extraordinary expenses

Extraordinary expenses

Amount for the first quarter of 2000: 1,528 thousand euros

Amount for the first quarter of 1999: 1,014 thousand euros

This item mainly comprises 922m euros in foreign taxes paid by the Parent Company, exceeding the maximum amount of tax credit due, and consequently not recoverable.