

## **Bulgari S.p.A. and Subsidiaries**

### **Quarterly Report of the Bulgari Group as of 30 September 2000**

#### **Foreword**

The Quarterly Report as of 30 September 2000 was prepared in accordance with Article 82 of CONSOB Regulation No. 11971 of 14 May 1999 as amended. Economic data refer to the period 1 January 2000 – 30 September 2000 and to the corresponding period in 1999. Equity data refer to 30 September 2000 and to 31 December 1999.

Furthermore, the Directors' Report comments only on data from the July-September 2000 quarter, as per the table.

The data as of 30 September 2000 and 30 September 1999 were not audited. The data as of 31 December 1999 were audited by Arthur Andersen S.p.A.

#### **Results**

Operating profits for the third quarter of fiscal year 2000 were excellent, confirming the excellent results obtained in the first half of the year. In particular, consolidated revenues for the quarter equalled 164.6 million euros, compared to 108.2 million euros during the third quarter of 1999 (an increase of 52%). The increase would have been 36% with the constant exchange rate and consolidation field.

Consolidated operating profit for the quarter totalled 30.8 million euros, compared to 13.0 million euros for the same quarter in 1999 (an increase of 136%). Consolidated net profit for the quarter was 20.2 million euros, compared to 5.9 million euros for the same period in 1999 (an increase of 244%).

With these results, the progress for the year as of September 2000 shows that:

- Group consolidated net revenues were 436.7 million euros, an increase of 47% over the 297 million euros recorded by September 1999. The increase would have been 34% with constant exchange rate and consolidation field.
- Group consolidated operating profit went from 41.5 million euros as of September 1999 to 81.4 million euros as of September 2000, an increase of 96%.
- Group consolidated net profit reached 55.5 million euros, compared to the 23.4 million euros reached by September 1999.

Certainly the strong growth of the world economy has favoured an increase in the demand for luxury goods, which the principal markets have sustained. In particular, not only has consumer spending on luxury goods within Europe recovered, but Europe has also benefited from significant purchases by Japanese and American tourists, thanks partly to the weakness of the euro.

The steep increase in the price of oil in recent months has greatly increased the risk of a slowdown of the world economy and a resumption of the inflationary pressures, which might prejudice the reference economic scenario.

This positive context, together with an excellent offering of Bvlgari products, has allowed the Group to achieve results with very strong growth. The significant increase in revenues has absorbed structural fixed costs better, thus emphasizing profitability.

This positive context, together with an excellent Bulgari product offer, has enabled the Group to achieve very strong growth.

The substantial rise in revenues included a better absorption of the fixed structural costs, and has consequently accentuated profitability.

The results are summarized below in Table 1.

TABLE 1  
BULGARI GROUP  
SUMMARY INCOME STATEMENT

(millions of euros)	30/09/00	30/09/99
Consolidated net revenues	437	297
Operating profit	81.4	41.5
Pre-tax profit	67.3	30.8
Net Income	55.5	23.4

During the first nine months of 2000, margins also showed substantial improvement. The operating margin was 18.6% (compared to 14.0% in September 1999) and the net margin was 12.7% (it had been 7.9%).

#### Analysis of revenues

All product categories contributed to the strong growth in revenues during the first nine months of 2000.

Jewellery, in particular, increased 66%, confirming both the success of the new collections and renewed customer interest in such products.

Watches posted a growth rate of 47%, reinforcing the expansion rate achieved in recent years. Sales volumes of watches during the third quarter (up 54% on the third quarter of 1999) bore witness to the excellent reception of the new *Rettangolo* collection by customers.

Perfumes and accessories recorded noticeably larger growth rates for the year to September 2000, respectively 23% and 44%. The launch of BLV – the new BVLGARI perfume for women and the new collection of silk and leather accessories – contributed to the positive results.

Table 2, below, shows the increase in revenues by product category.

TABLE 2  
BULGARI GROUP  
INCREASE IN REVENUES BY PRODUCT CATEGORY

	30/09/00	30/09/99
JEWELLERY	+66%	+11%
WATCHES	+47%	+33%
PERFUMES	+23%	+23%
ACCESSORIES	+44%	+77%
ROYALTIES AND OTHER	+11%	+67%

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

TABLE 3  
BULGARI GROUP  
REVENUES BY PRODUCT CATEGORY

	30/09/00	30/09/99
JEWELLERY	33%	29%
WATCHES	47%	47%
PERFUMES	14%	17%
ACCESSORIES	4%	4%
ROYALTIES AND OTHER	2%	3%
TOTAL	100%	100%

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

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

TABLE 4  
BULGARI GROUP  
INCREASE IN REVENUES BY GEOGRAPHIC AREA

Geographic area	30/09/00
Italy	+ 40%
Europe (excluding Italy)	+ 48%
America	+ 50%
Japan	+ 44%
Far East	+ 62%
Middle East /Others	+ 19%

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	30/09/00	30/09/99
Italy	12%	12%
Europe (excluding Italy)	23%	23%
America	22%	21%
Japan	22%	23%
Far East	16%	15%
Middle East /Others	5%	6%
TOTAL REVENUES	100%	100%

## Analysis of the net financial situation

Net financial indebtedness and net shareholder equity of the Group at the end of September 2000 were respectively 210 million euros and 346.2 million euros, compared to net financial indebtedness of 42.2 million euros and net shareholders' equity of 298.0 million euros as of 31 December 1999. The increased financial requirements are in large part associated with the increase in inventory, the acquisition of the companies Daniel Roth SA, Gerald Genta SA, Manufacture de Haute Horlogerie SA, and the Hawaiian franchisee's companies, and to the increased investment from 51% to 80% in the period in Bulgari Japan. In particular, the inventory totals increased 56% in the period from September 1999 to September 2000, due to these acquisitions as well as the increase in business (revenues up 47%).

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

TABLE 6  
BULGARI GROUP  
NET FINANCIAL SITUATION

(millions of euros) assets (liabilities)	30/09/00	31/12/99
Bank overdraft and borrowings due within 1 year	(223.0)	(64.5)
Bank overdraft and borrowings due after 1 year	(14.8)	(1.9)
Cash and bank balances	21.8	20.6
Financial receivables available within 1 year	5.3	3.5
Financial receivables available after 1 year	0.5	0.1
<b>TOTAL NET INDEBTEDNESS</b>	<b>(210.2)</b>	<b>(42.2)</b>

During the first nine months of 2000, new exclusive BVLGARI boutiques and new sales points (*travel retail*) were inaugurated, making a total of 19 units, and bringing the total number of single-brand shops to 114.

The opening of new, multiple-brand jewellery and watch shops continued, in line with the expansion plans of the Group.

During October, the plan was finalized to buy back 51% of the licensing companies that operate the shops and distribution network in Hong Kong and the two stores and the distribution network in Taiwan.

Also in October, Bulgari South East Operations was purchased in its entirety. It manages the marketing activities on the Singapore market.

The results of these first nine months and the favourable trend of the market allow us to anticipate a positive performance for the entire accounting year.

**Bulgari S.p.A. and Subsidiaries**  
**Consolidated Income Statement**

(Amounts in thousands of euros)

	Third quarter 2000	Third quarter 1999	Difference %
<b>A. Value of production</b>			
<b>Revenues from sales and services</b>	<b>164,626</b>	<b>108,221</b>	<b>52%</b>
Changes in inventory of work in progress, semi-finished and finished goods	30,261	25,774	17%
Other revenues and income	429	284	52%
<b>Total value of production (A)</b>	<b>195,316</b>	<b>134,279</b>	<b>45%</b>
<b>Total production costs (B)</b>	<b>164,549</b>	<b>121,261</b>	<b>36%</b>
<b>Difference between value of production and production costs (A-B)</b>	<b>30,767</b>	<b>13,018</b>	<b>136%</b>
<b>C. Financial income and expenses</b>			
Financial income and (expenses)	(1,931)	(2,165)	-11%
Gains (losses) on foreign exchange	(1,220)	(475)	157%
<b>C. Total financial income and (expenses)</b>	<b>(3,151)</b>	<b>(2,640)</b>	<b>19%</b>
<b>E. Total extraordinary income and (expenses)</b>	<b>(1,934)</b>	<b>(789)</b>	<b>145%</b>
<b>Net Income for the period before taxes and minority interests</b>	<b>25,682</b>	<b>9,589</b>	<b>168%</b>
<b>Income taxes</b>	<b>5,221</b>	<b>3,089</b>	<b>69%</b>
<b>Minority interests</b>	<b>(270)</b>	<b>(637)</b>	<b>-58%</b>
<b>Net income for the period</b>	<b>20,191</b>	<b>5,863</b>	<b>244%</b>

**BULGARI S.P.A. AND SUBSIDIARIES**

**Consolidated Financial Statements  
of the Bulgari Group as of 30 September 2000**

**Bulgari S.p.A. and Subsidiaries**  
**Consolidated Balance Sheet**  
as of 30 September 2000 and 31 December 1999  
(Amounts in thousands of euros)

<b>ASSETS</b>	<b>30/09/2000</b>	<b>31/12/1999</b>
Intangible assets	36,140	14,774
Tangible assets	88,270	67,628
Financial assets	18,141	15,248
<b>Total fixed assets</b>	<b>142,551</b>	<b>97,650</b>
Inventories	434,071	282,020
Trade receivables	83,119	95,093
Other receivables	88,783	56,499
Cash and bank balances	21,818	20,646
<b>Total assets</b>	<b>770,342</b>	<b>551,908</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>30/09/2000</b>	<b>31/12/1999</b>
Group shareholders' equity	346,179	298,072
Net equity of Minority shareholders	6,420	7,571
<b>Total shareholders' equity</b>	<b>352,599</b>	<b>305,643</b>
Reserves for risks and charges	12,010	9,217
Reserve for employee severance pay	5,238	4,741
Bank overdraft and borrowings	237,800	66,505
Other Payables	162,695	165,802
<b>Total liabilities and shareholders' equity</b>	<b>770,342</b>	<b>551,908</b>

**Bulgari S.p.A. and Subsidiaries**  
**Consolidated Income Statement**  
**for the periods ending 30 September 2000 and 30 September 1999**

(Amounts in thousands of euros)

	30/09/2000	30/09/1999
<b>A. Value of production</b>		
<b>Revenues from sales and services</b>	436,691	296,894
Changes in inventory of work in progress, semi-finished and finished goods	95,681	76,9
Other revenues and income	1,401	9
<b>Total Value of Production (A)</b>	<b>533,773</b>	<b>374,8</b>
<b>Total production costs (B)</b>	<b>452,335</b>	<b>333,353</b>
<b>Difference between value of production and production costs (A-B)</b>	<b>81,438</b>	<b>41,4</b>
<b>C. Financial income and expenses</b>		
Financial income and (expenses)	(5,485)	(4,306)
Gains (losses) on foreign exchange	(2,438)	(2,496)
<b>C. Total financial income and (expenses)</b>	<b>(7,923)</b>	<b>(6,802)</b>
<b>E. Total extraordinary income and (expenses)</b>	<b>(4,040)</b>	<b>(2,535)</b>
<b>Net Income for the period before taxes and minority interests</b>	<b>69,475</b>	<b>32,1</b>
<b>Income taxes for the period</b>	<b>11,863</b>	<b>7,3</b>
<b>Minority interests</b>	<b>(2,140)</b>	<b>(1,341)</b>
<b>Net income for the period</b>	<b>55,472</b>	<b>23,4</b>

## Bulgari S.p.A. and Subsidiaries

### Notes to the consolidated financial statements of the Bulgari Group as of 30 September 2000

#### Bulgari S.p.A. and Subsidiaries Notes to the consolidated financial statements of the Bulgari Group as of 30 September 2000

#### GENERAL ACCOUNTING PRINCIPLES

The Consolidated Quarterly Report is based on the general accounting principles, consolidation principles and valuation criteria 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 as amended).

The Bulgari Group has been preparing its consolidated accounts in euros since the year 2000. Consequently, the Group Financial Statement as of 30 September 2000 has been prepared in euros. For comparison purposes, the consolidated financial statements as of 31 December 1999 and 30 September 1999 were also converted to euros.

The following companies, acquired during the third quarter, were consolidated for the period ending 30 September 2000 using the full consolidation method: Gerald Genta SA, Daniel Roth SA and Manufacture de Haute Horlogerie SA.

Equity data refer to 30 September 2000 and to 31 December 1999; economic data refer to the third quarter of 2000 and the third 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 against the Euro for countries not belonging to the Single Monetary Union are as follows:

Currency	30/09/2000		31/12/1999		30/09/1999	
	Income Statement	Balance Sheet	Income Statement	Balance Sheet	Income Statement	Balance Sheet
US \$	0.93930000	0.87650000	1.06533629	1.00460205	1.07491131	1.06649812
YEN	100.85718522	94.93998369	120.71506778	102.71992078	125.48736154	112.63937715
SwFr	1.57160001	1.52400000	1.60036862	1.60510477	1.60042154	1.59669984
GBP	0.61220000	0.59670000	0.65856388	0.62169929	0.66634891	0.64749965
Sing \$	1.61660000	1.53850000	1.80843194	1.67332387	1.83461402	1.80713232
HK \$	7.32080017	6.88309977	8.29202179	7.80722524	8.38502492	8.20453378
AUD	1.57490000	1.61800000	1.65022073	1.54220561	1.66340503	1.63950348
MYR	3.57089995	3.35589997	4.05586516	3.81704025	--	--
DKK	7.45399988	7.45699977	--	--	--	--

## NOTES TO THE BALANCE SHEET.

### BALANCE SHEET – ASSETS.

(amounts in thousands of euros)

#### Intangible assets

Balance as of 30/09/2000: 36,140 thousand euros

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

The largest increases relate to the following items:

- *Goodwill* refers to the purchase of the Bulgari shop in Waikiki, Honolulu, from the franchisee, Yoshida USA Inc.
- *Difference on consolidation* refers to the acquisition of the companies Gerald Genta SA, Daniel Roth SA and Manufacture de Haute Horlogerie SA.
- *Accruals and advances* includes investments by the Parent Company (1,586 thousand euros) for the cost of the development of the software and for the purchase of dedicated software for management and personnel training, which was still being implemented as the close of the period. The item also refers to 1,220 thousand euros for the new shop in Paris (Avenue Montaigne) and 1,623 thousand euros for the new shop in Los Angeles, about to be opened.
- *Patents and intellectual property rights* mainly represents the purchase of licences for an integrated software platform for managing the principal company activities, mainly by Bulgari Time S.A. totalling 1,979 thousand euros, by Bulgari Global Operations SA totalling 1,220 thousand euros and by Bulgari S.p.A. totalling 1,037 thousand euros.

#### Tangible assets

Balance as of 30/09/2000: 88,270 thousand euros

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

The largest increases were posted to the following items:

- *Furniture, office equipment and furnishings.* The increase refers mainly to the following companies  
Bulgari Time SA for 4,130 thousand euros. This increase relates mainly to 2,351 thousand euros for the construction of a display space to present new models of watches in Geneva. The display stand will be depreciated over its expected life of three years. Investments by Bulgari Time S.A. also include 1,481 thousand euros to purchase display windows in the shops of distributors of watches and accessories. The item also refers to 2,729 thousand euros by Bulgari Global Operations SA mainly to purchase display windows in distributors' shops, to be depreciated over the presumed useful life of three years; 516 thousand euros for the administrative offices of Bulgari S.p.A., and 454 thousand euros for Bulgari Parfums SA and for the shop in Honolulu.
- *Improvements to rented premises* refers mainly to the administrative offices of Bulgari Time S.A., 1,121 thousand euros, of Bulgari S.p.A., 535 thousand euros, of Bulgari Global Operations SA, 560 thousand euros, of the Laboratory of Bulgari Gioielli S.p.A., 966 thousand euros, and to the shops in Montecarlo, Singapore-Takashimaya, Shinjuku-Takashimaya, Honolulu and Nagoya-Takashimaya.
- *Aircraft.* The increase refers to the purchase cost of the aircraft belonging to Bulgari Operational Service Aps, 5,453 thousand euros.

The items *land and buildings* and *other assets* increased by 3,073 thousand euros due to the purchase of the companies Gerald Genta SA, Daniel Roth SA and Manufacture de Haute Horlogerie SA.

***Financial investments***

Balance as of 30/09/2000: 18,141 thousand euros

Balance as of 31/12/1999: 15,248 thousand euros

This item includes the investment in Luxlook Ltd, for 1,592 thousand euros, subscribed during the third quarter of 2000.

***Current assets***

*Inventories*

Balance as of 30/09/2000: 434,071 thousand euros

Balance as of 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 trading companies following the Christmas season. Inventory levels as of 30 September 2000 were also affected by the consolidation of the companies Gerald Genta SA, Daniel Roth SA and Manufacture de Haute Horlogerie SA., for a net value of 16,723 thousand euros.

***Trade receivables***

Balance as of 30/09/2000: 83,119 thousand euros

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

*Trade receivables* dropped by 11,974 thousand euros during the first two periods mainly due to the seasonal nature of sales, which usually peak during the last period of the year.

***Other receivables***

Balance as of 30/09/2000: 88,783 thousand euros

Balance as of 31/12/1999: 56,499 thousand euros

This item increased mainly due to tax credits receivable within 12 months, totalling 22,662 thousand euros. These refer essentially to 15,785 thousand euros for Bulgari Global Operations SA and to 4,333 thousand euros for Bulgari Parfums SA

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

*Reserve for risks and charges*

Balance as of 30/09/2000: 12,010 thousand euros

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

This item broke down as of 30 September 2000 as follows:

Description	Balance as of 30/09/2000	Balance as of 31/12/1999
Reserve for taxes	9,005	7,983
- Reserve for taxes	3,013	2,621
- Reserve for deferred taxes	5,992	5,362
Other reserves:	3,005	1,234
- For exchange losses	368	319
- Other reserves	2,637	915
Total	12,010	9,217

The item *other reserves* refers primarily to an appropriately prudential provision by Bulgari Italia S.p.A. in view of a lawsuit in progress concerning some premises in Rome.

## NOTES TO THE INCOME STATEMENT

(amounts in thousands of euros)

### Revenues

Revenues from sales and services

Amount for the third quarter of 2000: 436,691 thousand euros

Amount for the third quarter of 1999: 296,894 thousand euros

*Revenues from sales and services* for the third quarter of 2000 breaks down as follows:

Description	30/09/2000	30/09/1999
Revenues from sale of assets	427,533	288,603
Services	1,287	2,009
Royalties	7,871	6,282
Total	436,691	296,894

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

by product category:

Description	30/09/2000	30/09/1999
Jewellery	141,841	85,593
Watches	207,233	141,167
Perfumes	62,171	50,564
Accessories	16,288	11,279
Services	1,287	2,009
Royalties	7,871	6,282
Total	436,691	296,894

by geographical area:

Description	30/09/2000	30/09/1999
Italy	51,828	36,907
Europe (excluding Italy)	100,972	68,163
America	94,654	63,148
Japan	97,285	67,402
Far East	71,783	44,286
Middle East and Other	20,169	16,988
Total	436,691	296,894

The breakdown of the revenues includes services and royalties.

**Production costs**

Amount for the third quarter of 2000: 452,335 thousand euros

Amount for the third quarter of 1999: 333,353 thousand euros

This item breaks down as follows:

Description	30/09/2000	30/09/1999
Purchases of raw materials and finished goods	251,245	161,074
Changes in inventory of raw materials and finished goods	(16,112)	12,904
Personnel costs	63,780	49,429
Production and administration costs	84,699	58,539
Amortization and depreciation	18,869	14,786
Advertising and promotion	49,854	36,621
Total	452,335	333,353

Financial income and expenses

**Financial income**

Amount for the third quarter of 2000: 50,150 thousand euros

Amount for the third quarter of 1999: 25,129 thousand euros

This item breaks down thus:

Description	30/09/2000	30/09/1999
Interest income	5,256	2,300
Gains on foreign exchange	44,894	22,829
Total	50,150	25,129

**Financial expenses**

Amount for the third quarter of 2000: 58,073 thousand euros

Amount for the third quarter of 1999: 31,931 thousand euros

Description	30/09/2000	30/09/1999
Interest on borrowings	10,741	6,606
Losses on foreign exchange	46,965	25,325
Provision for exchange losses	367	-
Total	58,073	31,931

The net negative balance from financial management, relating to financial expenses, rose from 4,306 thousand euros to 5,485 thousand euros. This was primarily due to the increase in average indebtedness between the two periods. *Losses on foreign exchange* dropped from 2,496 thousand euros to 2,438 thousand euros, due to hedging activity to cover sales orders invoiced in Japanese yen and American dollars.

Extraordinary income and expenses

**Extraordinary income and expenses**

Amount for the third quarter of 2000: (4,040) thousand euros

Amount for the third quarter of 1999: (2,535) thousand euros

This item primarily includes, 1,439 thousand euros set aside by Bulgari Italia S.p.A. for prudential reasons in view of a lawsuit in progress concerning some premises in Rome, as mentioned above; 326 thousand euros set aside for an adjustment to the Parent Company's local income taxes for 1993; 518 thousand euros for unrecoverable foreign taxes paid by the Parent Company; and 1,022 thousand euros to upgrade some tangible assets for their residual useful life.

**Minority interests for the period**

Amount for the third quarter of 2000: (2,140) thousand euros

Amount for the third quarter of 1999: (1,341) thousand euros

This item reflects the shares of the period results belonging to third parties. It relates to Bulgari South Asian Operations Pte Ltd, 51% owned, and to Bulgari Japan Ltd, which will be 80% owned as of 1 January 2000, following the repurchase of 19% from some third-party shareholders in September 2000.