

BVLGARI

Bulgari S.p.A. and Subsidiaries

**Consolidated Financial Statements
as of 30 June 2002**

BULGARI S.p.A. AND SUBSIDIARIES

Board of Directors' Report on the Consolidated Financial Statement as of 30 June 2002

Foreword

In accordance with Article 2428 of the Italian Civil Code and Legislative Decree No. 58/1998 and in compliance with the decisions and recommendations of the CONSOB [*National Commission for Listed Companies and the Stock Exchange*], the Board of Directors of Bulgari S.p.A., with regard to the consolidated financial statements, has drawn up this Report on Financial Statement for the first half of 2002.

The Board of Directors, as of 30 June 2002, consisted of:

Mr Paolo Bulgari	Chairman
Mr Nicola Bulgari	Vice Chairman
Dr. Francesco Trapani	Chief Executive Officer
Atty. Francesco Ago, Esq.	Director
Atty. Giuseppe Ansaldo, Esq.	Director
Mr Giulio Figarolo di Gropello	Director
Atty. Roberto Zanchi, Esq.	Director

A decision of the Board of Directors on 27 April 2001 conferred upon the Chairman and the Chief Executive Officer powers of ordinary and extraordinary administration in all areas of activity of the Company, to be exercised freely and separately from each other.

The following powers continue to be reserved exclusively to the Board of Directors:

- where a commitment exceeds the amount of 30 million euros for any single transaction, the purchase and sale of equity interests, the establishment of new companies or partnerships both in Italy or abroad, and transactions on new or already existing company capital;
- where a commitment exceeds 30 million euros for any single transaction, the conclusion of loan transactions and the issuance of guarantees;
- the purchase of goods and services, where the commitment exceeds 2 million euros 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 for temporary concessions of the same.

We also note that neither the Chairman nor the Managing Director made use of any powers of extraordinary administration during the first six months of 2002, and that the Board did not delegate specific powers to them for transactions concerning the capital of subsidiaries for amounts exceeding the powers conferred on them.

The financial statements as of 30 June 2002, which were prepared according to the principles set forth in the aforesaid regulations, have been compared to the statements for the year ended 31 December 2001, and with the financial statements as of 30 June 2001.

From the beginning of 2000, the Bulgari Group adopted the euros as its official currency of account. Thus the financial statements of the Group and those of the Parent Company as of 30 June 2001, already prepared in euros, did not need any conversion.

The financial statements of Bulgari S.p.A. and the consolidated financial statements as of 30 June 2002 were subjected to limited financial audit by Arthur Andersen S.p.A. in accordance with current regulations.

To the Shareholders,

The first half of 2002 featured persistent weakness in consumer demand, as a result of a very low level of confidence and a general climate of uncertainty, which was also fed by the significant drop in stock markets around the world. In such a negative context, it is especially unpleasant to compare revenues, and operating and net income to the first half of 2001 which set a record for Bulgari. However, the current situation in no way weakens our faith in the basic medium to long-term sustainability of the luxury goods sector in general and of Bulgari in particular, although the economic backdrop may need to cover a longer period than previously expected to come out of its present state of difficulty.

Consolidated net revenues of the Group totalled 338.3 million euros, down 5.7% compared with 358.8 million euros for the first half of 2001. The impact of exchange rates on sales was essentially negligible.

Consolidated operating profit of the Group went from 61.7 million euros for the first half of 2001 to 33.0 million euros for the first half of 2002, with a reduction of 46%.

Consolidated net income of the Group totalled 22.6 million euros, with a decrease of 53% from 48.2 million euros for the first half of 2001.

Thanks to the actions taken by the Group to retain invested capital, financial indebtedness decreased by 16.6 million euros, going from 284.3 million euros as of 31 December 2001 to 267.7 million euros as of 30 June 2002. On the other hand, net shareholder equity for the Group at the end of the first half was 479.5 million euros, compared to 464.5 million euros at the end of 2001.

These results were affected by the difficult situation in which non-Group distributors and retailers found themselves in, in particular for watches and travel retail. Indeed distributors reduced their warehouse inventories, drastically lowering the issue of new orders. In the travel retail sector crucial elements were: limited travel and the persistent worry that characterises those who do travel.

In any case, in a decidedly unfavourable macro-economic phase, revenues for this first half of 2002 can also be seen as the consolidation of the highly significant growth trend which the Group achieved during the previous two first halves (+32% in the first half of 2001; +44% in the first half of 2000).

Furthermore, we believe that further goals can be reached in cost efficiency and optimal use of invested resources. These are areas in which our attention has been greatly focussed as we wait for the market to return to normal. In particular the reduction of stock levels has already had a positive effect on indebtedness.

To better understand the results of the Group, it may help to provide more information about the macro-economic context in which the results were achieved, albeit in extremely summary form.

After growing 5% during the first quarter, thanks largely to restocking, the economy in the United States grew a modest 1.1% in the second quarter. Many economists expect anaemic growth for the coming months of the year. Nevertheless, the most worrisome fact that has characterised this year has been the drop in consumer confidence (from 114.3 to 93.5). This has been influenced by the terrorist attacks, by financial scandals and the increase in unemployment, which has gone from 4.9% to 5.9% in the last twelve months. The Federal Reserve has adopted a concerned attitude toward the weakness of the economy. Further cuts in interest rates cannot be excluded.

Japan, notwithstanding a certain recovery in economic growth, has not been able to stem the persistent deflation which has inevitably affected investments.

In Europe the economy continues to move slowly, and various countries are exhibiting serious difficulty meeting the commitments they made to usher in the euro. In particular there is alarm on the inflation front, even though a positive element came from the price of crude oil. The price of crude has kept close to its level before 11 September 2001, thanks also to the behaviour of producing countries, which maintained higher production levels than their OPEC-assigned quotas. Naturally, possible belligerent activity towards Iraq could drastically change this situation.

On the subject of raw materials, the price of gold remains very high, more than 310 dollars/ounce, the highest level of the last two years.

As for the trend of the euro, it must be said that during first half of 2002 it strengthened compared to the dollar, going from 0.88 at the beginning of the year to parity by the end of June. Compared to the yen, during the same period, the euro went from JPY 115 to JPY 118.

Economic Results

A summary of results is shown in Table 1.

TABLE 1
BULGARI GROUP
SUMMARY INCOME STATEMENT

<i>(Millions of euros)</i>	30/06/02	30/06/01	31/12/01
Consolidated net revenues	338.3	358.8	766.1
Operating profit	33.0	61.7	102.1
Pre-tax profit	26.4	55.6	88.5
Net Income	22.6	48.2	68.2

Revenues fell 5.7% compared to the same period of the year before for reasons already explained. A detailed breakdown by product and geographic area appears in the following tables.

Operating profit decreased by 46.5% compared to the first half, while in terms of contribution to net revenues it went from 17.2% for the first half of 2001 to 9.8% in 2002.

Net income, down 53.2% between the two first halves, reached 22.6 million euros (48.2 million euros in the first half of 2001) and represented 6.7% of revenues (13.4% as of 30 June 2001).

Analysis of revenues

Among product categories, perfumes maintained a consistent growth trend with a significant increase in revenues, 20% compared to the first half of 2001. The results can be even better appreciated considering the notable 48% growth in this category between the first half of 2000 and that of 2001.

The progress in perfume sales confirms again the great success of the new fragrance BLV, for both men and women, and in general the important role of the Bulgari Group in this merchandising sector.

The other product categories have been affected by the negative market situation more seriously. However jewellery sales were noteworthy. They increased by 2%, after they had already grown 36% during the first half of 2001 compared to the same period in 2000.

After the extraordinary success of the first six months of 2001, sales of accessories were essentially unchanged.

Watches dropped sharply, by 21%. This was partly due to a general drop in consumer demand and partly to the crisis in travel retail, an important sales channel for this product category. Inventory reduction by retailers had an equally significant impact on the sale of watches, most of all during the first quarter.

Table 2 below shows revenues by type of product and impact on total Group sales. Table 3 shows percentage growth compared to the same period the year before.

TABLE 2
BULGARI GROUP
REVENUES BY PRODUCT CATEGORY AND IMPACT ON TOTAL SALES

<i>(millions of euros)</i>	30/06/2002		30/06/2001		31/12/2001	
Jewellery	131.0	39%	128.3	36%	287.7	38%
Watches	119.3	35%	151.4	42%	295.9	39%
Perfumes	63.5	19%	53.0	15%	126.5	16%
Accessories	16.9	5%	17.9	5%	38.5	5%
Royalties and other	7.6	2%	8.2	2%	17.5	2%
Total	338.3	100%	358.8	100%	766.1	100%

TABLE 3
BULGARI GROUP
GROWTH IN REVENUES BY PRODUCT CATEGORY

	30/06/2002	30/06/2001	31/12/2001
Jewellery	+2%	+36%	+26%
Watches	-21%	+20%	-6%
Perfumes	+20%	+48%	+37%
Accessories	-6%	+85%	+48%
Royalties and other	-7%	+36%	+11%

The markets that suffered the most, as was the case during the last part of 2001, were the United States, Hong Kong and Singapore. On the other hand, Bulgari sales in Japan remained strong and grew constantly. The weakness of the Japanese yen affected sales negatively when expressed in euros. The yen went from an average value of JPY 109 per euro in the first half of 2001 to JPY 116 per euro in the first half of this year.

Finally, the first half also showed a certain drop in sales in Italy, after the extraordinary results of the first half of 2001 (+54% compared to 30 June 2000), this was caused also by the reduced flow of American and Japanese tourists.

Sales in Europe (excluding Italy) continue to grow (+5%) after an excellent first half in 2001 (+35% compared to 2000). The growth of sales in Germany and the United Kingdom was particularly significant.

Table 4 below shows revenues by geographic area and their impact on total sales of the Group. Table 5 shows the percentage growth of revenues by geographic area compared to the same period the previous year.

TABLE 4
BULGARI GROUP
REVENUES BY GEOGRAPHIC AREA AND IMPACT ON TOTAL SALES

(Millions of euros)	30/06/2002		30/06/2001		31/12/2001	
Italy	45.3	13%	49.6	14%	104.3	14%
Europe (excluding Italy)	94.3	28%	89.8	25%	198.0	26%
America	49.5	15%	58.2	16%	118.3	15%
Japan (*)	68.3	20%	68.6	19%	167.6	22%
Far East (*)	56.6	17%	69.5	19%	128.1	17%
Middle East	14.5	4%	17.9	5%	35.3	4%
Other	9.8	3%	5.2	2%	14.5	2%
Total	338.3	100%	358.8	100%	766.1	100%

TABLE 5
BULGARI GROUP
GROWTH IN REVENUES BY GEOGRAPHIC AREA

	30/06/2002	30/06/2001	31/12/2001
Italy	-9%	+54%	+19%
Europe (excluding Italy)	+5%	+35%	+24%
America	-15%	+6%	-16%
Japan (*)	-	+11%	+17%
Far East (*)	-19%	+59%	+14%
Middle East	-19%	+110%	+71%
Other	+91%	+25%	+37%

(*) As a consequence of the acquisition of a franchisee in Korea some of the revenues from Japan were reclassified to Far East.

Financial situation of the Group

At the end of the first half of 2002, Group net indebtedness totalled 267.7 million euros. This compared with net indebtedness of 285.6 million euros as of 30 June 2001 and 284.3 million euros as of 31 December 2001. This change was also the result of actions taken by the Group to contain stocks, which went from 569.1 million euros as of 30 June 2001 (547.5 as of 31 December 2001) to 531.4 million euros as of 30 June 2002, in spite of an unfavourable market.

Considering the value of total shareholders' equity (including minority interests) as of 30 June 2002, equal to 488.7 million euros, the ratio of net debt to net shareholders' equity (*gearing ratio*) equalled 54.8%, a constant improvement compared to 59.8% as of 31 December 2001 and 66.3% at the end of June 2001.

The division between short-term and long-term indebtedness was balanced by a debenture loan with a nominal value of 100 million euros, maturing in December 2003 and by bank loans worth 35 million euros, taken out mainly by Bulgari Japan Ltd and maturing in 2006.

Table 6 shows the net financial situation of the Group as of 30 June 2002.

TABLE 6
BULGARI GROUP
NET FINANCIAL SITUATION

<i>(millions of euros)</i> Assets (Liabilities)	30/06/02	30/06/01	31/12/01
Bank overdrafts and borrowings due within 1 year	(154.5)	(197.3)	(188.7)
Bank overdrafts and borrowings due after 1 year	(35.3)	(17.9)	(36.1)
Bonds due after 1 year	(100.0)	(100.0)	(100.0)
Payable to other lenders due within 1 year	(1.0)	(4.9)	(1.0)
Payable to other lenders due after 1 year	(5.7)		(6.4)
Cash and bank balances	25.1	34.5	47.9
Financial receivables available within 1 year	3.5	-	-
Financial receivables available after 1 year	0.2	-	-
TOTAL NET CASH	(267.7)	(285.6)	(284.3)
Of which within 1 year	(126.9)	(167.7)	(141.8)
Of which after 1 year	(140.8)	(117.9)	(142.5)

Investment spending

During the first half of 2002 investments in tangible assets were made for 12.0 million euros (compared to 18.2 million euros in the first half of 2001). These related essentially to renovation work in the shops, in particular those at Ginza (Tokyo), Ala Moana (Hawaii) and Palm Beach, as well as investments in new shops and in administrative and production offices. The investment still in progress for a complete overhaul of the shop in Los Angeles stands out. By 30 June 2002, 3.5 million euros had already been booked to it.

During the first half, 2.8 million euros were also invested in intangible assets (5.6 million euros during the first half of 2001), mainly to acquire and install software for managing the main operational activities of the Group.

Significant events

On 15 February 2002 Bulgari Milan Leasing Company S.r.l. was established under Italian Law, owned 95% by Bulgari Hotels and Resorts B.V., 3.25 % by Bulgari S.p.A. and 1.75% by Luxury Hotels International B.V., a company of the Marriott Group.

The new company had authorised share capital of 10,000 euros as of 30 June 2002. Its business is aimed at the management of hotels, resorts and exclusive residences with the BVLGARI trademark in Italy.

On 17 May 2002, Bulgari Saint Barth S.a.s. was formed, with head offices in Saint Barthelemy, wholly owned by Bulgari International Corporation (BIC) N.V. The new company had authorised share capital of 40,000 euros. Its business will be to manage the single-brand Bulgari shop at Saint Barthelemy.

On 28 June 2002, effective 1 May 2002, Bulgari Collection Internationale S.A. with head offices in Neuchâtel, took over the activity of the Swiss branch of Bulgari Collection Internationale N.V., for a payment of 5.9 million Swiss francs, equal the net shareholders' equity of the latter as of 30 April 2002. This transaction will make it possible to add the manufacture and distribution of top of the range jewellery to the production site at Neuchâtel.

Events subsequent to 30 June 2002 and outlook for 2002

During the month of July, proceedings were begun to liquidate the company Century Bright (Wholesale) Ltd of Hong Kong, which is no longer useful in the distribution strategy of the Group in the Far East. The operation will require some months before being fully concluded.

On 9 July 2002, Bulgari Reinsurance Company Ltd was formed with head offices in Dublin. The company is wholly owned by Bulgari International Corporation (BIC) N.V. and has an authorised share capital of 635,000 euros, entirely paid-up. Bulgari Reinsurance Company Ltd's purpose will be to reinsure insured risks of the Group on the market, rationalising and thus optimising risk management.

In early 2002, most economic analysts predicted a significant improvement in the economic picture beginning in the second half of the year. However, following the outbreak of financial scandals in the United States and the view that recovery of investments and profits will not be as fast as expected, they all agreed that the re-establishment of a long-term favourable international economic conjuncture will not be fast and certainly will not happen before 2003.

In this context and in line with its own operational plans, the Bulgari Group will continue to optimise its own manufacturing and logistics processes during the second half of 2002, while still taking advantage of growth opportunities that may present themselves. Our belief in the medium and long-term sustainability of the luxury goods sector, and thus of opportunities for the Group, remains strong.

NOTES ON THE FINANCIAL STATEMENTS OF THE PARENT COMPANY, BULGARI S.P.A.

Financial administration

Total revenues of the Parent Company in the first half of 2002 came to 21.0 million euros compared to 25.4 million euros for the first half of 2001, a decrease of 17.3%. At constant exchange rates, the decrease in revenues would have been about 19%.

Operating income showed a decrease of 26.0%, going from 12.3 million euros as of 30 June 2001 to 9.1 million euros as of the end of the first half of 2002, while net income totalled 15.6 million euros compared to 18.4 million euros for the first half of 2001.

Revenues from royalties for the use of the BVLGARI trademark by subsidiaries and franchisees represented about 83% of revenues and totalled 20.4 million euros with a decrease of about 18% compared to the first half of 2001.

TABLE 7
BULGARI S.P.A.
SUMMARY INCOME STATEMENT

<i>(millions of euros)</i>	30/06/02	30/06/01	31/12/01
Net revenues	21.0	25.4	50.3
Operating profit	9.1	12.3	21.0
Pre-tax profit	16.2	19.2	37.2
Net Income	15.6	18.4	35.7

Table 8 shows the breakdown of revenues by geographic area.

TABLE 8
BULGARI S.P.A.
REVENUES BY GEOGRAPHIC AREA

<i>(millions of euros)</i>	30/06/02		30/06/01		31/12/01	
Italy	2.5	12%	2.4	10%	5.0	10%
Europe (excluding Italy)	11.9	57%	15.9	62%	29.8	60%
America	1.0	5%	1.2	5%	2.5	5%
Japan	3.3	16%	3.6	14%	7.8	15%
Far East	1.7	8%	1.6	6%	3.7	7%
Middle East/ Other	0.6	2%	0.7	3%	1.5	3%
Total revenues	21.0	100%	25.4	100%	50.3	100%

Operating costs totalled 15.6 million euros, compared to 15.7 million euros for the first half of 2001. In particular, the cost of services totalled 6.5 million euros compared to 7.6 million euros for the first half of the year before and represented about 42% of total costs of production. These mainly related to advertising and promotional expenses (1.7 million euros), to the cost of technical, organisational, tax, legal and data processing consulting services (1.3 million euros), Directors' compensation (1.3 million euros), the costs of services for personnel and members of the Board of

Directors (1.0 million euros) and the cost of protecting and filing trademarks and designs (0.3 million euros).

We also note that:

- personnel costs totalled 5.8 million euros, compared to 5.3 million euros as of 30 June 2001, and that the average number of the employees went from 168 for the first half of 2001 to 181 for the first half of this year. As of 30 June 2002 there were 183 employees (175 as of 31 December 2001).
- charges for amortisation and depreciation of intangible and tangible assets went from 1.5 million euros as of 30 June 2001 to 1.8 million euros at the end of the first half of 2002, they are mainly related to the amortisation of investments in application software.

Financial revenue and expenses showed a positive balance of 22.4 million euros compared to 26.7 million euros as of 30 June 2001. Dividends received during the period totalled 20.0 million euros compared to 21.9 million euros in the first half of 2001. During both periods all dividends came from the subsidiary Bulgari International Corporation N.V.

Adjustments to the value of long-term assets of 14.1 million euros (19.2 million euros in the first half of 2001) referred entirely to the write-down of the investment in Bulgari Netherlands B.V. as detailed below.

Tax expenses of 0.6 million euros (0.8 million euros in the first half of 2001) relate entirely to provisions during the period for the Regional Tax on Production (IRAP).

Net financial situation

Net cash of the Parent Company as of 30 June 2002 totalled 110.4 million euros, an increase of 2.3 million euros compared with 31 December 2001.

As shown in the following table, short-term net cash improved by 3.0 million euros compared to 31 December 2001, while bank overdrafts and borrowings due after 1 year totalled 0.8 million euros (1.2 million euros as of 31 December 2001) and related to a medium/long-term loan from Simest S.p.A.

Payables for bonds refers to a debenture loan maturing in December 2003, for a nominal 100 million euros.

The negative change in net shareholders' equity items between 31 December 2001 and 30 June 2002 totalled 2.7 million euros and arises from the difference between the dividend distribution of 18.3 million euros for 2001 and income for the period of 15.6 million euros. Dividends taken in during the first half of 2002 totalled 20.0 million euros.

The net receivables position vis-à-vis the companies of the Group remained essentially unchanged and totalled 210.8 million euros (211.7 million euros as of 31 December 2001).

TABLE 9
NET FINANCIAL SITUATION

<i>(millions of euros)</i>	30/06/02	31/12/01	30/06/01
Cash and bank balances	1.4	3.5	2.6
Bank overdrafts and borrowings due within 1 year	(1.0)	(6.1)	(20.8)
Short-term net cash	0.4	(2.6)	(18.2)
Bank overdrafts and borrowings due after 1 year	(0.8)	(1.0)	(1.2)
Bonds due after 1 year	(100.0)	(100.0)	(100.0)
Receivables from subsidiaries	210.8	211.7	208.3
Total net cash	110.4	108.1	88.9

Investments

Investments made during the first half of 2002 totalled 2.2 million euros (4.7 million euros as of 30 June 2001) and break down as follows:

- intangible assets of 1.7 million euros (2.4 million euros for the first half of 2001) refer mainly to costs of developing and implementing application software;
- tangible assets of 0.5 million euros (0.4 million euros for the first half of 2001) refer largely to purchases of computers and renovation work.

Research and development activities

During the first half of 2002 the Parent Company did not carry out any research and development activity.

Relations with subsidiaries

Bulgari S.p.A., based in Rome, is the Parent Company, and has authorised capital of 20.7 million euros. Bulgari S.p.A. is the owner of the BVLGARI trademark. The principal activities of the company are the following:

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

In particular, it undertakes commercial transactions governed by the specific contracts licensing the BVLGARI trademark with the different subsidiaries which produce and distribute BVLGARI brand products.

The Parent Company also maintains commercial relationships with subsidiaries for technical, commercial, financial, and data processing services, regulated by specific contracts between the parties.

The Parent Company also carries out centralised treasury management for the companies of the Group, remunerated at market rates.

As of 30 June 2002 there were 8 directly owned subsidiaries (four of which were based abroad) and 33 indirectly owned companies, all based abroad.

Subsidiaries

COMPANIES OWNED DIRECTLY

Bulgari Gioielli S.p.A.

based in Rome, is wholly owned and has an authorised capital of 2.6 million euros. Its business is the production of classic, medium to up-market gemstone and gold jewellery.

Bulgari Italia S.p.A.

based in Rome, is wholly owned and has an authorised capital of 12.0 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.

based 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
based in Funchal (Madeira) is wholly owned and has an authorised share capital of 0.05 million euros. The company was established to spread the trademark in the accessories sector.

Bulgari Netherlands B.V.
based in Amsterdam, is a wholly owned sub-holding company with an authorised capital of 9.9 million euros.
The company holds 100% of Bulgari Corporation of America Inc. and of Bulgari U.K. Ltd.

Bulgari International Corporation (BIC) N.V.
based in Amsterdam, is a wholly owned sub-holding company with an authorised capital of 18.3 million euros.
The company holds stakes in Bulgari Collection Internationale B.V., Bulgari Collection Internationale S.A., 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 Korea Ltd., Bulgari Operational Services A.p.s., Opera Management S.A., Opera Participations S.c.a., Daniel Roth et Gérald Genta Haute Horlogerie S.A., Bulgari Saint Barth S.A.S. and LuxLook Ltd.

Bulgari (Luxembourg) S.A.
based in Luxembourg, is a wholly owned sub-holding company with an authorised capital of 100,000 euros. The company holds 65% of the shares of Bulgari Hotels & Resorts B.V.

Bulgari Milan Hotel Leasing S.r.l.
based in Rome, owned 3.25% directly and 95% through Bulgari Hotel & Resorts B.V. with an authorised share capital of 10,000 euros. The company was formed in February 2002. Its business will be the management of hotels, resorts and exclusive residences under the BVLGARI trademark in Italy as part of a joint venture with the Marriott Group.

COMPANIES OWNED INDIRECTLY

Bulgari Collection Internationale B.V.
based in Amsterdam, is wholly owned by Bulgari International Corporation N.V. and has an authorised share capital of 1.9 million euros. The company produces exclusive high-quality jewellery through its Swiss branch.

Bulgari Collection Internationale S.A.
based in Neuchâtel, is wholly owned by Bulgari International Corporation N.V. and has an authorised share capital of 100,000 Swiss francs. The company was formed recently and deals with the manufacture and distribution of exclusive articles of high fashion jewellery.

Bulgari Time (Switzerland) S.A.
based 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 production of watches.

Bulgari S.A.
based in Geneva, is wholly owned 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.

based in Neuchâtel, is wholly owned by Bulgari International Corporation N.V. and has an authorised capital of 5 million Swiss francs. Its business is the production of "basic" gemstone and gold jewellery.

Bulgari France S.A.

based in Paris, is wholly owned by Bulgari International Corporation N.V. and has an authorised capital of 762,000 euros. Its business is the retail sale of jewellery, watches, perfumes and accessories, through its own exclusive shops. The company holds 100% of Bulgari Montecarlo S.A.M.

Bulgari (Deutschland) GmbH

based in Munich, is wholly owned by Bulgari International Corporation N.V. and has an authorised capital of 2.6 million euros. Its business is the retail sale of jewellery, watches, perfumes and accessories, through its own exclusive shops.

Bulgari Japan Ltd

based in Tokyo, is 80% owned 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 20% of the authorised capital is owned by AOI and Itochu Groups.

Bulgari España S.A. Unipersonal

based in Madrid, is wholly owned by Bulgari International Corporation N.V. and has an authorised capital of 2.9 million euros. Its business is the retail sale of jewellery, watches, perfumes and accessories, through its own exclusive shops.

Bulgari Parfums S.A.

based 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 production, distribution and marketing of BVLGARI brand perfumes world-wide.

Bulgari Asia Ltd

Based in Hong Kong, is wholly owned by Bulgari International Corporation N.V. and has an authorised capital of 12.1 million Hong Kong dollars. The company has holdings in Bulgari South Asian Operations Pty Ltd, Bulgari (Hong Kong) Ltd, Century Bright (Wholesale) Ltd, and Bulgari (Taiwan) Ltd. It also provides services to other Group companies and co-ordinates the activities of "Travel Retail" outlets in the South Pacific area.

Bulgari Belgium S.A.

based in Brussels, is wholly owned by Bulgari International Corporation N.V. and has an authorised capital of 1.6 million euros. Its business is the retail sale of jewellery, watches, perfumes and accessories through its own exclusive shop.

Bulgari Australia Pty Ltd

based in Sydney, is wholly owned by Bulgari International Corporation N.V. and has an authorised share capital of 1.2 million Australian dollars. Its business is the retail sale of jewellery, watches, perfumes and accessories, through its own exclusive shops.

Bulgari Latin America N.V.

based in Aruba (Netherlands Antilles), is wholly owned by Bulgari International Corporation N.V. and has an authorised share capital of US\$ 6,000. It distributes BVLGARI products in Latin America and the Caribbean.

Bulgari Latin America Services N. V.

based in Aruba (Netherlands Antilles) with a branch in Miami (Florida), is wholly owned by Bulgari International Corporation N.V. and has an authorised share capital of US\$ 6,000. It provides logistical support and services to sellers and franchisees in Latin America and the Caribbean, on behalf of some companies of the Group and for Bulgari Latin America N.V.

Bulgari (Malaysia) Sdn Bhd

based in Kuala Lumpur, is wholly owned by Bulgari International Corporation N.V. and has an authorised share 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.

based 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 A.p.s.

based in Copenhagen, is wholly owned by Bulgari International Corporation N.V. and has an authorised share capital of 500,000 Danish kroner. Its business consists of purchasing and leasing aircraft and auxiliary services connected with that business.

Bulgari Korea Ltd

based in Seoul, is 51% owned by Bulgari International Corporation N.V. and has an authorised share capital of 4,500 million Korean wong. Its business is the retail sale of jewellery, watches, perfumes and accessories, through its own exclusive shops. The remaining 49% of the authorised share capital is held by the Itochu Group.

Opera Management S.A.

based in Luxembourg, is 50% owned by Bulgari International Corporation N.V. and has an authorised share capital of 100,000 euros. The company holds 100% of the class B shares of Opera Participations S.c.a.

Opera Participations S.c.a.

based in Luxembourg, is currently owned by Opera Management S.A. and 11.79% (of the class A shares) by Bulgari International Corporation N.V., and has an authorised share capital of 1.2 million euros. The company mainly invests in companies which produce “made-in-Italy” goods and services which are characteristic of the Italian lifestyle.

Daniel Roth et Gérald Genta Haute Horlogerie S.A.

based in Geneva, is wholly owned by Bulgari International Corporation N.V. and has an authorised share capital of 7.1 million Swiss francs. Its business is the manufacture and distribution of Daniel Roth and Gérald Genta brand watches.

Bulgari Saint Barth S.a.S.

based in Saint Barth, incorporated under French law, is wholly owned by Bulgari International Corporation N.V. and has an authorised share capital of 40,000 euros. Its business is the retail sale of jewellery, watches, perfumes and accessories through its own exclusive shop.

LuxLook Ltd

based in New York. Bulgari International Corporation N.V. has a 2% stake in the company. Its business is the sale of luxury goods on the Internet. The company is presently in liquidation.

Bulgari Corporation of America Inc.

based in New York, is wholly owned by Bulgari Netherlands B.V. and has an authorised share 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 jewellery and watches in the United States to franchisees of the BVLGARI trademark.

Bulgari (UK) Ltd

based in London, is wholly owned by Bulgari Netherlands B.V. and has an authorised share capital of GBP 1.5 million. Its business is the retail sale of jewellery, watches, perfumes and accessories, through its own exclusive shops.

Bulgari Montecarlo S.A.M.

based in Montecarlo, is wholly owned by Bulgari France S.A. and has an authorised share capital of 762,000 euros. Its business is the retail sale of jewellery, watches, perfumes and accessories through its own exclusive shop.

Bulgari Parfums USA Inc.

based in New York, is wholly owned by Bulgari Corporation of America Inc., and has an authorised share capital of US\$ 100,000. Its business is the distribution and marketing of Bvlgari perfumes in the United States.

Bulgari South Asian Operations Pte Ltd

based in Singapore, is wholly owned by Bulgari Asia Ltd and has an authorised share capital of 1 million Singapore dollars. Its business is the retail sale of jewellery, watches, perfumes and accessories, through its own exclusive shops and distribution to franchisees in the area.

Bulgari (Hong Kong) Ltd

based in Hong Kong, is 51% owned by Bulgari Asia Ltd and has an authorised share capital of 1 million Hong Kong dollars. Its business is the retail sale of jewellery, watches, perfumes and accessories, through its own exclusive shops in Hong Kong. The remaining 49% of the authorised share capital is held by Dickson Concepts (Retail) Ltd.

Century Bright (Wholesale) Ltd

based in Hong Kong, is 51% owned by Bulgari Asia Ltd and has an authorised share capital of 100 Hong Kong dollars. Its business is the distribution of watches. The remaining 49% of the authorised share capital is held by Dickson Concepts (Wholesale) Ltd.

Bulgari (Taiwan) Ltd

based in Taipei, is 51% owned by Bulgari Asia Ltd and has an authorised share capital of 9.8 million Taiwan dollars. Its business is the retail sale of jewellery, watches, perfumes and accessories, through its own exclusive shops. The remaining 49% of the authorised share capital is held by the Dickson Trading (Taiwan) Co. Ltd.

Bulgari Hotel & Resorts B.V.

based in Amsterdam, is 65% owned by Bulgari (Luxembourg) S.A. and has an authorised share capital of 90,000 euros. The company holds a 95% stake in Bulgari Milan Hotel Leasing S.r.l. Its business is the acquisition of companies active in the hotel sector, as part of a joint venture with Marriott International Inc.

Significant events

The General Meeting of Shareholders, held as both an Ordinary and Extraordinary meeting on 29 April 2002, approved the financial statements for the year ending 31 December 2001 with a net income of 35.7 million euros, and approved the distribution of a dividend of 0.062 euros/share, for a total of 18.3 million euros.

The Ordinary General Meeting authorised transactions involving the purchase and sale of treasury shares, including 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 Ordinary Meeting also approved the election of the members of the Audit Committee for a three-year term, renewing the appointments of the incumbent auditors.

The same meeting also received information on compliance with recommendations contained in the Code of Self-governance of listed companies, as required by the Regulations of the Borsa Italiana S.p.A.

The Extraordinary Meeting approved an increase of paid in share capital, divisible, by issuing 1,800,000 shares for a nominal value of 0.07 euros each. This increase, reserved to Chief Executive Officer Dr. Francesco Trapani, will be carried out by assigning stock options, with timing and procedures to be determined by the Board of Directors or its Chairman.

Under the powers granted by the Meeting during the first half of 2002, 545,313 treasury shares were purchased for an average unit price of 6.5079 euros. At the end of the period, in view of the movement of the stock on the market, the stock was valued at a reference price in the month of June 2002 at 6.361 euros. Therefore, a write-down of about 80,000 euros was carried out.

Operations on the share capital of subsidiary and associated companies

In addition to what has already been cited in the report on Financial Administration of the Bulgari S.p.A. and Subsidiaries, we note that as a result of the valuation of investments held as of 30 June 2002, a durable loss of value of the stake in Bulgari Netherlands B.V. amounting to 14.1 million euros was written down. These losses came mainly from the period losses reported by the subsidiary Bulgari Corporation of America Inc.

Events subsequent to 30 June 2002 and the outlook for performance

During the month of July another 35,000 treasury shares were purchased at an average price of 5.989 euros. As a consequence, the total of treasury shares in the portfolio is 580,313 at a cumulative average price of 6.338 euros, net of the write-down carried out on 30 June 2002. After that date, the stock dropped further, settling at about 4.5 euros in early September 2002.

The Board of Directors meeting on 2 August 2002 decided to convene the Ordinary Shareholders Meeting on 30 September 2002 on first call, and on 2 October on second call, to discuss and vote on the proposal to withdraw, for just cause, the appointment of Arthur Andersen S.p.A., to audit and certify books for Bulgari S.p.A. and the consolidated Group.

We note that following the revision of the MIB 30 index by the Borsa Italiana S.p.A. on 6 September, the Bulgari stock will come out of the basket of the MIB 30, effective on 23 September 2002.

The results as of 30 June 2002 confirm that we are passing through a time of economic uncertainty, which was forecast at the beginning of the period. Our expectations for the rest of the year, though in a very uncertain context, allow us to forecast a likely positive result for the entire 2002 year.

BULGARI S.P.A.

Chairman of the Board of Directors

Paolo Bulgari

Bulgari S.p.A. and Subsidiaries

**Consolidated financial statements
as of 30 June 2002, as of 30 June 2001
and consolidated financial statement as of 31 December 2001**

Bulgari S.p.A. and Subsidiaries
Consolidated Balance Sheet
as of 30 June 2002, as of 31 December 2001 and as of 30 June 2001
(Amounts in thousands of euros)

ASSETS	30/06/2002	31/12/2001	30/06/2001
A. Receivable from shareholders for unpaid amounts	-	-	-
B. Long-term assets			
I - Intangible assets:			
1) Organisation and start-up costs	1,259	1,124	86
2) Research, development and advertising costs	1,193	1,412	1,696
3) Patents and intellectual property rights	7,095	8,509	9,030
4) Concessions, trademarks, and licenses	458	502	535
5) Goodwill	8,555	9,929	10,733
6) Accruals and advances	4,438	3,939	3,145
7) Other	7,523	8,539	8,238
8) Difference on consolidation	29,576	30,413	31,393
Total intangible assets	60,097	64,367	64,856
II - Tangible assets:			
1) Land and buildings	6,213	6,299	6,335
2) Plant and machinery	1,739	2,178	2,373
3) Industrial and commercial equipment	3,273	3,507	3,557
4) Other assets	74,571	81,200	81,405
5) Construction in progress and advance payments	4,647	2,989	1,441
Total tangible assets	90,443	96,173	95,111
III - Financial assets			
1) Investments in :			
a) subsidiaries	345	100	-
d) Other businesses	12,104	10,410	4,300
2) Receivables:			
d) from others			
due within one year	127	89	256
due after one year	12,927	13,142	13,610
Total financial assets	25,503	23,741	18,166
Total long-term assets (B)	176,043	184,281	178,133
C. Current assets			
I - Inventories:			
1) Raw materials, parts and consumer goods	25,239	22,821	29,116
2) Work in progress and semi-finished goods	153,462	137,134	131,175
4) Finished goods and packaging	352,713	387,573	408,393
5) Advances	-	-	417
Total inventories	531,414	547,528	569,101
II - Receivables:			
1) trade receivables			
due within one year	109,820	123,870	114,788
5) from others			
due within one year	38,231	51,379	58,934
due after one year	41,267	42,651	42,178
Total receivables	189,318	217,900	215,900
III Short-term investments			
5) Treasury shares	3,469	-	-
Total financial assets	3,469	-	-
IV - Cash and bank balances			
1) Bank and postal deposits	23,234	44,923	32,366
2) Cheques in hand	482	28	439
3) Cash and valuables in hand	1,429	2,960	1,694
Total cash and bank balances	25,145	47,911	34,499
Total current assets (C)	749,346	813,339	819,500
D. Accruals and prepayments	4,319	5,538	9,934
Total assets (A+B+C+D)	929,708	1,003,158	1,007,567

LIABILITIES AND SHAREHOLDERS' EQUITY	30/06/2002	31/12/2001	30/06/2001
A - Shareholders' equity			
I - Share capital	20,715	20,715	20,548
II - Share premium reserve	109,296	112,765	100,622
III - Revaluation reserve	-	-	-
IV - Legal reserve	5,762	5,762	5,762
V - Treasury shares reserve	3,469	-	-
VI - Statutory reserves	-	-	-
VII - Other reserves	25,899	15,128	1,577
- other reserves	2,106	2,106	2,106
- reserve for differences on translation	23,793	13,022	(529)
VIII- Retained earnings (losses)	291,774	241,956	241,956
IX - Net income (loss) for the period	22,563	68,165	48,196
Group shareholders' equity	479,478	464,491	418,661
Minority interests	9,185	10,607	11,983
Net shareholders' equity (A)	488,663	475,098	430,644
B. Reserves for risks and charges			
2) For taxes	10,083	10,266	8,917
3) Other	222	203	428
Total reserves for risks and charges (B)	10,305	10,469	9,345
C. Reserve for employee termination indemnities	8,198	7,673	6,562
D. Payables			
1) Bonds			
due after one year	100,000	100,000	100,000
3) Bank overdrafts and borrowings			
due within one year	154,585	188,655	197,330
due after one year	35,295	36,144	17,877
4) Due to other lenders			
due within one year	1,001	1,070	4,939
due after one year	5,668	6,417	-
5) Advances			
due within one year	2,064	3,326	2,884
6) Trade payables			
due within one year	89,753	118,879	179,020
11) Taxes payable	14,328	32,645	32,708
12) Social security institutions	2,165	5,159	2,337
13) Other payables			
due within one year	12,827	12,992	19,300
due after one year	3,057	3,035	2,954
Total payables (D)	420,743	508,322	559,349
E. Accrued liabilities and deferred income	1,799	1,596	1,667
Total liabilities and shareholders' equity (A+B+C+D+E)	929,708	1,003,158	1,007,567

Contingent liabilities and guarantees			
Rental payments due	198,447	201,471	197,584
Guarantees	4,750	-	-
Guarantees received:			
Guarantees from third parties	15,358	16,476	16,689
Other:			
Factoring	8,017	8,033	17,991
Futures contracts	206,899	171,537	213,474
Leases	35,566	35,017	54,127
Rentals	-	-	8,657
TOTAL CONTINGENT LIABILITIES AND GUARANTEES	469,037	432,534	508,522

Bulgari S.p.A. and Subsidiaries
Consolidated income statement
for the periods ending 30 June 2002, and 30 June 2001
and the year ending 31 December 2001
(Amounts in thousands of euros)

	30/06/2002	30/06/2001	31/12/2001
A. Revenues			
1) Revenues from sales and services	338,316	358,810	766,104
<i>Gross sales</i>	363,621	374,476	811,900
<i>Discounts and allowances</i>	(32,935)	(23,881)	(63,290)
<i>Net sales</i>	330,686	350,595	748,610
<i>Services rendered</i>	3,603	3,374	7,549
<i>Royalties</i>	4,027	4,841	9,945
2) Changes in inventories of work in progress, semi-finished and finished goods	(7,972)	105,282	87,691
5) Other income and revenues	3,138	4,966	10,305
Total Revenues (A)	333,482	469,058	864,100
B. Costs of production			
6) Raw materials, parts, supplies and consumer goods	99,461	173,369	267,782
7) Services	92,192	133,370	264,340
8) Rentals and lease payments	19,508	16,641	36,452
9) Personnel costs	60,794	55,654	120,192
<i>a) wages and salaries</i>	48,132	43,770	94,181
<i>b) social security contributions</i>	9,172	8,146	17,216
<i>c) employee termination indemnities</i>	1,022	902	2,564
<i>e) other costs</i>	2,468	2,836	6,231
10) Amortisation, depreciation and write-downs			
a) Amortisation of intangible assets:	5,809	5,439	12,530
<i>organisation and start-up costs</i>	173	21	305
<i>research, development and advertising costs</i>	560	566	1,196
<i>patents and intellectual property rights</i>	3,001	2,959	6,893
<i>concessions, trademarks, licences, etc.</i>	99	126	265
<i>goodwill</i>	482	484	969
<i>other intangible assets</i>	657	334	979
<i>difference on consolidation</i>	837	949	1,923
b) Depreciation of tangible assets	13,417	11,460	26,326
<i>buildings</i>	128	126	254
<i>plant and machinery</i>	403	453	993
<i>industrial and commercial equipment</i>	603	573	1,210
<i>other tangible assets</i>	12,283	10,308	23,869
c) other write-downs of long-term assets	1,129	1,586	3,304
d) Write-down of receivables included in current assets	667	171	2,525
11) Changes in inventories of raw materials, parts, supplies, other goods	(2,385)	2,516	9,693
14) Other operating expenses	9,900	7,180	18,857
Total production costs (B)	300,492	407,386	762,001
Difference between revenues and production costs (A-B)	32,990	61,672	102,099

	30/06/2002	30/06/2001	31/12/2001
C. Financial income and expenses			
15) Revenue from investments	-	-	-
16) Other financial income			
interest income on bank deposits	2,518	3,848	7,431
gains on foreign exchange	30,421	27,792	41,612
other financial income	1,016	1,589	3,016
17) Interest and other financial expenses			
interest and financial expenses	8,796	11,145	22,670
loss on foreign exchange	29,102	23,963	32,470
provision to the reserve for exchange losses	-	16	-
Total financial income and (expenses)	(3,943)	(1,895)	(3,081)
D. Adjustments to financial assets			
19) Write-downs			
a) of investments	-	138	138
Total adjustments to financial assets	-	138	138
E. Extraordinary income and expenses			
20) Extraordinary income	-	1,171	1,885
21) Extraordinary expenses	2,692	5,204	12,216
Total extraordinary income and expenses	(2,692)	(4,033)	(10,331)
Income before taxes and minority interests	26,355	55,606	88,549
22) Income taxes for the period	3,391	5,335	16,586
Minority interests	(401)	(2,075)	(3,798)
23) Net income for the period	22,563	48,196	68,165

Bulgari S.p.A. and Subsidiaries
Consolidated cash-flow statement
for the periods ending 30 June 2002 and 30 June 2001
and for the year ending 31 December 2001
(Amounts in thousands of euros)

	30/06/02	31/12/01	30/06/01
A. Net cash (short-term indebtedness) at start of year	(141,724)	(79,778)	(79,778)
B. Cash flow from (to) operating activities in period			
Net income for the period	22,563	68,165	48,196
Amortisation and depreciation	19,226	38,856	16,901
Net book value of assets sold during the period	556	388	178
Net change in reserve for employee termination indemnities	525	1,639	528
Other net changes	4,962	809	1,592
Cash flow from operating activities before changes in working capital	47,832	109,857	67,395
(Increase) Decrease in receivables	28,622	(8,985)	(11,783)
(Increase) Decrease in inventories	16,113	(100,542)	(122,114)
Increase (Decrease) in trade payables and other liabilities	(51,867)	(17,986)	42,049
Other net changes	(164)	(4,351)	(5,475)
B. Total cash flow from operating activities	40,536	(22,007)	(29,928)
C. Cash flow from (to) investment activities			
Long-term asset investments:			
Intangible and tangible assets	(14,739)	(48,825)	(23,738)
Financial assets	(1,939)	(9,672)	(3,462)
C. Total cash flow to investment activities	(16,678)	(58,497)	(27,200)
D. Cash flows generated by shareholders' equity			
Changes in minority interests	(1,422)	1,038	2,414
Dividends paid	(18,347)	(25,170)	(25,170)
Change in shareholders' equity and capital increase	-	16,021	3,711
D. Total cash flow generated by shareholders' equity	(19,769)	(8,111)	(19,045)
E. Net cash flow from (to) investment activities			
Net change in medium and long-term payables	(1,576)	24,705	21
Other changes in medium and long-term receivables	1,599	(8,073)	(8,069)
E. Total cash flow to financing activities	23	16,632	(8,048)
F. Cash flow for the period (B+C+D+E)	4,112	(71,983)	(84,221)
G. Change in net shareholders' equity due to currency translation	10,771	10,037	(3,514)
H. Net cash (short-term indebtedness) at end of period (A+F+G)	(126,841)	(141,724)	(167,513)

Bulgari S.p.A. and Subsidiaries

Notes to the consolidated financial statements as of 30 June 2002

Bulgari S.p.A. and Subsidiaries

Consolidated financial statement as of 30 June 2002

Notes

GENERAL 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, supplemented by accounting principles issued by the National Board of Business Consultants and Accountants, as were the consolidated financial statements as of 31 December 2001 and the consolidated financial statements as of 30 June 2000. They consist of the balance sheet, income statement and these notes to the consolidated financial statements. They have been supplemented by a cash-flow statement to provide additional information.

The principles laid down in CONSOB Decisions No. 12475 of 6 April 2000 and No. 11971 of 14 May 1999 were also followed.

In order to show the Group's assets and liabilities, financial situation and results as clearly as possible, and in view of their magnitude, the amounts in tables have been expressed in thousands of euros where not otherwise indicated, and zero balances have been omitted.

The consolidated financial statement as of 31 December 2001 and the consolidated financial statements as of 30 June 2001 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 by Arthur Andersen S.p.A., 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 of 30 June 2002 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 with the exception of Bulgari Hotels and Resorts B.V. The latter was valued at cost because it is not yet operational.

Consolidated businesses are shown clearly in Table 1, "Fully consolidated subsidiaries," which is an integral part of these Notes. Table 5 shows the changes to the field of consolidation. In particular, since 31 December 2001, the companies Bulgari Saint Barth S.a.S. and Bulgari (Luxembourg) S.A. have been consolidated, the latter having been valued at cost as of 31 December 2001. On 30 June 2001, in addition to the companies just mentioned, the companies Bulgari Korea Ltd. and Bulgari Collection Internationale S.A. were consolidated.

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.

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 of the date of acquisition of the assets acquired, is accounted for directly by increasing the current 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.
- Unrealised profits and losses arising from inter-company transactions are eliminated, 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 differences on translation".

Conversion of amounts in the currencies of countries belonging to the single monetary union was carried out using the fixed exchange rates.

The euro exchange rates for those countries not belonging to the monetary union are as follows:

Currency	30/6/2002		31/12/2001		30/6/2001	
	Income Statement	Balance Sheet	Income Statement	Balance Sheet	Income Statement	Balance Sheet
US \$	0.8976	0.9975	0.89550000	0.88130000	0.89800000	0.84800000
JPY	116.2498	118.2000	108.71999600	115.33001106	107.99999136	105.36996977
CHF	1.4693	1.4721	1.51040000	1.48289999	1.53080000	1.52280001
GBP	0.6216	0.6498	0.62180000	0.60850000	0.62350000	0.60310000
SGD	1.6319	1.7586	1.60410000	1.63060000	1.59970000	1.54510000
HKD	7.0011	7.7805	6.98450007	6.87230009	7.00399984	6.61429993
AUD	1.6789	1.7702	1.73199999	1.72800001	1.72190000	1.67350001
MYR	3.4141	3.7687	3.40449998	3.38119997	3.41330001	3.22759996
DKK	7.4330	7.4292	7.44930006	7.43650010	7.45590003	7.44440001
TWD	31.1555	33.2250	30.23000195	31.09000307	29.57999659	29.20599985
KRW	1,156.5019	1,188.3199	1,154.82775744	1,161.54811132	-	-

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 half of 2002, in a manner consistent with their use for the 2001 accounting year and for the first half of 2001.

Intangible assets

Intangible assets are posted at the acquisition cost, including incidental expenses, and are routinely amortised over their expected useful lives, up to a maximum of five years from the date of capitalisation. However, the costs of obtaining leases on shops are amortised over the life of the lease.

Goodwill from the purchase of a firm or a branch is posted it to assets, when a sum is paid for such goodwill, at an amount not greater than the price paid, and is amortised at constant rates over the expected period of use, up to a maximum of 20 years. Should the consolidation of companies acquired during the year reveal a positive difference between the value of the investment and the

shareholders' equity, the value is considered a difference on consolidation and is amortised over a period of use not greater than 20 years.

Intangible long-term assets are written off when their permanent value becomes less than their residual usefulness. The original value is written back in later years, less amortisation, if the reasons for the original write-down are no longer valid.

Tangible assets

Tangible assets are stated at their cost of acquisition or transfer, including any directly-charged incidental expenses.

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.

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 incurred. The cost of improvements is added to the value of the corresponding assets and depreciated over their remaining useful lives.

Financial investments

Investments in unconsolidated companies are valued using the net equity method or at cost if the companies were recently formed. Any risk from losses exceeding net shareholders' equity (equity deficit) of the subsidiaries is shown in the liabilities and net worth under the heading "reserve for risks and charges".

Financial investments consist of security deposits, entered at nominal value, and financial receivables, entered at net realisable value.

Inventories

Inventories are stated at the lower of purchase or production cost or, if lower again, at the probable net realizable value as estimated on the basis of market conditions.

Cost is determined as follows:

- a. stocks of finished goods which are unique are valued individually on the basis of their specific production cost;
- b. all other stocks, 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 adjustment reserve for reductions in the value of the inventories.

Receivables and payables

Receivables are stated at their estimated realisable 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 realised 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 gain or 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 gain or loss is entered in the income statement for the period.

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.

Short term investments

Securities that are not part of financial assets are entered at purchase cost or presumed realisable market value, whichever is lower.

Accrued income and prepaid expenses; accrued liabilities and deferred income

In accordance 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 period. Such provisions reflect a realistic estimate of the charges to be borne on the basis of available information.

Reserve for employee termination indemnities

The reserve for employee termination indemnities reflects accrued compensation due to employees in accordance with current legislation, collective labour agreements and on the basis of the additional contractual benefits provided by companies in the Group. The amount entered in the financial statement reflects the payable(s) due to employees net of advances disbursed to them.

Guarantees and commitments

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

Guarantees and commitments expressed in foreign currencies are shown in their euros equivalent, at the exchange rates prevailing at closing 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.

Revenues and costs

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 assumed profits of subsidiaries as they are consolidated in the Group accounts can be expected to cancel out in later years. Deferred payable tax arising from prior tax losses, when there is a reasonable chance of their recovery, is also provided for. 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 entered at the time they are distributed.

Other information

In order to make the data in the balance sheets for the first six months of 2001 comparable to those for the first six months of 2002, some revenues by geographic area for the first half of 2001 were reclassified (from Japan to Far East, to account for the acquisition of a franchisee in Korea).

Moreover, a reclassification from the item - purchases of "raw materials, parts, consumer goods"- was made to the item - "personnel costs"- and from the item - purchases of "raw materials, parts, consumer goods"- to the item - "cost of services"- because showing these costs in this way was considered more appropriate.

NOTES TO THE BALANCE SHEET

ASSETS

Long-term assets

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

Intangible assets

Net balance as of 30/06/2002: 60,097,000 euros

Net balance as of 31/12/2001: 64,367,000 euros

Net balance as of 30/06/2001: 64,856,000 euros

The composition and movements of intangible assets as of 30 June 2002 were as follows:

Description	Historical cost as of 31/12/01	Deprec. fund	Net value as of 31/12/01	Incr.	Amort.	Other net changes	Historical cost as of 30/06/02	Deprec. fund	Net value as of 30/06/02
Organisation and start-up costs.	2,718	1,594	1,124	290	173	18	3,025	1,766	1,259
Research development and advertising costs	6,352	4,940	1,412	329	560	12	6,729	5,536	1,193
Industrial patents and intellectual property	25,357	16,848	8,509	1,385	3,001	202	26,964	19,869	7,095
Concessions, trademarks and licences	1,779	1,277	502	52	99	3	1,844	1,386	458
Goodwill	12,094	2,165	9,929	-	482	(892)	11,103	2,548	8,555
Accruals and advances	3,939	-	3,939	724	-	(225)	4,438	-	4,438
Other:	12,581	4,042	8,539	-	657	(359)	12,161	4,638	7,523
Deferred charges	12,581	4,042	8,539	-	657	(359)	12,161	4,638	7,523
Difference on consolidation	34,732	4,319	30,413	-	837	-	34,732	5,156	29,576
Total	99,552	35,185	64,367	2,780	5,809	(1,241)	100,996	40,899	60,097

The biggest increases refer to the following items:

- “organisation and start-up costs” concerns Parent Company expenses (281,000 euros) for share capital increase and for costs related to the “Bulgari Hotels & Resorts” project, for consultancy to develop the project itself and to develop the “Brand Standards”.
- “Research, development and advertising costs” includes mainly development costs for Bulgari Parfums S.A. (217,000 euros) and for Bulgari Global Operations S.A. (109,000 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 S.p.A. (787,000 euros), Bulgari Time S.A. (276,000 euros) and Bulgari Global Operations S.A. (218,000 euros).
- “Accruals and advances” includes investments by Bulgari S.p.A. (617,000 euros) for the integrated application software just mentioned and the purchase of dedicated software for personnel management and training, which as of 30 June 2002 was still being implemented.

The net balance of intangible assets also includes the following items:

- “Difference on consolidation” refers to the purchase of the following companies: Bulgari (Hong Kong) Ltd., Century Bright (Wholesale) Ltd., Bulgari (Taiwan) Ltd., Daniel Roth S.A., Gérald Genta S.A. and Manufacture de Haute Horlogerie S.A. (now merged into a single entity called

Daniel Roth et Gérald Genta Haute Horlogerie S.A.) and the purchase of another 49% of Bulgari South Asian Operations Pte Ltd.

- “Goodwill” essentially refers to the purchase of the Waikiki shop in Honolulu from the franchisee Yoshida U.S.A. Inc.
- “Pre-paid expenses” refers mainly to expenses for taking over leases, borne by these companies:
 - Bulgari France S.A., 2,824,000 euros (3,217,000 euros as of 31 December 2001) mainly for the new shop on Avenue Montaigne;
 - Bulgari Corporation of America Inc., 2,207,000 euros (2,594,000 euros as of 31 December 2001) for the new shops in Los Angeles and at Ala Moana in Hawaii;
 - Bulgari (U.K.) Ltd., 819,000 euros (896,000 euros as of 31 December 2001);
 - Bulgari Italia S.p.A., 691,000 euros (747,000 euros as of 31 December 2001) essentially for the shops in Naples and Bologna;
 - Bulgari (Deutschland) GmbH, 552,000 euros (618,000 euros as of 31 December 2001) essentially for the shops in Berlin and Cologne;
 - Bulgari Saint Barth S.a.S., 296,000 euros (326,000 euros as of 31 December 2001) for the new shop in Saint Barthelemy – Caribbean.

The column "other net changes" includes essentially the net differences on currency conversion due to exchange-rate fluctuations.

Tangible assets

Net balance as of 30/06/2002: 90,443,000 euros

Net balance as of 31/12/2001: 96,173,000 euros

Net balance as of 30/06/2001: 95,111,000 euros

The breakdown of tangible assets and related changes during the period is shown below:

Description	Historic cost as of 31/12/2001	Deprec. fund 2,037	Net value as of 31/12/2001 6,299	Purchases 38	Sales -	Deprec. 128	Other net changes 4	Historic cost as of 30/06/2002 8,378	Deprec. fund 2,165	Net balance as of 30/06/2002 6,213
Land and buildings	8,336	2,037	6,299	38	-	128	4	8,378	2,165	6,213
Plant and machinery	8,785	6,607	2,178	121	-	403	(157)	7,897	6,158	1,739
Industrial and commercial equipment	8,876	5,369	3,507	306	36	603	99	9,638	6,365	3,273
Other assets, including:	178,965	97,765	81,200	7,764	520	12,283	(1,590)	181,366	106,795	74,571
- furniture, office equipment and furnishings	65,804	41,548	24,256	3,308	138	6,280	(1,297)	66,730	46,881	19,849
- motor vehicles	589	331	258	-	21	58	-	541	362	179
- aircraft	5,550	719	4,831	-	-	255	6	5,556	974	4,582
- improvements to rented premises	107,022	55,167	51,855	4,456	361	5,690	(299)	108,539	58,578	49,961
Accruals and advances	2,989	-	2,989	3,730	-	-	(2,072)	4,647	-	4,647
Total	207,951	111,778	96,173	11,959	556	13,417	(3,716)	211,926	121,483	90,443

The depreciation shown above was charged on a straight-line basis, on the basis of rates reflecting 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	15-20
Furniture, office machinery and fittings	12-20
Vehicles	25
Aircraft (engine and avionics)	33.33
Aircraft (other)	3.33

Improvements to rented premises are stated at cost and amortised over the remaining period of the lease or the likely useful life, whichever is the lower.

The item "Land and buildings" includes buildings belonging to Bulgari Italia S.p.A. and to Daniel Roth et Gérald Genta Haute Horlogerie S.A.

The biggest increases were posted in the following items:

- "Industrial and commercial equipment" which includes investments by Bulgari Parfums S.A. (233,000 euros);
- "Furniture, office machinery and furnishings" and "improvements to rented premises" which refer mainly to the following new or renovated shops: Tokyo - Ginza; Ala Moana - Hawaii; Saint Barthelemy; Palm Beach; as well as administrative and corporate offices of the Parent Company and renovation of the offices of other companies of the Group. This item also includes an increase of 238,000 euros for Bulgari Global Operational S.A. to arrange a display space to present models of watches, jewellery and accessories at the Fair of Geneva. The investments in these booths are routinely depreciated over a presumed useful life of three years. However, at the end of the first half of 2002, some values were written down in advance, following a decision to move the display space to a different location next year. The investments of the Company also include 972,000 euros for window displays for third-party distribution of BVLGARI products.
- "Accruals and advances" includes mainly the work by Bulgari Corporation of America Inc. to renovate the shop in Los Angeles (3,464,000 euros).

The column "other net changes" includes the write-down of tangible assets, as mentioned above, and differences on currency conversion due to exchange-rate fluctuations.

Long-term investments

Investment in subsidiaries

Balance as of 30/06/2002: 345,000 euros

Balance as of 31/12/2001: 100,000 euros

Balance as of 30/06/2001: zero

The item includes only the value of the stake in Bulgari Hotels and Resorts B.V.; valued using the cost method. The amount as of 31 December 2001 referred to the investment in Bulgari (Luxembourg) S.A., valued using the cost method because the company has only just been started. This investment was fully consolidated as of 30 June 2002.

Investments in other businesses

Balance as of 30/06/2002: 12,104,000 euros

Balance as of 31/12/2001: 10,410,000 euros

Balance as of 30/06/2001: 4,300,000 euros

This item, as in previous periods, includes only the value of the stake in Opera Participations S.c.a., valued using the cost method.

Other receivables

Balance at 30/06/2002 receivables due within one year amounting to 127,000 euros
 Balance at 31/12/2001 receivables due within one year amounting to 89,000 euros
 Balance at 30/06/2001 receivables due within one year amounting to 256,000 euros
 Balance at 30/06/2002 receivables due after one year amounting to 12,927,000 euros
 Balance at 31/12/2001 receivables due after one year amounting to 13,142,000 euros
 Balance at 30/06/2001 receivables due after one year amounting to 13,610,000 euros

“Receivables due after one year ” include mainly guarantee deposits worth 8,198,000 euros. The largest of these, 6,005,000 euros refers to the deposit on leased premises for the subsidiary Bulgari Japan Ltd. in Tokyo (6,155,000 euros as of 31 December 2001).

Current assets***Inventories***

Net balance as of 30/06/2002: 531,414,000 euros
 Net balance as of 31/12/2001: 547,528,000 euros
 Net balance as of 30/06/2001: 569,101,000 euros

The breakdown of stocks is shown below.

Description	Gross value	Reserve for obsolescence	Net balance 30/06/2002	Net balance 31/12/2001
Raw materials	25,239	-	25,239	22,821
Parts and semi-finished goods	156,730	7,149	149,581	135,785
Work in progress	3,881	-	3,881	1,349
Packaging	10,833	-	10,833	10,523
Finished products	367,208	25,328	341,880	377,050
Total	563,891	32,477	531,414	547,528

Inventory levels decreased by 16,114,000 euros compared to 31 December 2001 and by 37,687,000 euros compared to 30 June 2001. This showed the effectiveness of the initiatives undertaken by the Group to contain this component of invested capital, in spite of a difficult market.

The reserve for obsolescence, to align the inventory with its presumed realisable value, went from 25,587,000 euros to 32,477,000 euros.

As of 30 June 2002, assets belonging to the Group in third-party inventories, on approval and under contract, totalled 3,272,000 euros (12,470,000 euros as of 31 December 2001).

Receivables**Trade receivables**

Net balance as of 30/06/2002: 109,820,000 euros
 Net balance as of 31/12/2001: 123,870,000 euros
 Net balance as of 30/06/2001: 114,788,000 euros

The breakdown of trade receivables is shown below.

Description	Due within one year	Due after one year	Total receivables as of 30/06/2002	Write-down reserve 30/06/2002	Net balance as of 30/06/2002	Net balance as of 31/12/2001
Retail customers and distributors	101,735	-	101,735	2,994	98,741	112,895
Franchisees	11,688	-	11,688	609	11,079	10,975
Total	113,423	-	113,423	3,603	109,820	123,870

Trade receivables are net of the related write-down reserve of 3,603,000 euros (4,926,000 euros as of 31 December 2001). The total in the reserve aligns the nominal value of the receivables with their likely realisable value.

Other receivables

Balance at 30/06/2002 other receivables due within one year 38,231,000 euros
Balance at 31/12/2001 other receivables due within one year 51,379,000 euros
Balance at 30/06/2001 other receivables due within one year 58,934,000 euros
Balance at 30/06/2002 other receivables due after one year 41,267,000 euros
Balance at 31/12/2001 other receivables due after one year 42,651,000 euros
Balance at 30/06/2001 other receivables due after one year 42,178,000 euros

This category includes:

Description	Balance as of 30/06/2002	Balance as of 31/12/2001
Receivables from tax authorities	32,829	48,408
Sundry receivables	5,401	2,971
Total other receivables due within one year	38,231	51,379
Receivables from tax authorities	11,882	12,836
Sundry receivables	29,385	29,815
Total other receivables due after 12 months	41,267	42,651

“Receivables from tax authorities due within 12 months”, 32,829,000 euros, consist mainly of Value Added Tax (VAT) and sales tax credits. They refer to:

- Bulgari Italia S.p.A., 10,237,000 euros (9,926,000 euros as of 31 December 2001); Bulgari S.p.A. 2,903,000 euros (2,511,000 euros as of 31 December 2001) for 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 Article 73, Presidential Decree No. 633/72 and Article 3 of Ministerial Decree of 31 December 1979; Bulgari Gioielli S.p.A., 4,695,000 euros (4,853,000 euros as of 31 December 2001); Bulgari España S.A. Unipersonal, 1,169,000 euros and Bulgari France S.A., 1,032,000 euros;
- owed to the Swiss companies, 5,126,000 euros (8,363,000 euros as of 31 December 2001).

This item also includes 2,793,000 euros owed to the Parent Company for Corporate Income Tax credits and credits for foreign taxes paid, and 4,028,000 euros owed to Bulgari International Corporation B.V. for taxes withheld on dividends distributed by its subsidiaries Bulgari Time S.A. and Bulgari S.A. This tax withholding has a counterpart under the heading "Payable to tax authorities" in an equal amount. That was paid to the tax authority and then collected in July 2002.

The item “sundry receivables due within one year” includes advance payments worth 1,405,000 euros by Bulgari France S.A and 1,327,000 euros by Bulgari Time S.A.

“Receivable from tax authorities after one year” includes principally VAT tax credits payable to Bulgari S.p.A., in addition to due interest, for 11,882,000 euros.

“Other receivables due after one year” includes 29,273,000 euros for deferred taxes (29,701,000 euros as of 31 December 2001), relating mainly to the elimination of inter-company profits.

Short term investments

Treasury shares

Balance as of 30/06/2002: 3,469,000 euros

Balance at 31/12/2001 zero

Balance at 30/06/2001 zero

During the first half 2002, 545,313 shares were purchased at an average unit price of 6.5079 euros, for a total of 3,549,000 euros. At the end of the period and in view of the movement of the stock on the market, the shares were valued at the reference market price for the month of June 2002 of 6.361 euros. A write-down of 80,000 euros was made. After that date, the stock dropped further, settling at about 4.5 euros in early September 2002.

Cash and bank balances

Balance as of 30/06/2002: 25,145,000 euros

Balance as of 31/12/2001: 47,911,000 euros

Balance as of 30/06/2001: 34,499,000 euros

The breakdown of cash and bank balances is shown below.

Description	Balance as of 30/06/2002	Balance as of 31/12/2001
Bank and postal deposits	23,234	44,923
Cash and cheques on hand	1,911	2,988
Total cash and bank balances	25,145	47,911

The interest rates applied by the banks as of 30 June 2002, on current account transactions in the various currencies averaged about 1.0 %.

Accrued income and prepaid expenses

Balance as of 30/06/2002: 4,319,000 euros

Balance as of 31/12/2001: 5,538,000 euros

Balance as of 30/06/2001: 9,934,000 euros

A breakdown of this item is given below:

Description	Balance as of 30/06/2002	Balance as of 31/12/2001
Total accrued income	391	385
Prepaid insurance premiums	1,084	1,730
Prepayments on rented premises	1,480	1,569
Other	1,364	1,854
Total prepaid expenses	3,928	5,153
Total accrued income and prepaid expenses	4,319	5,538

LIABILITIES AND SHAREHOLDERS' EQUITY

Shareholders' Equity

Share capital

Balance as of 30/06/2002: 20,715,000 euros

Balance as of 31/12/2001: 20,715,000 euros

Balance as of 30/06/2001: 20,548,000 euros

On 30 June 2002, the authorised share capital of the Parent Company, fully subscribed and paid up, totalled 20,715,000 euros, unchanged from 31 December 2001.

Thus as of 30 June 2002 the share capital consisted of 295,930,920 shares with a nominal value of 0.07 euros each.

Share premium reserve

Balance as of 30/06/2002: 109,296,000 euros

Balance as of 31/12/2001: 112,765,000 euros

Balance as of 30/06/2001: 100,622,000 euros

As of 30 June 2002 the share-premiums reserve decreased by 3,469,000 euros compared to the closure of the previous period.

A set-aside of that amount to establish a reserve for treasury shares accounted for the decrease.

Legal reserve

Balance as of 30/06/2002: 5,762,000 euros

Balance as of 31/12/2001: 5,762,000 euros

Balance as of 30/06/2001: 5,762,000 euros

As of 30 June 2002 the legal reserve, 5,762,000 euros, was unchanged from the amount shown in the financial statement as of 31 December 2001.

Reserve for treasury stock

Balance as of 30/06/2002: 3,469,000 euros

Balance at 31/12/2001 zero

Balance at 30/06/2001 zero

The reserve for treasury shares was 3,469,000 euros as of 30 June 2002. This reserve was established pursuant to Article 2357 ter of the Italian Civil Code. It refers to the purchase of 545,313 treasury shares in several tranches during the month of June 2002 for a total of 3,549,000 euros. At the end of the period and in view of the movement of the stock on the market, the shares were valued at the reference market price for the month of June 2002 of 6.361 euros. A write-down of 80,000 euros was made, and the reserve for treasury shares was updated.

The portion of authorised share capital held as of 30 June 2002 totalled 38,000 euros (0.002%).

Other reserves

Balance as of 30/06/2002: 25,899,000 euros

Balance as of 31/12/2001: 15,128,000 euros

Balance as of 30/06/2001: 1,577,000 euros

The composition of this item as of 30 June 2002 is the following:

Description	30/06/2002	31/12/2001
1. Extraordinary reserve	28	28
2. Taxed reserve 1983	145	145
3. Reserve for gains on assets contributed (Law No. 576/1975)	1,933	1,933
4. Reserve for differences on translation	23,793	13,022
Total	25,899	15,128

The reserve for differences on translation 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 of 30/06/2002: 9,185,000 euros
Balance as of 31/12/2001: 10,607,000 euros
Balance as of 30/06/2001: 11,983,000 euros

This item represents the portion of the Group's net book assets attributable to minority shareholders. It refers to Bulgari Japan Ltd. of which the Group holds 80%, and to Bulgari (Hong Kong) Ltd., Century Bright (Wholesale) Ltd., Bulgari (Taiwan) Ltd. and Bulgari Korea Ltd., which are 51%-owned.

Reconciliation of Parent Company shareholders' equity and Group shareholders' equity in the Consolidated Financial Statements

A summary reconciliation of Parent Company and consolidated profits and balance sheets as of 30 June 2002 and as of 31 December 2001 is set out in Table 4.

Reserves for risks and charges

Balance as of 30/06/2002: 10,305,000 euros
Balance as of 31/12/2001: 10,469,000 euros
Balance as of 30/06/2001: 9,345,000 euros

As of 30 June 2002 this item had changed as shown below:

Description	Balance as of 31/12/2001	Set aside	Used	Other changes	Balance as of 30/06/2002
Reserve for taxes	10,266	105	215	(73)	10,083
- Reserve for taxes	2,957	105	132	(115)	2,815
- Reserve for deferred taxes	7,309	-	83	42	7,268
Other reserves:	203	27	-	(8)	222
- Other reserves	203	27	-	(8)	222
Total	10,469	132	215	(81)	10,305

The reserve for tax claims includes mainly:

- 966,000 euros set aside as a precaution following notification of audit adjustments to the Parent Company income tax returns for 1988, 1989 and 1990. The amounts prudently set aside include the total maximum tax claimed, sanctions imposed and interest due on 30 June 2002. Appeals

are pending before the Rome Tax Commission relating to the reviews of tax returns for 1988, 1989 and 1990. The reserve also includes a prudent provision made after a fiscal check during this period of accounting years 2000 and 2001.

- 835,000 euros set aside as a precaution for tax audits of Bulgari (Deutschland) GmbH for the years, 1990, 1991 and 1992. The reserve also includes a set-aside made as a result of verification activity for tax years 1996 to 2001 concerning employee incomes.

The company has appealed the findings in the notifications for the 1990 and 1991.

- 459,000 euros set aside as a precaution for indirect taxes on Bulgari Parfums USA Inc. for 1995 – 2000.
- 476,000 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.

The reserve for deferred taxes, 7,268,000 euros (7,309,000 euros as of 31 December 2001) refers to the share of taxes for the period, payment of which was postponed to later years through provisions, relating to reserves for stocks and anticipated depreciation, implemented by some Group companies solely for tax purposes.

Reserve for employee termination indemnities

Balance as of 30/06/2002: 8,198,000 euros

Balance as of 31/12/2001: 7,673,000 euros

Balance as of 30/06/2001: 6,562,000 euros

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

Description	Balance as of 31/12/2001	Set-aside	Other changes and uses	Balance as of 30/06/2002
Reserve	8,606	1,022	(444)	9,184
Advance payments	(933)	-	(53)	(986)
Net reserve	7,673	1,022	(497)	8,198

Payables

Bonds

Balance as of 30 June 2002 for bonds due after 12 months: 100,000,000 euros

Balance as of 31 December 2001 for bonds due after 12 months: 100,000,000 euros

Balance as of 30 June 2001 for bonds due after 12 months: 100,000,000 euros

This item, which shows no change compared with the balance as of 31 December 2001, amounts to 100,000,000 Euros, and includes the debt relating to the debenture loan, of the same nominal value, issued on 5 December 2000 and due on 5 December 2003, at the Euribor interest rate at 6 months + 0.50%. The issue price was 99.862% of the nominal value. The issue discount and the additional costs incurred in placement are shared out and allotted to the income statement on the basis of the length of the loan.

Bank overdraft and borrowings

Balance as at 30 June 2002: 189,880,000 euros

Balance as at 31 December 2001: 224,799,000 euros

Balance as at 30 June 2001: 215,207,000 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 30/06/2002	Balance as at 31/12/2001
Bank overdrafts	5,858	-	-	5,858	16,345
Secured loans	92,822	1,069	-	93,891	97,754
Unsecured loans	55,905	34,227	-	90,132	110,700
Total	154,585	35,295	-	189,880	224,799

"Secured loans" due within one year refer mainly to Bulgari Corporation of America Inc., 58,444,000 euros, Bulgari Global Operations S.A., 15,000,000 euros, Bulgari France S.A., 4,999,000 euros, Bulgari Parfums USA Inc., 4,812,000 euros, and Bulgari Espana S.A. Unipersonal, 4,667,000 euros.

"Secured loans" also include a loan of 1,227,000 euros, distributed in successive stages, to the Parent Company from Simest S.p.A., with the help of a bank guarantee payable in half-yearly installments. The subsidised rate applied to the loan is 2.46% APR and its last payment is due 27 May 2005.

"secured loans" due within one year, of 55,905,000 euros, refer mainly to Bulgari Japan Ltd. for 36,379,000 euros, Bulgari South Asian Operations Pte Ltd., 6,767,000 euros, Bulgari (Deutschland) GmbH, 5,600,000 euros and Bulgari France S.A., 5,000,000 euros.

"Unsecured loans" due in one to five years refer primarily to Bulgari Japan Ltd., for 33,841,000 euros. A letter of patronage has been issued by the Parent Company for these loans.

Short-term lines of credit total approximately 400 million euros as of 30 June 2002, while those on hedging term contracts totalled approximately 900 million euros, of which some 200 million euros were in use on that date. In addition to the above, there are approximately 55 million US dollars of "committed credit line" for an average duration of around one year, completely utilised, and around 5,000 million yen in lines of credit for long-term loans for an average duration of about 4 years, of which 80% has been utilised.

Payables to other financial bodies

Balance as of 30 June 2002 for debts due within 12 months: 1,001,000 euros

Balance as of 31 December 2001 for debts due within 12 months: 1,070,000 euros

Balance as of 30 June 2001 for debts due within 12 months: 4,939,000 euros

Balance as of 30 June 2002 for debts due after 12 months: 5,668,000 euros

Balance as of 31 December 2001 for debts due after 12 months: 6,417,000 euros

Balance as of 30 June 2001 for debts due after 12 months: zero

The item consists mainly of loans due within 12 months from Bulgari (Taiwan) Ltd. for 1,001,000 euros, granted by Castlereagh Ltd. and loans due after 12 months from Bulgari (Hong Kong) Ltd. for 5,668,000 euros, granted by the Dickson Concepts Group (Retail) Ltd.

Trade payables

Balance as at 30 June 2002: 89,753,000 euros

Balance as at 31 December 2001: 118,879,000 euros

Balance as at 30 June 2001: 179,020,000 euros

The item "Trade Payables" is 89,753,000 euros (118,879,000 euros as of 31 December 2001).

The decrease of 29,126,000 euros is linked to the slow-down in production consequent on the tragic events of 11 September 2001, whose effects are still evident in the market, as well as to the Group's aims of containing stocks.

Taxes payable

Balance as at 30 June 2002: 14,328,000 euros

Balance as at 31 December 2001: 32,645,000 euros

Balance as at 30 June 2001: 32,708,000 euros

The breakdown of current tax liabilities (net of payment on account during the period) is shown below.

Description	Due within 12 months	Due after 12 months	Balance as of 30/06/2002	Balance as of 31/12/2001
Due to tax authorities	8,107	-	8,107	20,305
Net taxes payable	6,222	-	6,221	12,340
Total	14,328	-	14,328	32,645

The item "Payables to tax authorities" includes mainly 4,028, 000 euros of payables for withholding of taxes on dividends paid out by Bulgari Time S.A. and Bulgari S.A. to the controlling company Bulgari International Corporation B.V., as previously illustrated. The item also includes payables for indirect taxes, IRPEF (personal income tax withholding) and similar taxes.

The item "net taxes payable" comprises primarily income tax due, net of payments on account, of 4,633, 000 euros.

Other payables

Balance as of 30 June 2002 for other payables due within 12 months: 12,827,000 euros
 Balance as of 31 December 2001 for other payables due within 12 months: 12,992,000 euros
 Balance as of 30 June 2001 for other payables due within 12 months: 19,300,000 euros
 Balance as of 30 June 2002 for other payables due after 12 months: 3,057,000 euros
 Balance as of 31 December 2001 for other payables due after 12 months: 3,035,000 euros
 Balance as of 30 June 2001 for other payables due after 12 months: 2,954,000 euros

The breakdown of the item "Other payables" is shown below:

Description	Due within 12 months	Due after 12 months	Balance as of 30/06/2002	Balance as of 31/12/2001
Due to personnel	10,961	-	10,961	11,020
Due to shareholders	142	-	142	140
Other payables	1,724	3,057	4,782	4,867
Total	12,827	3,057	15,884	16,027

The amounts "Due to personnel" payable within 12 months mainly reflect 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" represents dividends released for payment but not yet liquidated.

The item "Other payables due within 12 months" includes the amount of 731,000 euros payable by Bulgari Italia S.p.A., relating to existing litigation over premises (cellars) in Rome; the company has filed an appeal against the first level resolution by the Court of Rome. The item also includes 455,000 euros payable by Bulgari S.p.A. in fees owed to members of the Board of Directors of the Parent Company.

"Other payables due after 12 months" refers to the amount of 3,057,000 euros payable by Bulgari International Corporation N.V. relating to the purchase of Daniel Roth S.A., Gérald Genta S.A. and Manufacture de Haute Horlogerie S.A. (now merged into one company called Daniel Roth et Gérald Genta Haute Horlogerie S.A.).

Accrued expenses and deferred income

Balance as of 30 June 2002: 1,799, 000 euros

Balance as of 31 December 2001: 1,596,000 euros

Balance as of 30 June 2001: 1,667,000 euros

The breakdown of this item as of 30 June 2002 is as follows:

Description	Balance as of 30/06/2002	Balance as of 31/12/2001
Deferred income	159	66
Accrued expenses for interests on loans	556	499
Other accrued expenses	1,084	1,031
Total accrued expenses	1,640	1,530
Total accrued expenses and deferred income	1,799	1,596

In "Other accrued expenses" of 1,084,000 euros, 619,000 euros refers to Bulgari S.p.A. for accrued expenses for the period for interest on the bonded loan for 100,000,000 euros and for premiums payable calculated on hedging transactions on the interest rate for the above bonded loan.

CONTINGENT LIABILITIES AND GUARANTEES

Balance as of 31 June 2002: 469,037,000 euros

Balance as of 31 December 2001: 432,534,000 euros

Balance as of 30 June 2001: 508,522,000 euros

This item includes guarantees given on bank loans and other liabilities, and other commitments of the Group towards third parties.

As of 30 June 2002, these items were as follows:

Description	Balance as of 30/06/2002	Balance as of 31/12/2001
Rents and leases	198,447	201,471
Guarantees given	4,750	-
Guarantees received:		
from third parties	15,358	16,476
Other:		
Factoring	80,17	80,33
Futures contracts	206,899	171,537
Third party assets	35,566	35,017
Total	469,037	432,534

Commitments for rents and leases relate, for 193,976,000 euros (198,516,000 euros as of 31 December 2001) to commitments on rented premises and represent the total of future payments due to the leasing companies over the remaining terms of the contracts.

"Guarantees received" include a guarantee of 1,431,000 euros given by Credit Institutions in favour of Bulgari S.p.A. which was disbursed by Simest S.p.A..

The item also includes the guarantees received 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 5,032,000 euros.

Commitments to factoring companies relate to receivables sold with recourse.

"Futures contracts" commitments refer to hedging transactions.

"Third party assets" refers primarily to valuable assets held in custody by Bulgari Corporation of America Inc. for 19,095,000 euros, by Bulgari Italia S.p.A. for 12,493,000 euros and by Bulgari Gioielli S.p.A. for 3,978,000 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 half of 2002: 338,316,000 euros

Amount for the first half of 2001: 358,810,000 euros

Amount for the 2001 accounting year: 766,104,000 euros

A breakdown of Revenues from sales and services as of 30 June 2002, compared to the first half of 2001, is given below:

Description	30/06/2002	30/06/2001
Revenues from sale of assets	330,686	350,595
Services	3,603	3,374
Royalties	4,027	4,841
Total	338,316	358,810

The item "Services" largely comprises revenues relating to Opera Management S.A., consolidated with the proportional method at 30 June 2002.

The sub-division of revenues by product-type and by geographic area has already been commented on in the Financial Administration Report.

Other revenues and income

Amount for the first half of 2002: 3,138,000 euros

Amount for the first half of 2001: 4,966,000 euros

Amount for the 2001 accounting year: 10,305,000 euros

"Other revenues and incomes" totalling 3,138,000 euros mainly includes adjustments for costs estimated in the previous financial period, insurance refunds and discounts from suppliers.

Costs of production

Purchases of raw materials and finished goods

Amount for the first half of 2002: 99,461,000 euros

Amount for the first half of 2001: 173,369,000 euros

Amount for the 2001 accounting year: 267,782,000 euros

"Purchases of raw materials and finished goods" totals 99,461,000 euros compared with 173,369,000 euros for the first half of 2001. The decrease in these costs is due to the drastic reduction in purchases effected with the aim of reducing warehouse stocks.

Cost of services

Amount for the first half of 2002: 92,192,000 euros

Amount for the first half of 2001: 133,370,000 euros

Amount for the 2001 accounting year: 264,340,000 euros

A breakdown of this item is given below:

Description	30/06/2002	30/06/2001
Variable sales expenses	11,320	12,298
Production and administrative expenses	43,963	75,913
Fees paid to Directors and Statutory Auditors	1,437	1,747
Advertising and promotion expenses	33,559	41,577
Services to customers	1,913	1,835
Total	92,192	133,370

"Variable selling expenses" mainly consists of commissions on credit cards totalling 1,876,000 euros (2,084,000 euros as of 30 June 2001), product transport costs totalling 3,234,000 euros (3,607,000 euros as of 30 June 2001) and commissions paid to agents for the sale of perfumery totalling 2,505,000 euros (2,480,000 euros as of 30 June 2001).

"Production and administration expenses" mainly comprises costs for outside work of 23,624,000 euros (49,857,000 euros as at 30 June 2001), employee travelling expenses, including training-course expenses, reimbursed to employees, totalling 5,919,000 euros (7,317,000 euros as of 30 June 2001), professional consulting fees totalling 4,879,000 euros (8,398,000 euros as of 30 June 2001), utilities totalling 1,694,000 euros (1,777,000 euros as of 30 June 2001), maintenance costs totalling 1,552,000 euros (1,758,000 euros as of 30 June 2001), insurance expenses totalling 1,584,000 euros (790,000 euros as of 30 June 2001), cost of defending trade marks totalling 708,000 euros (826,000 euros as of 30 June 2001) and training costs totalling 1,141,000 euros (1,500,000 euros as of 30 June 2001).

"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, and includes any further fees paid to them by other companies in the consolidated Group. The fees concerned are as follows:

- Board of Directors: 1,369,000 euros
- Audit Committee: 68,000 euros.

The decrease in Advertising and Promotion is due to the policy of cost containment adopted by the Group for 2002.

Rental and lease payments

Amount for the first half of 2002: 19,508,000 euros

Amount for the first half of 2001: 16,641,000 euros

Amount for the 2001 accounting year: 36,452,000 euros

This item totalled 19,508,000 euros (16,641,000 euros in the first half of 2001) and consists mainly of rentals on premises used by the Group companies for the performance of their business, for an amount of 18,133,000 euros (14,863,000 euros as of 30 June 2001). The increase, compared with the previous year, is largely due to rentals for newly-opened shops.

Personnel costs

Amount for the first half of 2002: 60,794,000 euros

Amount for the first half of 2001: 55,654,000 euros

Amount for the 2001 accounting year: 120,192,000 euros

The break-down of personnel costs is given in the income statement. It should also be noted that the increase in personnel costs is mainly due to the rise in the average number of employees.

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	30/06/2002	30/06/2001	31/12/2001
Senior Managers and Executives	399	348	378
Staff	1,325	1,184	1,244
Manual workers and others	118	139	129
Total	1,842	1,671	1,751

The total average number of employees in the Group as at 30 June 2002 was 1,842 (1,671 in the first half of 2001). It should be noted that the increase in personnel costs (+9,2%) is due both to the increase in the average number of employees (+10,2%) and to the increase in remuneration paid.

The average number was calculated by totalling the number of employees at the beginning and end of the period and dividing by two.

The item Senior Managers and Executives includes also personnel whose professional qualifications classify them as "Managers" in foreign companies.

Amortisation and depreciation

Amortisation

Amount for the first half of 2002: 19,226,000 euros

Amount for the first half of 2001: 16,899,000 euros

Amount for the 2001 accounting year: 38,856,000 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 amortisation of intangible assets of 370,000 euros compared to last year is due to expenses for taking over the leases of new shops, for an amount of 323,000 euros.

The increase of 1,975,000 euros in the item "Amortisation of other tangible assets" as of 30 June 2002 compared with 31 December 2001, is largely due to greater investment in renovation of rented premises.

Depreciation

Amount for the first half of 2002: 1,129,000 euros

Amount for the first half of 2001: 1,586,000 euros

Amount for the 2001 accounting year: 3,304,000 euros

The item comprises primarily the accelerated depreciation of some tangible assets, as already illustrated in the comments on "tangible assets"

Other operating expenses

Amount for the first half of 2002: 9,900,000 euros

Amount for the first half of 2001: 7,180,000 euros

Amount for the 2001 accounting year: 18,857,000 euros

Other operating expenses total 9,900,000 euros (7,180,000 euros as of 30 June 2001). These consist of general and administrative expenses of 5,532,000 euros (4,458,000 euros as of 30 June 2001), vehicle operating expenses of 302,000 euros (308,000 euros as of 30 June 2001), taxes and duties other than income tax of 1,948,000 euros (617,000 euros as of 30 June 2001), other operating costs of 2,032,000 euros (1,477,000 euros as of 30 June 2001) and legal expenses of 157,000 euros (320,000 euros as of 30 June 2001).

Financial income and expenses

Interest income

Amount for the first half of 2002: 33,955,000 euros

Amount for the first half of 2001: 33,229,000 euros

Amount for the 2001 accounting year: 52,059,000 euros

This item can be broken down as follows:

Description	30/06/2002	30/06/2001
Interest income	2,518	3,848
Gains on foreign exchange	30,421	27,792
Other financial income	1,016	1,589
Total	33,955	33,229

"Interest income" includes premiums earned on treasury swaps and foreign exchange hedging transactions amounting to 2,219,000 euros.

The net value of "gains on foreign exchange" as of 30 June 2002 was 1,319,000 euros (3,813,000 euros as of 30 June 2001). This difference corresponds to net exchange gains of 30,421,000 euros and exchange losses of 29,102,000 euros. This entry, in compliance with accounting principle No. 26 ("Foreign currency transactions and entries") of the National Council of Accountants, includes only gains/losses on exchange deriving from activities of a financial nature, while gains/losses on exchange correlated with foreign exchange hedging transactions of a commercial nature (correlated with the issue of orders/invoices) have been classified within the item "costs of raw materials, parts and consumer goods"

The item "Other financial income" mainly comprises cash rebates and discounts from suppliers.

Financial expenses

Amount for the first half of 2002: 37,898,000 euros

Amount for the first half of 2001: 35,124,000 euros

Amount for the 2001 accounting year: 55,140,000 euros

This item is made up as follows:

Description	30/06/2002	30/06/2001
Interest on borrowings due within 12 months	5,118	7,409
Interest on borrowings due after 12 months	2,190	2,826
Other interest expenses	1,488	910
Losses on foreign exchange	29,102	23,963
Provision for exchange losses	-	16
Total	37,898	35,124

"Interest on borrowings due within 12 months" comprises also premiums paid on treasury swaps and on foreign exchange hedging transactions amounting to 2,719,000 euros.

"Interest on borrowings due after 12 months" mainly comprises interest on bonded loans amounting to 1,901,000 euros.

"Other interest expenses" mainly comprise commissions to banks, as well as rebates and cash discounts to customers.

The net negative balance in the interest item, amounting to 4,790,000 euros (6,387,000 euros as of 30 June 2001) decreased by 1,598,000 euros due to interest rates being on average lower, and to reduced short-term indebtedness.

Extraordinary expenses

Amount for the first half of 2002: 2,692,000 euros

Amount for the first half of 2001: 5,204,000 euros

Amount for the 2001 accounting year: 12,216,000 euros

This item totals 2,692,000 euros (5,204,000 euros in the first half of 2001) and is mainly due to expenses of 1,229,000 euros relating to previous accounting periods, for which estimates of expenses at the end of 2001 were not complete, and expenses of 1,463,000 euros due to other extraordinary expenses.

In particular, the amount of expenses relating to previous accounting periods refers mainly to an amount of 411,000 euros relating to Bulgari Time S.A., an amount of 154,000 euros relating to Bulgari Parfums S.A., and an amount of 149,000 euros relating to Bulgari S.p.A.. The other extraordinary expenses refer primarily to an amount of 898,000 euros relating to Bulgari S.p.A. for non-deductible unrecoverable foreign taxes.

Income taxes

Amount for the first half of 2002: 3,391,000 euros

Amount for the first half of 2001: 5,335,000 euros

Amount for the 2001 accounting year: 16,586,000 euros

This item consists of the estimate of the income taxes for the period and was calculated on the expected tax rate for the end of the accounting period.

The total income tax amounted to 3,391,000 euros (5,335,000 euros in the first half of 2001) and included:

- a) Taxes for the period totalling 3,842,000 euros (11,739,000 euros in the first half of 2001);
- b) An utilisation of deferred taxes payable for the period totalling 74,000 euros.
- c) A provision for deferred taxes due, net of utilisation, totalling 377,000 euros, relating to the cancellation of intra-group profits still to be realised on unsold goods.

The average tax rate of the Group was 15.03 % (9.97 % in the first half of 2001). This average rate is positively influenced by the taxation applicable to Swiss companies.

Profits to minority shareholders

Amount for the first half of 2002: 401,000 euros

Amount for the first half of 2001: 2,075,000 euros

Amount for the 2001 accounting year: 3,798,000 euros

This item shows minority shareholders' share in the profits of Bulgari Japan Ltd., 80% owned by the Group, and Bulgari (Hong Kong) Ltd., Century Bright (Wholesale) Ltd., Bulgari (Taiwan) Ltd. and Bulgari Korea Ltd., which are 51% owned by the group.

Bulgari S.p.A.

The Chairman

Mr. Paolo Bulgari

Bulgari S.p.A. and Subsidiaries

Table 1

Fully consolidated subsidiaries

Company	% owned 30/06/02	% owned 31/12/01	Currency	Share Capital	Head office	Activity
Bulgari Gioielli S.p.A.	100.00	100.00	Euros	2,580,000	Rome	Jewellery production
Bulgari Italia S.p.A.	100.00	100.00	Euros	12,000,000	Rome	Retail sales
Bulgari International Corporation (BIC) N.V.	100.00	100.00	Euros	18,301,200	Amsterdam	Sub-holding
Bulgari Collection Internationale B.V.	100.00	100.00	SF	823,466	Amsterdam	Precious jewellery
Bulgari Corporation of America Inc.	100.00	100.00	US\$	24,350,000	New York	Retail sales
Bulgari S.A.	100.00	100.00	SFr	600,000	Geneva	Retail sales
Bulgari Time (Switzerland) S.A.	100.00	100.00	SF	1,000,000	Neuchâtel	Watch and accessory production
Bulgari Jewels S.A.	100.00	100.00	SF	5,000,000	Neuchâtel	Jewellery production
Bulgari France S.A.	100.00	100.00	Euros	225,000	Paris	Retail sales
Bulgari Montecarlo S.A.M.	100.00	100.00	Euros	762,245	Montecarlo	Retail sales
Bulgari (Deutschland) GmbH	100.00	100.00	Euros	2,556,459	Munich	Retail sales
Bulgari Japan Ltd.	80.00	80.00	Yen	400,000,000	Tokyo	Retail sales
Bulgari Espana S.A. Unipersonal	100.00	100.00	Euros	4,918,344	Madrid	Retail sales
Bulgari Parfums S.A.	100.00	100.00	SF	1,000,000	Neuchâtel	Perfume production
Bulgari Parfums Italia S.p.A.	100.00	100.00	Euros	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	Euros	9,914,811	Amsterdam	Sub-holding
Bulgari Portugal Acessorios de Luxo Lda.	100.00	100.00	Euros	52,873	Madeira	Sub-holding
Bulgari Asia Ltd.	100.00	100.00	HK\$	12,126,809	Hong Kong	Sub-holding
Bulgari South Asian Operations Pte Ltd.	100.00	100.00	Sg\$	1,000,000	Singapore	Retail sales
Bulgari (UK) Ltd.	100.00	100.00	Lgs	7,700,000	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	Euros	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	100.00	SF	1,000,000	Neuchâtel	Logistic support
Bulgari Operational Services ApS	100.00	100.00	DK	500,000	Copenhagen	Services
Daniel Roth et Gérald Centa Haute Horlogerie S.A.	100.00	100.00	SF	7,100,000	Geneva	Watch production
Bulgari (Hong Kong) Ltd.	51.00	51.00	HK\$	1,000,000	Hong Kong	Retail sales
Century Bright (Wholesale) Ltd.	51.00	51.00	HK\$	100	Hong Kong	Product distribution
Bulgari (Taiwan) Ltd.	51.00	51.00	Twd	9,792,310	Taiwan	Retail sales
Bulgari Korea Ltd.	51.00	51.00	Kwon	4,500,000,000	Seoul	Retail sales
Bulgari Collection Internationale SA	100.00	100.00	SF.	3,000,000	Neuchâtel	Precious jewellery
Bulgari (Luxembourg) SA	100.00	-	Euros	100.00	Luxembourg	Holding relating to the Bulgari Hotels and Resorts project
Bulgari Saint Barth S.a.S.	100.00	-	Euros	40,000	Saint Barthélemy	Retail sales

Companies consolidated by the proportional method

Company	% owned 30/06/02	% owned 31/12/01	Currency	Share Capital	Head office	Activity
Opera Management S.A.	50.00	50.00	Euros	100,000	Luxembourg	Management of shareholdings

Bulgari S.p.A. and Subsidiaries

Table 2

Companies valued by the net equity method

Company	% owned 30/06/02	% owned 31/12/01	Currency	Share Capital	Head office	Activity
Luxlook Ltd. (1)	2.00	2.00	US\$	39,900,000	New York	Internet product distribution

Companies valued by the cost method

Company	% owned 30/06/02	% owned 31/12/01	Currency	Share Capital	Head office	Activity
Opera Participations S.c.a. (2)	11.79	11.79	Euros	1,300,130	Luxembourg	Purchase of shareholdings
Bulgari Hotels & Resorts B.V. (3)	65.00	65.00	Euros	90,000	Amsterdam	Joint-venture with the Marriott Group
Bulgari Milan Hotels Leasing Company S.r.l. (4)	65.00	-	Euros	10,000	Rome	Company relating to the Bulgari Hotels and Resorts proje

(1) Company going into liquidation

(2) 11.79% of total Class A.1. shares in this company are directly owned by Bulgari International Corporation (BIC) N.V. In addition, Opera Management S.A., 50% owned by Bulgari International Corporation (BIC) N.V., holds 100% of the class B.1. shares (the class A.1. shares are preferred in the distribution of dividends, while B.1. shares do not have any preference in dividend distribution, but allow the holders of them to exercise voting resolutions of special importance).

(3) Company owned through Bulgari (Luxembourg) S.A.

(4) 61.75% (95% * 65%) of company indirectly owned through Bulgari Hotels & Resorts and 3.25% directly owned through Bulgari SpA

Bulgari S.p.A. and Subsidiaries

Table 3

Changes in consolidated shareholders' equity

as at 30/06/2002 and 31/12/2001

(amounts in thousands of euros)

	Share Capital	Share premium reserve	Legal reserve	Extraordinary reserve	Taxed reserve	Gains on assets contributed	Treasury shares reserve	Reserve for translation differences	Retained earnings	Net Income	Group shareholders' equity	Minority Interests	Total shareholders' equity
Balances as at 31 December 2000	20,487	96,972	4,143	28	145	1,933	-	2,985	173,255	95,490	395,438	9,569	405,007
Dividends paid	-	-	-	-	-	-	-	-	-	(25,170)	(25,170)	-	(25,170)
Allocation of 2000 income to legal reserve	-	-	1,619	-	-	-	-	-	-	(1,619)	-	-	-
Allocation of 2000 income to retained earnings	-	-	-	-	-	-	-	-	68,701	(68,701)	-	-	-
Increase in share capital due to exercise of options	228	15,793	-	-	-	-	-	-	-	-	16,021	-	16,021
Exchange differences on translation	-	-	-	-	-	-	-	10,037	-	-	10,037	(2,760)	7,277
Net income for the year	-	-	-	-	-	-	-	-	-	68,165	68,165	3,798	71,963
Balances as at 31 December 2001	20,715	112,765	5,762	28	145	1,933	-	13,022	241,956	68,165	464,491	10,607	475,098
Dividends paid	-	-	-	-	-	-	-	-	-	(18,347)	(18,347)	-	(18,347)
Allocation of 2001 income to legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of 2001 income to retained earnings	-	-	-	-	-	-	-	-	49,818	(49,818)	-	-	-
Increase in share capital due to exercise of options	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation to treasury shares reserve for purchases during the period	-	(3,469)	-	-	-	-	3,469	-	-	-	-	-	-
Exchange differences on translation	-	-	-	-	-	-	-	10,771	-	-	10,771	(1,823)	8,948
Net income for the period	-	-	-	-	-	-	-	-	-	22,563	22,563	401	22,964
Balances as at 30 June 2002	20,715	109,296	5,762	28	145	1,933	3,469	23,793	291,774	22,563	479,478	9,185	488,663

Table 4

Reconciliation of Parent Company shareholders' equity and net income
and Group shareholder's equity and net income for consolidated
period

(Amounts in thousands of euros)

Description	Value as of 30 June 2002		Value as of 31 December 2001	
	Shareholders' equity	Net income	Shareholders' equity	Net income
Shareholders' equity and net income as shown in Bulgari S.p.A. financial statements	194,500	15,632	197,215	35,736
1. Elimination of adjustments and provisions made solely for tax purposes				
Effect of accelerated depreciation:				
- Gross	398	(69)	467	271
- Deferred taxes	(144)	39	(183)	(106)
Total	254	(30)	284	165
Effect of excess provisions for doubtful receivables:				
- Gross	-	-	-	(430)
- Deferred taxes	-	-	-	169
Total	-	-	-	(261)
Total	254	(30)	284	(96)
2. Elimination of book values of investments in subsidiaries:				
Difference between book value and share of subsidiaries' shareholder's equity				
	455,406	-	452,940	-
Share of subsidiaries' net income	-	(1,168)	-	76,631
Total	455,406	(1,168)	452,940	76,631
3. Elimination of effects of intra-group transactions				
Intra-group profits included in values of final inventories:				
- Gross	(196,618)	7,275	(211,745)	(49,010)
- Deferred taxes	25,936	854	25,797	4,904
Total	(170,682)	8,129	(185,948)	(44,106)
Shareholders' equity and net income attributable to the Group	479,478	22,563	464,491	68,165
Shareholders' equity and net income attributable to minority interests	9,185	401	10,607	3,798
Shareholders' equity and net income as shown in consolidated financial statements	488,663	22,964	475,098	71,963

Bulgari S.p.A. and Subsidiaries

Table 5

Change in scope of consolidation during the period ending 30 June 2002
compared with the financial year ended 31 December 2001

Companies consolidated	Head office	Activity	Cause
Bulgari (Luxembourg) S.A. (1)	Luxembourg	Holding relating to <i>Bulgari Hotels and Resorts</i> project	Constitution
Bulgari Saint Barth S.a.S.	Saint Barthélemy	Retail sales	Constitution

Change in scope of consolidation during the period ending 30 June 2002
compared with the period ended 30 June 2001

Companies consolidated	Head office	Activity	Cause
Bulgari Korea Ltd.	Seoul	Retail sales Precious jewellery production	Purchase
Bulgari Collection International S.A.	Neuchâtel		Constitution
Bulgari (Luxembourg) S.A.	Luxembourg	Holding relating to <i>Bulgari Hotels and Resorts</i> project	Constitution
Bulgari Saint Barth S.a.S.	Saint Barthélemy	Retail sales	Constitution

(1) Evaluated with the cost method as of 31 December 2001, since it is still in the start-up phase

Bulgari S.p.A.

**Financial statements
as of 30 June 2002 and 30 June 2001
and financial statement as of 31 December 2001**

Bulgari S.p.A.

**Balance Sheet as of 30 June 2002 and 31 December 2001
and 30 June 2001**

(Amounts in thousands of euros)

Assets	30/06/2002	31/12/2001	30/06/2001
A. Receivable from shareholders for unpaid amounts	-	-	-
B. Long-term assets			
I. Intangible assets:			
1) Organisation and start-up costs	1,141	1,018	52
3) Patents and intellectual property rights	3,380	3,645	3,434
6) Accruals and advances	4,332	3,927	2,799
Total intangible assets	8,853	8,590	6,285
II. Tangible assets:			
2) Plant and machinery	127	169	201
3) Industrial and commercial equipment	42	45	60
4) Other tangible assets	1,809	1,667	2,226
5) Accruals and advances			
Total tangible assets	1,978	1,881	2,487
III. Long-term investments			
1) Interests held:			
a) in subsidiaries	59,926	59,910	53,147
2) Receivables:			
d) from others			
due within 12 months	8	8	1
due after 12 months	175	-	-
Total receivables	183	8	1
Total financial assets	60,109	59,918	53,148
Total long-term assets (B)	70,940	70,389	61,920
C. Current assets			
II. Receivables:			
1) Trade receivables			
due within 12 months	3,663	2,626	1,837
2) from subsidiaries			
due within 12 months	240,347	240,603	243,281
5) from others			
due within 12 months	5,992	5,550	8,597
due after 12 months	11,887	11,863	10,283
Total others	17,879	17,413	18,880
Total receivables	261,889	260,642	263,998
III. Short-term investments			
5) Treasury shares (overall nominal value 38,000 euros)	3,469	-	-
Total short-term investments	3,469	-	-
IV. Cash and bank balances:			
1) Bank and postal deposits	1,396	3,521	2,570
3) Cash and valuables in hand	31	30	50
Total cash and bank balances	1,427	3,551	2,620
Total current assets (C)	266,785	264,193	266,618
D. Accrued income and prepaid expenses	937	807	2,811
Total assets (A+B+C+D)	338,662	335,389	331,349

Liabilities and Shareholders' Equity	30/06/2002	31/12/2001	30/06/2001
A. Shareholders' Equity			
I. Share capital	20,715	20,715	20,548
II. Share premium reserve	109,296	112,765	100,622
III. Revaluation reserve			
IV. Legal Reserve	5,762	5,762	5,762
V. Reserve for treasury shares	3,469	-	-
VI. Statutory reserves			
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 (losses)	37,520	20,131	20,131
IX. Income (loss) for the period	15,632	35,736	18,429
Total shareholders' equity (A)	194,500	197,215	167,598
B. Reserves for risks and charges			
2) For taxes	966	862	854
3) Other	14,861	747	14,977
Total reserves for risks and charges (B)	15,827	1,609	15,831
C. Reserve for employee severance pay	2,395	2,109	1,990
D. Payables			
1) Loans			
due after 12 months	100,000	100,000	100,000
3) Due to banks			
due within 12 months	954	6,155	20,779
due after 12 months	818	1,022	1,227
Total due to banks	1,772	7,177	22,006
6) Trade payables			
due within 12 months	4,009	6,445	7,358
8) Payable to subsidiaries			
due within 12 months	15,829	17,428	11,689
11) Taxes payable			
due within 12 months	996	405	1,595
12) Social security institutions			
due within 12 months	453	474	439
13) Other payables			
due within 12 months	2,262	1,921	2,125
Total payables (D)	125,321	133,850	145,212
E) Accrued liabilities and deferred income	619	606	718
Total liabilities and shareholders' equity (A+B+C+D+E)	338,662	335,389	331,349
Contingent liabilities and guarantees			
Guarantees made:			
To subsidiaries	116,205	116,205	39,120
Rental payments due	4,027	4,343	1,242
Guarantees received			
From third parties	7,085	5,184	3,425
Other:			
Factoring		1,901	
Futures contracts	22,067	36,631	38,776
Total other	22,067	38,532	38,776
Total contingent liabilities and guarantees	149,384	164,264	82,563

Bulgari S.p.A.
Income Statement
as of 30 June 2002, 30 June 2001
and for the year ending 31 December 2001

(Amounts in thousands of euros)

	30/06/2002	30/06/2001	31/12/2001
A. Revenues			
1. Revenues from sales and services	21,003	25,392	50,287
5. Other revenues and income	3,644	2,600	6,292
Total revenues (A)	24,647	27,992	56,579
B. Production costs			
7. Services	6,484	7,565	17,388
8. Rentals and lease payments	1,128	903	1,960
9. Personnel costs:	5,809	5,261	10,829
a) wages and salaries	4,026	3,671	7,483
b) social security contributions	1,292	1,158	2,404
c) employee termination indemnities	314	267	552
e) other costs	177	165	390
10. Amortisation, depreciation and write-downs	1,789	1,505	4,378
a) Amortisation of intangible assets:	1,421	1,010	2,995
<i>organisation and start-up costs</i>	157	7	258
<i>research, development and advertising costs</i>			
<i>patents and intellectual property rights</i>	1,264	1,003	2,737
<i>other intangible assets</i>			
b) Depreciation of tangible assets	368	495	1,383
<i>plant and machinery</i>	42	45	92
<i>industrial and commercial machinery</i>	8	16	32
<i>other tangible assets</i>	318	434	1,259
14. Other operating expenses	376	417	938
Total production costs (B)	15,586	15,651	35,493
Difference between revenues and production costs (A-B)	9,061	12,341	21,086
C. Interest income and expenses			
15. Dividends			
<i>from subsidiaries</i>	20,000	21,959	59,928
16. Other financial income			
<i>from securities recorded in current assets not included in long-term assets</i>	-	249	251
<i>from subsidiaries</i>	4,483	6,663	14,482
<i>from others</i>	3,536	4,815	10,242
Total other income	8,019	11,727	24,975
Total financial income	28,019	33,686	84,903
17. Interest and other financial expenses			
<i>subsidiaries</i>	128	-	-
<i>from banks</i>	68	505	1,203
<i>expenses on loans</i>	4,089	4,345	9,132
<i>other</i>	1,298	2,156	4,091
Total interest and other financial expenses	5,583	7,006	14,426
Total interest income and expenses	22,436	26,680	70,477
D. Adjustments to long-term investments			
19. Write-downs			
a) of stakes held	14,114	19,251	52,648
Total adjustments to long-term investments	(14,114)	(19,251)	(52,648)
E. Extraordinary income and expenses			
20. Extraordinary income			
21. Extraordinary expenses	1,153	510	1,705
Total extraordinary income and expenses	(1,153)	(510)	(1,705)
Income before taxes	16,230	19,260	37,210
22. Income taxes	598	831	1,474
23. Net income for the period	15,632	18,429	35,736

Bulgari S.p.A.
Cash flow statement
For the periods ending 30 June 2002, 30 June 2001
and for the year ending 31 December 2001

(Amounts in thousands of euros)

	30/06/2002	31/12/2001	30/06/2001
A. Net cash (short-term indebtedness) at start of period	(2,604)	(431)	(431)
B. Cash flow from (to) operating activities			
Net income for the period	15,632	35,736	18,429
Amortisation and depreciation	1,789	4,378	1,505
Net book value of assets sold during the period	-	12	8
Write-downs of financial assets	14,114	52,648	19,251
Net change in reserve for employee termination indemnities	286	261	142
Other changes in medium or long-term liabilities	104	12	4
Cash flow from operating activities before changes			
In working capital	31,925	93,047	39,339
(Increase) Decrease in receivables	(4,715)	(25,691)	(29,047)
Increase (Decrease) in trade payables and other liabilities	(3,123)	3,687	220
Other net changes	(117)	26	(1,866)
B. Total cash flow from operating activities for the period	23,970	71,069	8,646
C. Cash flow from (to) investment activities			
Long-term asset investments:			
Intangible	(1,686)	(6,676)	(2,386)
Tangible	(465)	(690)	(404)
Financial	(16)	(56,313)	(1,923)
C. Total cash flow from (to) investment activities	(2,167)	(63,679)	(4,713)
D. Cash flows generated by shareholders' equity			
Dividends paid	(18,348)	(25,170)	(25,170)
Increase in share capital and share premiums	-	16,021	3,711
D. Total cash flow generated by shareholders' equity	(18,348)	(9,149)	(21,459)
E. Net cash flow from (to) investment activities			
Net change in medium and long-term receivables due within 12 months	(175)	(5)	2
Net change in medium and long-term payables due after 12 months	(203)	(409)	(204)
E. Total cash flow to financing activities	(378)	(414)	(202)
F. Cash flow for the period (B+C+D+E)	3,077	(2,173)	(17,728)
G. Net cash (short-term indebtedness) at end of period (A+F)	473	(2,604)	(18,159)

Bulgari S.p.A.

**Notes to the Financial Statements
as of 30 June 2002**

BULGARI S.p.A.

Notes to the Financial Statements as of 30 June 2002

GENERAL PRINCIPLES

The financial statements were prepared in accordance with the Italian 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. 12475 of 6 April 2000 and no. 11971 of 14 May 1999 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 of 31 December 2001 and 30 June 2001 have been stated for each item in the balance sheet and income statement.

Unless otherwise indicated, amounts in tables 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 recorded at 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 item "organisation and start-up costs" has 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.

Intangible assets are written down when their value is consistently below the level where they can be utilised. In later years, if the reasons for the write-down no longer apply, the value is written back up to its original value, adjusted only by the amortisation.

Tangible assets

Tangible assets are recorded at 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 depreciated over their remaining useful lives.

The cost of improvements to rented property is depreciated over the remaining life of the leases.

The amounts shown are net of accumulated depreciation.

Tangible assets are written down when their value is consistently below the level where they can be utilised. In later years, if the reasons for the write-down no longer apply, the value is written back up to its original value, adjusted only by the amortisation.

Long-term investments

Investments are recorded at cost of acquisition. Foreign currency investments have been converted into the currency of account 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 apply.

As of 31 December 2001, all long-term investments were in unlisted companies.

Receivables and payables

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

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.

In accordance with the principles expressed in Accounting Standard no. 26 by the Commission for the regulation of accounting standards and as allowed for by Article 2426, clause 2, if, from the conversion of foreign currency receivables and payables at the exchange rates in effect at the balance-sheet date and due in the following year, taking account of hedging contracts, a net loss arises, this is checked and entered in the income statement for the period, with a contra entry to a currency fluctuation reserve, in order to achieve tax benefits which would otherwise be unobtainable.

If, however, a net profit arises from the conversion, this is checked and entered in the income statement for the period with a consequent revaluation of the relative receivables and payables entered in the balance sheet. Receivables and payables in foreign currency specifically covered for exchange rate risks are entered at the exchange rate defined through hedging operations.

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 accrual principle.

Guarantees and commitments expressed in foreign currencies are shown in their euro equivalent at the exchange rates in effect as of 31 December 2001.

Costs and revenues

Costs and revenues are shown 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. 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 out in Accounting Standard no. 25 of the Commission for the regulation of accounting standards.

Exceptions under Article 2423, clause 4, of the Italian Civil Code

There were no exceptions under clause 4 of Article 2423 of the Italian 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 of 30 June 2002: 8,853,000 euros

Net balance as of 31 December 2001: 8,590,000 euros

Net balance as of 30 June 2001: 6,285,000 euros

Description	Historic Cost as of 31/12/01	Accumul ated depreciat ion	Net value on 31/12/01	Increase	Change	Amortisatio n	Historic Cost on 30/06/02	Accumulat ed deprecia tion	Net value on 30/06/02
Organisation and start-up costs:									
Capital increase costs	1,029	(985)	44	-		(7)	1,029	(992)	37
Bulgari Hotels & Resorts, costs	1,217	(243)	974	281		(150)	1,498	(394)	1,104
Total	2,246	(1,228)	1,018	281		(157)	2,527	(1,386)	1,141
Patents and intellectual property rights	10,195	(6,550)	3,645	787	213	(1,264)	11,195	(7,815)	3,380
Accruals and advances	3,927		3,927	618	(213)	-	4,332	-	4,332
TOTAL	16,368	(7,778)	8,590	1,686	-	(1,421)	18,054	(9,201)	8,853

Intangible assets totalled 8,853,000 euros, an increase of 263,000 euros compared to 31 December 2001.

Amortisation for the period was 1,421,000 euros, while increases recorded totalled 1,686,000 euros, of which 405,000 euros was related to accruals and advances.

The item *Organisation and start-up costs*, amounting to 1,141,000 euros, includes expenses related to the increase in share capital and the costs relating to the Bulgari Hotels & Resorts project for consultancy services for developing the project itself and for developing brand standards. These costs are capitalised and amortised over a period of 5 years.

The item *Patents and intellectual property rights*, amounting to 3,380,000 euros, includes rights to application software for the management of the various company activities and comprises mainly investments relating to applications software, mostly charged to the other companies in the Group on the basis of specific contracts. These costs are written off over a period of three years.

The item *Accruals and advances*, amounting to 4,332,000 euros, refers to costs incurred in the development of the applications software relating to procedures which, at the balance-sheet date, were still being implemented, and to costs incurred for leases of new rental premises for office-use which will take place during the second half of 2002.

Tangible assets

Net balance as of 30 June 2002: 1,978,000 euros

Net balance as of 31 December 2001: 1,881,000 euros

Net balance as of 30 June 2001: 2,487,000 euros

Description	Historic Cost on 31/12/01	Accumulated depreciation	Net value on 31/12/01	Increase	Decrease	Amortisation	Reserve used	Historic cost on 30/06/02	Accumulated depreciation	Net value on 30/06/02
Plant and machinery	685	(516)	169	-		(42)		685	(558)	127
Industrial & commercial equipment	409	(364)	45	5		(8)		414	(372)	42
Other tangible assets:										
- Electronic equipment	3,095	(2,222)	873	387		(190)		3,482	(2,412)	1,070
- Improvements to premises	1,924	(1,522)	402	62		(85)		1,986	(1,607)	379
- Other	1,472	(1,080)	392	11		(43)		1,483	(1,123)	360
Total Other Tangible Assets	6,491	(4,824)	1,667	460		(318)		6,951	(5,142)	1,809
TOTAL	7,585	(5,704)	1,881	465		(368)		8,050	(6,072)	1,978
(*) including accelerated depreciation		(1,131)							(1,131)	

Tangible assets totalled 1,978,000 euros, a net increase of 97,000 euros compared to 31 December 2001.

The assets break down as follows:

"Plant and machinery" totalled 127,000 euros, a decrease of 42,000 euros, the depreciation allowance for the period. The item refers to alarm and communication systems.

"Industrial and commercial equipment" totalled 42,000 euros, a decrease of 3,000 euros. This item refers mainly to equipment and accessories for setting up exhibitions and window displays.

"Other tangible assets" totalled 1,809,000 euros – an increase of 142,000 euros - and comprises furniture, fixtures and fittings and office machinery, electronic equipment, vehicles and costs of improvements to rented premises. Investments of 387,000 euros were made during the period, mainly for the purchase of electronic equipment such as servers and printers (460,000 euros) and for the renovation of premises (62,000 euros).

Depreciation charges on tangible assets for the period amounted to 465,000 euros and, as shown in table, were 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.

No accelerated depreciation was charged during the period.

The effects of accelerated depreciation on Net Assets are shown in the note on retained earnings.

Long-term asset investments

Investments in subsidiaries

Net balance as of 30 June 2002: 59,926,000 euros

Net balance as of 31 December 2001: 59,910,000 euros

Net balance as of 30 June 2001: 53,147,000 euros

Investments in subsidiaries	% owned	Balance at 31/12/01	Increases	Decreases	Balance at 30/06/02
Bulgari Italia S.p.A.	100.00%	9,520	-	-	9,520
Bulgari Gioielli S.p.A.	100.00%	2,593	-	-	2,593
Bulgari Parfums Italia S.p.A.	100.00%	1,035	-	-	1,035
Bulgari International Corp. N.V.	100.00%	46,610	-	-	46,610
Bulgari Netherlands B.V.	100.00%	-	-	-	-
Bulgari (Luxembourg) S.A.	100.00%	99	-	-	99
Bulgari Portugal Lda	100.00%	53	-	-	53
Bulgari Milan Hotel Leasing S.r.l.	3.25%	-	16	-	16
Total		59,910	16	-	59,926

Long-term asset investments in subsidiaries totalled 59,926,000 euros – a slight increase of 16,000 euros compared with 31 December 2001. This refers to the shareholding in Bulgari Milan Hotel Leasing S.r.l.

As illustrated in the Financial Administration Report, during the first half of 2002, Bulgari Milan Hotel Leasing S.r.l. was set up to carry out the operational management of hotels, resorts and residences exclusive to the BVLGARI trade-name in Italy, in the context of the joint-venture with the Marriott Group. The share capital subscribed and paid up by Bulgari S.p.A. is 3.25% of the capital; the remainder of the capital is 95% owned by Bulgari Hotel & Resort B.V. and 1.75% owned by Luxury International B.V., a company in the Marriott Group.

It should be noted that at the close of the financial period the loss by Bulgari Netherlands B.V., amounting to 14,114,000 euros and deemed to be of lasting value, was recorded in the reserve for subsidiary company losses under *Reserves for risks and charges* in the Balance Sheet Liabilities, with a contra-entry in the Income Statement under *Adjustments to Financial Assets*.

Loans to others

Net balance as of 30 June 2002: 183,000 euros

Net balance as of 31 December 2001: 8,000 euros

Net balance as of 30 June 2001: 1,000 euros

The item *Loans to others*, amounting to 183,000 euros (8,000 euros as of 31 December 2001) refers to 175,000 euros of loans due after 12 months, relating to a long-term loan to Bulgari Milan Hotel Leasing S.r.l. and to receivables within 12 months, amounting to 8,000 euros, relating to guarantee deposits.

CURRENT ASSETS

Receivables

Trade receivables

Balance as of 30 June 2002: 3,663,000 euros

Balance as of 31 December 2001: 2,626,000 euros

Balance as of 30 June 2001: 1,837,000 euros

This item, which totalled 3,663,000 euros (2,626,000 euros as of 31 December 2001), consists entirely of trade receivables due within the following year, and is up by 1,037,000 euros from 31 December 2001. Essentially, it is made up of royalty payments owed by franchisees of the BVLGARI trademark. As shown in the following table, this item is recorded net of the provisions for doubtful accounts of 492,000 euros.

Description	30/06/02	31/12/01
Trade receivables	4,155	3,118
- less provisions for doubtful accounts	(492)	(492)
Total trade receivables	3,663	2,626

Receivables from subsidiaries

Balance as of 30 June 2002: 240,347,000 euros

Balance as of 31 December 2001: 240,603,000 euros

Balance as of 30 June 2001: 243,281,000 euros

This item totalled 240,347,000 euros as of 30 June 2002, compared with 240,603,000 euros as of 31 December 2000. It consists of current receivables from subsidiaries and breaks down as follows:

Description	30/06/02	31/12/01
Loans	210,853	211,727
Trade receivables	28,097	27,637
Other	1,397	1,239
Total receivables from subsidiaries	240,347	240,603

"Loans receivable", of 210,853,000 euros, refers mainly to intra-group overdrafts on current accounts in euros and foreign currency, deriving from centralised treasury management of the Italian subsidiaries, and from short-term loans to subsidiaries.

The intra-group overdrafts, of 120,496,000 euros, refer mainly to Bulgari Italia S.p.A. (100,961,000 euros) and Bulgari Gioielli S.p.A. (15,316,000 euros).

The short-term loans, amounting to 90,357,000 euros, refer mainly to Bulgari International Corporation N.V. (56,327,000 euros) and Bulgari Netherlands B.V. (28,891,000 euros), and are all repayable on demand.

"Trade receivables" totalled 28,097,000 euros – an increase of 460,000 euros compared with the period to 31 December 2001. They refer mainly to receivables due from trademark royalties.

"Other receivables", amounting to 1,397,000 euros, 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, and shows an increase of 614,000 euros on the period to 31 December 2001.

Other receivables

Balance as of 30 June 2002: 17,879,000 euros

Balance as of 31 December 2001: 17,413,000 euros

Balance as of 30 June 2001: 18,880,000 euros

As of 30 June 2002, this item shows an increase of 466,000 euros compared with the period to 31 December 2001. It breaks down as follows:

Description	30/06/02	31/12/01
Due within the next accounting period:		
VAT credits	2,903	2,511
Corporate income-tax credits	2,793	2,786
Advances to suppliers	-	18
Receivables from tax authorities, Law 662/96	106	109
Credits for foreign currency transaction revaluations	68	102
Other	212	24
Total due within the next accounting period	5,992	5,550
Due after the next accounting period:		
VAT credits	11,882	11,858
Substitute tax on employee termination indemnities recovery	5	5
Total due after the next accounting period	11,887	11,863
Total other receivables	17,879	17,413

"Receivables due within the next accounting period" increased by 442,000 euros and mainly comprise VAT credits of 2,903,000 euros and corporate income tax credits of 2,793,000 euros.

"VAT credits" represents the cumulative credit claimed from the tax authority by the Italian companies participating in 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 13 December 1979.

"Corporate income-tax credits" comprises the credits resulting from the last tax-return presented, from withholding taxes on income produced abroad, and from withholdings on interest income.

"Credits for appreciation of foreign currency transactions" refer to the write-up, carried out with exchanges at the end of the period, of forward financial transactions and swap contracts existing at 30 June 2002, which generated positive exchange differences as a contra-entry.

"Receivables due after the next accounting period" amounted to 11,887,000 euros (11,863,000 euros as of 31 December 2001) and refers essentially to the VAT credits for which reimbursement was requested, plus interest due for the years 1997, 1998, 1999 and 2000.

Receivables not comprising long-term assets**Treasury shares portfolio**

Balance as of 30 June 2002: 3,469,000 euros

Balance as of 30 December 2001: zero

Balance as of 30 June 2001: zero

During the first half of 2002, 545,313 treasury shares were purchased at an average unit purchase price of 6.5079, for an overall amount of 3,549,000 euros. At the end of the period, in the light of the market performance of the shares, the shares were valued at the June 2002 reference-price of 6.361 euros, leading to a write-down of 80,000 euros, which reduced the overall value to 3,469,000 euros.

Cash and bank balances

Balance as of 30 June 2002: 1,427,000 euros

Balance as of 31 December 2001: 3,551,000 euros

Balance as of 30 June 2001: 2,620,000 euros

Cash and bank balances at 30 June 2002 totalled 1,427,000 euros, a decrease of 2,124,000 euros compared to the year ending 31 December 2001, due to less cash on hand in current bank accounts, as detailed below:

Description	30/06/02	31/12/01
Bank deposits	1,396	3,521
Cash and valuables in hand	31	30
Total	1,427	3,551

Accrued income and prepaid expenses

Balance as of 30 June 2002: 937,000 euros

Balance as of 31 December 2001: 807,000 euros

Balance as of 30 June 2001: 2,811,000 euros

This item, amounting to 937,000 euros, shows an increase of 130,000 euros over the amount of 807,000 euros as of 31 December 2001.

"Accrued income" relates to premiums on interest rate hedging transactions carried out for the bonded loan of 100,000,000 euros, illustrated below in the note to the item Payables for loans, and to contracts for futures transactions.

"Prepaid expenses" refers to prepayments on rental contracts, on insurance premiums and on maintenance and hire contracts. It also includes the prepayments relating to incidental costs and to the issue discount relating to the above-mentioned bonded loan, incurred in the 2000 accounting period but referring to future years.

Description	30/06/02	31/12/01
Accrued income	267	246
Prepaid expenses:		
- rental contracts, insurance premiums and other	508	343
- charges and commissions on bonded loan	96	129
- issue discount on bonded loan	66	89
Total prepaid expenses	670	561
Total accrued income and prepaid expenses	937	807

BALANCE SHEET - LIABILITIES

Shareholders' Equity

Balance as of 30 June 2002: 194,500,000 euros

Balance as of 31 December 2001: 197,215,000 euros

Balance as of 30 June 2001: 167,598,000 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 of 30 June 2002: 20,715,000 euros

Balance as of 31 December 2001: 20,715,000 euros

Balance as of 30 June 2001: 20,548,000 euros

The share capital, which is fully subscribed and paid-up, is 20,715,000 euros and is unchanged with respect to 31 December 2001.

Therefore, as of 30 June 2002, the share capital consisted of 295,930,920 shares, with a nominal value of 0.07 euros each.

Share premium reserve

Balance as of 30 June 2002: 109,296,000 euros
Balance as of 31 December 2001: 112,765,000 euros
Balance as of 30 June 2001: 100,622,000 euros

The share premium reserve as of 30 June 2002 decreased by 3,469,000 euros compared with the close of the previous period.

This decrease derives from the allocation of the same amount to the Treasury shares reserve , in order to establish this reserve..

Legal reserve

Balance as of 30 June 2002: 5,762,000 euros
Balance as of 31 December 2001: 5,762,000 euros
Balance as of 30 June 2001: 5,762,000 euros

The legal reserve of 5,762,000 euros as of 30 June 2002 was unchanged compared with the year ending 31 December 2001.

Reserve for treasury stock holdings

Balance as of 30 June 2002: 3,469,000 euros
Balance as of 31 December 2001: zero
Balance as of 30 June 2001: zero

The Reserve for treasury shares as of 30 June 2002 is 3,469,000 euros.

This reserve, set up in accordance with Article 2357 *ter* of the Italian Civil Code, refers to the purchase of 545,313 treasury shares in several tranches in June 2002, for an overall amount of 3,549,000 euros.

At the close of the period, in the light of the market performance of the stock, the shares were valued at 6.361 euros, being the closing price for the month of June 2002, and were therefore written down by 80,000 euros, with a consequent adjustment to the Reserve for treasury shares.

The share capital owned as of 30 June 2002 is 38,000 euros (0.002%).

Other reserves

Balance as of 30 June 2002: 2,106,000 euros
Balance as of 31 December 2001: 2,106,000 euros
Balance as of 30 June 2001: 2,106,000 euros

This item is unchanged from 21 December 2001, and breaks down as follows:

Description	30/06/02	31/12/01
1. Extraordinary reserve	28	28
2. Taxed reserve 1983	145	145
3. Gains on assets contributed (Law No. 576/1975)	1,933	1,933
Total	2,106	2,106

Retained earnings

Balance as of 30 June 2002: 37,520,000 euros
Balance as of 31 December 2001: 20,131,000 euros
Balance as of 30 June 2001: 20,131,000 euros

This item shows net income of prior years carried forward. The amount shown in the statements is up by 17,389,000 compared to 31 December 2001, due to the allocation to this reserve of residual income from 2001, approved by the Ordinary General Meeting of 29 April 2002.

In order to give full information, it should be pointed out that the value-adjustments and allowances carried out to comply with tax regulations in the current year and in previous years, recorded as reductions in the respective items in assets, involved a reduction of 518,000 euros in net assets and an increase of 30,000 euros in net profits, as detailed below:

Description	Net Assets	Net profits
1. Accelerated amortisation	256	(30)
2. Write-down of receivables	262	-
Total	518	(30)

Reserves for risks and charges

Balance as of 30 June 2002: 15,827,000 euros

Balance as of 31 December 2001: 1,609,000 euros

Balance as of 30 June 2001: 15,831,000 euros

This item totalled 15,827,000 euros compared with 1,609,000 as of 31 December 2001. The increase refers to the provision for the period of 14,218,000 euros, substantially relating to the provision made to the hedging fund for losses by subsidiaries, as shown below:

Description	Balance as of 31/12/01	Payments on account	Net balance as of 31/12/01	Provisions	Reserve used	Net balance as of 30/06/02
Reserve for risks and charges:						
Reserve for taxes	894	(32)	862	104	-	966
Other:						
-hedging fund for losses by subsidiaries	747	-	747	14,114	-	14.861
Total	882	(32)	1,609	14,218	-	15,827

Reserve for taxes:

The "reserve for taxes", amounting to 966,000 euros, was set aside following notifications in previous periods of audit adjustments to the income tax returns for 1988, 1989 and 1990. Separate appeals are pending before the Provincial Tax Commission of Rome with respect to the adjustment notices for 1988, 1989 and 1990.

The increase of 104,000 euros, compared to 31 December 2001, refers to a prudential allocation of 100,000 euros made following a tax audit in the period, for the 2000 and 2001 financial years, as well as provision for the difference in interest due in the period following previous audit notifications.

The hedging fund for losses by subsidiary companies:

This fund, of 14,861,000 euros, relates to the provision for the loss for the period recorded by Bulgari Netherlands B.V., amounting to 14,114,000 euros, as well as a share of the 2001 loss, amounting to 747,000 euros, which exceeded the book value of the shareholding itself.

Reserve for employee termination indemnities

Balance as of 30 June 2002: 2,395,000 euros

Balance as of 31 December 2002: 2,109,000 euros

Balance as of 30 June 2001: 1,990,000 euros

This reserve was set up in accordance with Article 2120 of the Italian Civil Code, and the amounts were calculated according to Law No. 482/85. Changes in the reserve during the first half of 2002 are shown below:

Description	31/12/01	Increases	Payments	30/06/02
Termination reserve	2,422	386	(71)	2,737
Termination advances	(313)	(43)	14	(342)
Net termination reserve	2,109	343	(57)	2,395

Payables

Loans

Balance as of 30 June 2002: 100,000,000 euros

Balance as of 31 December 2001: 100,000,000 euros

Balance as of 30 June 2001: 100,000,000 euros

Loans due after 1 year:

This item amounts to 100,000,000 euros and shows no change compared with the balance as of 31 December 2001. It refers to the debt relating to the bonded loan, of the same nominal value, issued on 5 December 2000 due on 5 December 2003 at the Euribor interest rate at 6 months + 0.50%. The issue price was 99.862% of the nominal value. The issue discount and the additional costs incurred in placement are shared out and allotted to the income statement on the basis of the length of the loan.

Bank overdrafts and borrowings

Balance as of 30 June 2002: 1,772,000 euros

Balance as of 31 December 2001: 7,177,000 euros

Balance as of 30 June 2001: 22,006,000 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 of 30/06/02	Total as of 31/12/01
Unsecured demand accounts and overdrafts	545	-		545	5,746
Secured loans	409	818		1,227	1,431
Total	954	818		1,772	7,177

This item, which totalled 1,772,000 euros, decreased by 5,405,000 euros compared to 31 December 2001, due to lower borrowings on current bank accounts.

"Secured loans" of 1,227,000 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. The preferential rate applied to the loan was 2.46% per annum, and the final maturity-date of the loan is 27 May 2005.

Trade payables

Balance as of 30 June 2002: 4,009,000 euros

Balance as of 31 December 2001: 6,445,000 euros

Balance as of 30 June 2001: 7,358,000 euros

Trade payables totalled 4,009,000 euros as of 30 June 2002, compared to 6,445,000 euros as of 31 December 2001. The item consists of trade payables, including payables on invoices to be received, that apply to the period.

Payable to subsidiaries

Balance as of 30 June 2002: 15,829,000 euros
 Balance as of 31 December 2001: 17,428,000 euros
 Balance as of 30 June 2001: 11,689,000 euros

A breakdown of payables to subsidiaries is given below.

Description	30/06/02	31/12/01
Miscellaneous payables	10,132	11,626
Payables for capital subscribed and not paid-up	5,385	5,385
Other trade payables	312	417
Total	15,829	17,428

"Payables to subsidiaries" showed a balance as of 30 June 2002 of 15,829,000 euros, a decrease of 1,599,000 euros compared to 31 December 2001.

This increase refers mainly to the 5,385,000 euros payable to Bulgari Italia S.p.A. for share capital subscribed and not paid-up, following that company's approval of a capital increase.

"Miscellaneous payables", amounting to 10,132,000 euros, (11,626,000 euros as of 31 December 2001), consisted mainly of VAT credits transferred by the Italian subsidiaries to the Group clearing system.

"Payables for capital subscribed and not paid-up" refers to the share of the capital still to be paid to Bulgari Italia S.p.A.

Trade payables to subsidiaries amount to 312,000 euros compared with 417,000 euros at 31 December 2001. Borrowings from subsidiaries for invoices to be received that are applicable to 2001 are also included in this item.

Taxes payable

Balance as of 30 June 2002: 996,000 euros
 Balance as of 31 December 2001: 405,000 euros
 Balance as of 30 June 2001: 1,595,000 euros

This item, amounting to 996,000 euros, (405,000 euros as of December 2001) comprises payables that are all due within 1 year.

A breakdown is given below.

Description	30/06/02	31/12/01
Payable for:		
Local income tax (IRAP)	632	34
Tax withholding for IRPEF	358	365
Other	6	6
Total	996	405

The amount of 632,000 euros, payable for local income tax (IRAP) relates to the balance to be paid for 2001, of 34,000 euros, paid in July 2002, and to the provision for 2002 of 598,000 euros.

The payable for IRPEF is for the withholdings made in June 2002 on remuneration and fees to freelance and self-employed workers. They were paid in July 2002.

Payable to social security institutions

Balance as of 30 June 2002: 453,000 euros
 Balance as of 31 December 2001: 474,000 euros

Balance as of 30 June 2001: 439,000 euros

Payables to social security institutions totalled 453,000 euros, all due within one year. They refer to payables to said institutions for contributions, by both the Company and its employees, due on remuneration paid in June 2002 and paid in July 2002.

Other liabilities

Balance as of 30 June 2002: 2,262,000 euros

Balance as of 31 December 2001: 1,921,000 euros

Balance as of 30 June 2001: 2,125,000 euros

This item, all parts of which are payable within 1 year, totalled 2,262,000 euros. A breakdown is shown below.

Description	30/06/02	31/12/01
Wages and salaries due to employees	1,165	1,046
Payable to directors	455	244
Charges on unpaid wages and salaries	317	292
Dividends owed to shareholders	141	140
Other	184	199
Total	2,262	1,921

"Wages and salaries due to employees" relates to deferred remuneration and includes amounts provided for holidays due but not taken, the fourteenth-month payment, incentive bonuses, and provisions for termination indemnities related to these amounts.

"Payables to directors" relates to fees to be paid to the members of the Board of Directors for 2002.

"Charges on unpaid wages and salaries" refers to the total expenses payable by the company, calculated on deferred wages and salaries.

"Dividends owed to shareholders" refers to dividends approved but not yet distributed.

"Other payables" comprises revaluation of foreign currency transactions, at the exchange rate at the end of the period. These include futures hedging transactions and swap contracts, existing at 30 June 2002, which gave rise to negative exchange differences.

Accruals and prepayments

Balance as of 30 June 2002: 619,000 euros

Balance as of 31 December 2001: 606,000 euros

Balance as of 30 June 2001: 718,000 euros

As of 30 June 2002, accrued liabilities amounted to 619,000 euros compared to 606,000 euros as of 31 December 2001.

As shown in the following table, the item refers mainly to the accrued interest and accrued premiums on hedging transactions relating to the aforesaid bonded loan of 100,000,000 euros.

Description	30/06/02	31/12/01
Interest on:		
- bonded loan	299	279
- bonded loan hedging transaction premiums	314	317
- other	6	9
Total accrued liabilities	619	605
Deferred income	-	1
Total	619	606

CONTINGENT LIABILITIES AND GUARANTEES

Balance as of 30 June 2002: 149,384,000 euros

Balance as of 31 December 2001: 164,264,000 euros

Balance as of 30 June 2001: 82,563,000 euros

A breakdown of this item is shown in the notes to the Balance Sheet.

"Guarantees given" refers to guarantees issued to lending institutions on lines of credit granted to subsidiaries.

"Rents and leases" relates to rental commitments under leases on the Company's head office and administrative offices and to long-term hire-contracts for company cars.

"Guarantees received" refers mainly to the guarantee given to the Company by lending institutions, in relation to the aforesaid loan from Simest S.p.A., and to bank guarantees issued to the tax authority for VAT credits for which reimbursement was requested.

"Other" includes commitments for futures transactions relating to contracts with credit institutions for forward sales transactions to cover exchange-rate risks on loans and trade receivables.

NOTES TO THE INCOME STATEMENT

Revenues

Revenues from sales and services

Amount for the first half of 2002: 21,003,000 euros

Amount for the first half of 2001: 25.392,000 euros

Amount for the 2001 accounting year: 49,313,000 euros

Revenues from sales and services for the period totalled 21,003,000 euros, as compared to 25,392,000 euros as of 30 June 2001, a decrease of about 17%. A breakdown is given below.

Description	30/06/02	30/06/01
Revenues for use of trademark:		
Royalties from Group companies	17,331	22,076
Royalties from franchisees	3,093	2,717
Total trademark royalties	20,424	24,793
Revenues from services:		
Services to Group Companies	579	599
Total revenues from royalties and services	21,003	25,392

"Royalties from Group companies" totalled 20,424,000 euros as of 30 June 2002, compared with 24,793,000 euros as of 30 June 2001, while royalties from franchisees totalled 3,093,000 euros, (2,717,000 euros as of 30 June 2001). "Royalties from franchisees" also includes revenues from Luxottica S.p.A. and Rosenthal Italia (2,717,000 euros as of 30 June 2001).

Services provided under contract by the Company to its subsidiaries during the first half of 2002 generated revenues of 579,000 euros, as compared to 599,000 euros in the half-year to 30 June 2001. A table of revenues from royalties and services by geographic area has already been given in the Financial Administration Report.

Other revenues and income

Amount for the first half of 2002: 3,644,000 euros

Amount for the first half of 2001: 2,600,000 euros

Amount for the 2001 accounting year: 6,292,000 euros

"Other revenues and income" totalled 3,644,000 euros and consisted mainly of operational revenues from Group companies. These refer primarily to charges for applications software, including the license utilisation cost and related development and implementation costs, and to subletting contracts with Bulgari Gioielli S.p.A. and Bulgari Parfums Italia S.p.A.

These agreements with subsidiaries are governed by specific contracts between the parties.

Non-operating income relates to larger cost provisions made during the previous period.

The other revenues and income comprise the charge to franchisees for advertising costs incurred in the first half of 2002.

The breakdown of this item is as follows:

Description	30/06/02	30/06/01
Operating costs charged to group companies	3,034	2,541
Non-operating income	330	54
Other revenues and capital gains	280	5
Total other revenues and income	3,644	2,600

Costs of production

Costs of services

Amount for the first half of 2002: 6,484,000 euros

Amount for the first half of 2001: 7,565,000 euros

Amount for the 2001 accounting year: 17,388,000 euros

As of 30 June 2002, the costs of services totalled 6,484,000 euros, a decrease of 873,000 euros compared with 30 June 2001. The following table shows the breakdown of the most significant items; the item relating to other services refers mainly to costs for services from other companies in the Group, to agency costs and costs for security and superintendence.

Description	30/06/02	30/06/01
Advertising and promotion	1,673	1,658
Technical, organisational, legal, fiscal and administrative consulting services	1,303	1,855
Remuneration of Directors and Statutory Auditors	1,319	1,654
Services for employees and Board of Directors	1,013	1,268
Protection and registration of trademarks and designs	276	429
Energy, telephones and communications	173	168
Maintenance	297	221
Insurance	91	42
Other services	339	270
Total	6,484	7,565

Rental and lease payments

Amount for the first half of 2002: 1,128,000 euros

Amount for the first half of 2001: 903,000 euros

Amount for the 2001 accounting year: 1,960,000 euros

Rental and lease payments totalled 1,128,000 euros, an increase of 225,000 euros compared with 31 June 2001.

The item comprises:

- Payments of 572,000 euros (490,000 euros as of 30 June 2001) for the registered office and the management and administrative offices of the Company and the relative additional costs;
- Payments of 167,000 euros (146,000 as of 30 June 2001) for company cars and office machines leasing;
- payments for leasing of computers, servers and software for 389,000 euros (268,000 euros as of 30 June 2001).

The amounts for rent are shown gross of the amounts charged to Bulgari Gioielli S.p.A. and Bulgari Parfums Italia S.p.A. for office-premises sublet to them.

Personnel costs

Amount for the first half of 2002: 5,261,000 euros

Amount for the first half of 2001: 4,233,000 euros

Amount for the 2001 accounting year: 10,041,000 euros

A detailed breakdown of these costs has already been provided in the income statement.

Personnel costs totalled 5,809,000 euros, showing an overall increase of 1,752,000 euros (+10% approximately) compared to 30 June 2001.

This increase derives mainly from the increase in the average number of employees. The average number of employees increased to 181 in the first half of 2002, from 168 in the first half of the

previous year (+8% approximately).

The number of employees as of 30 June 2002 was 183; a breakdown by category is given below:

	As of 31/12/01	Joined	Left	Change of category	As of 30/06/02	Average for the first half of 2002	Average for the first half of 2001
Senior Managers	20	3	-	-	23	23	20
Managers	17	2	(1)	-	18	18	15
Office Workers	124	14	(12)	-	126	125	118
Manual Workers	14	2	-	-	16	15	15
Total	175	21	(13)	-	183	181	168

Amortisation and depreciation

Amortisation and depreciation

Amount for the first half of 2002: 1,789,000 euros

Amount for the first half of 2001: 1,505,000 euros

Amount for the 2001 accounting year: 4,378,000 euros

Amortisation charges totalled 1,789,000 euros, an overall increase of 284,000 euros compared to 30 June 2001. This increase is mainly attributable to amortisation calculated on investments in applications software and to the amortisation of costs incurred for the Bulgari Hotels & Resorts project linked to the joint venture with the Marriott Group, included in the depreciation of organisation and start-up costs.

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.

Other management charges

Amount for the first half of 2002: 376,000 euros

Amount for the first half of 2001: 417,000 euros

Amount for the 2001 accounting year: 938,000 euros

"Other management charges", amounting to 376,000 euros, show a decrease of 41,000 euros compared with 30 June 2001.

This item mainly comprises postal and delivery charges, stationery, expendable goods, books and publications and management costs for company cars. This item also includes commissions and fees to the Securities Centralised Administration depositaries, Stock Exchange quotation charges, as well as other charges such as taxes, stamp-duties and local taxes and all other charges connected with company management.

Financial income and expenses

Amount for the first half of 2002: 22,436,000 euros

Amount for the first half of 2001: 26,680,000 euros

Amount for the 2001 accounting year: 70,477,000 euros

Net financial income as of 30 June 2002 was 22,436,000 euros, being the difference between income and expenses, showing a decrease of 4,244,000 euros compared to the amount as of 30 June 2001.

Financial income

Amount for the first half of 2002: 28,019,000 euros

Amount for the first half of 2001: 33,686,000 euros

Amount for the 2001 accounting year: 84,903,000 euros

A breakdown of this item is shown below.

Description	30/06/02	30/06/01
Dividends	20,000	21,959
Other financial income:		
- interest on loans to subsidiaries	4,483	6,663
- premiums earned and interest on bank deposits	1,861	1,840
- foreign-exchange gains	1,675	2,975
- from stocks recorded in current assets	-	249
Total other financial income	8,019	11,727
Total	28,019	33,686

During the first half of 2002, dividends were received from Bulgari International Corporation N.V for an amount of 20,000,000 euros, compared with 21,959,000 euros received from the same company in the first half of 2001.

The other financial income of 8,019,000 euros shows a decrease of 3,708,000 compared with the previous period. The decrease refers partly to lower profitability on loans to subsidiaries due to reduced interest rates compared with those applied in the first half of 2001, and partly to lower foreign exchange gains recorded in the period.

The rates applied to the loans in euros and in foreign currency granted to subsidiaries are set at market-rates for bank demand-accounts.

Interest paid and other financial expenses

Amount for the first half of 2002: 5,583,000 euros

Amount for the first half of 2001: 7,006,000 euros

Amount for the 2001 accounting year: 14,426,000 euros

Interest and other financial expenses totalled 5,583,000 euros, a decrease of 1,423,000 euros compared with the first half of 2001.

A breakdown is given below.

Description	30/06/02	30/06/01
Interest paid to subsidiaries	128	-
Interest paid to banks:		
- premiums and interest paid on short-term borrowings	51	483
- interest paid on medium and long-term borrowings	17	22
Total interest paid to banks	68	505
Expenses on loans	4,089	4,345
Other financial expenses:		
- negative exchange differences	1,137	2,092
- miscellaneous financial expenses	161	64
Total financial expenses, to others	1,298	2,156
Total interest and other financial expenses	5,583	7,006

Adjustments to financial assets

Write-down of investments

Amount for the first half of 2002: 14,114,000 euros

Amount for the first half of 2001: 19,251,000 euros

Amount for the 2001 accounting year: 52,648,000 euros

As of 30 June 2002, this item had a balance of 14,114,000 euros, compared to 19,251,000 euros for the first half of 2001.

In evaluating the investments held as of 30 June 2002, a write-down of 14,114,000 euros was made in the investment in Bulgari Netherlands B.V., being equal to the loss, considered to be of a lasting nature, recorded as of 30 June 2002. The negative effect of adjusting the value of financial investments among the balance sheet items, amounting to 1,692,000 euros, was not considered, since it was linked to exchange rate fluctuations. The loss by Bulgari Netherlands B.V for the period derives mainly from the negative result for the period recorded by its subsidiary Bulgari Corporation

of America.

Extraordinary interest and expenses

Extraordinary expenses

Amount for the first half of 2002: 1,153,000 euros

Amount for the first half of 2001: 510,000 euros

Amount for the 2001 accounting year: 1,705,000 euros

Extraordinary expenses totalled 1,153,000 euros, as compared to 510,000 euros as of 30 June 2001. These referred mainly to an amount of 898,000 euros for non-deductible taxes definitively paid abroad and not recoverable, to extraordinary losses amounting to 149,000 euros and to the prudential allowance of 100,000 euros made following the tax audit for the years 2000 and 2001.

Income taxes

Amount for the first half of 2002: 598,000 euros

Amount for the first half of 2001: 831,000 euros

Amount for the 2001 accounting year: 1,474,000 euros

The balance of 598,000 euros is entirely related to the IRAP (regional tax) provision for the period. As of 30 June 2001, the amount of 831,000 euros was also entirely related to IRAP provisions.

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