

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

**CONSOLIDATED QUARTERLY REPORT**

**as of 30 September 2002**

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

**DIRECTORS' REPORT**

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

### **Quarterly Report of the Bulgari Group as of 30 September 2002**

#### **Foreword**

The quarterly report as of 30 September 2002 was prepared in accordance with the principles defined in Art. 82 of CONSOB Resolution No. 11971 of 14 May 1999 as subsequently amended. The economic data provided refers to the period 1 July - 30 September 2002 and the period 1 January - 30 September 2002, compared with the corresponding periods in 2001. The balance sheet information provided refers to the data as of 30 September 2002, 30 September 2001 and 31 December 2001.

The data as of 30 September 2002 and 30 September 2001 were not audited.

The data as of 31 December 2001 were audited by Arthur Andersen S.p.A.

#### **Results**

During the first nine months of 2002, the world economy has remained weak. Economic uncertainty continues to be high, with many “geopolitical” tensions influencing the situation. This makes it difficult to forecast future consumption reliably.

In view of this situation, financial analysts have been very cautious in interpreting the outlook for the luxury goods market, which was certainly severely penalised by the events of recent months. These events negatively influenced consumer spending. As we have stressed in recent reports, we remain convinced of the positive fundamentals of the luxury goods sector in the medium and long term in general, and of Bulgari in particular, although today it is difficult to estimate the time needed to exit completely the current state of difficulties.

Despite the continuation of this difficult market situation, in the third quarter the Bulgari Group showed improvement in the channels that suffered most in the first months of the year, specifically distribution through third-party resellers, in particular watches, and travel retail, which was heavily influenced by the reduced propensity to travel.

The three months between 1 July and 30 September 2002 showed positive results overall. Comparing them to the same period the year before, which included an especially difficult September, reveals the first signs of recovery.

During this quarter, Group consolidated net revenues totalled 180.2 million euros, an increase of approximately 3% compared to the same quarter in 2001. After taking negative currency effects into account, the revenues of 181.5 million euros for the same period last year decreased by a slight 0.7%. For the nine months, net revenues totalled 518.6 million euros, down 4% compared to September 2001. Exchange rates had a negative effect of about one percentage point.

Results in economic and financial terms were even more significant because we reached our objectives for containing costs and increasing the efficiency of invested capital.

Group consolidated operating profit increased from 15.7 million euros for the third quarter of 2001, equal to 8.6% of turnover, to 23.6 million euro for the third quarter of 2002, equal to 13.1% of turnover, an increase of 50.7%. Cumulative operating profit for the nine month period totalled 56.6 million euros, compared to 77.3 million euros for the same period in 2001 (-26.8%).

Consolidated net income for the third quarter totalled 14.0 million euros, equal to 7.7% of turnover, an increase of 73.6% over the 8.0 million euros for the third quarter of 2001. Consolidated net income for the period between 1 January and 30 September 2002 was 36.5 million euros, equal to 7.0% of net revenues, compared to 56.2 million for the first nine months of 2001 (-35.0%).

These results were very significant considering the context in which they were achieved. They allow us to look to the last quarter of the year with moderate optimism. Barring extraordinary factors, the last quarter has traditionally been the most important period for sales.

We will need to monitor the international economic scene continuously, looking for signs of a durable recovery compared to the current situation, which remains either uncertain or unfavourable.

On this subject it is useful to briefly summarise a few important elements related to the current macro-economic context.

In early November, the Federal Reserve Bank in the United States decided to lower the cost of short-term money by 50 basis points. Financial analysts, economists, and stock market investors had expected 25. To fight the recession, the Chairman of the Federal Reserve had already lowered rates moderately eleven times by the end of 2001, managing to hold off, but not eliminate, the prospect of a crisis. Now, with the discount rate at 0.75 %, which is the lowest since 1961, and the customary rate on federal funds at 1.25%, there appears to be little room for additional manoeuvres. However, the Japanese experience shows that lowering the cost of money to almost zero is not enough to re-start consumption and investment.

In recent weeks, on the other hand, the European Central Bank has left the cost of money unchanged in the euro zone. At the same time, it has officially confirmed the same worrisome analysis as the Federal Reserve about the high levels of uncertainty over the economic situation in Europe and the world.

Therefore, we cannot exclude future interventions, considering that forecasts of economic expansion in the Monetary Union have been lowered in recent weeks: expected economic growth for 2002 is now below 1% and about 1.5% for next year.

As for the raw materials that are of interest to the Bulgari Group, the price of gold has remained very high, about 315-320 dollars/ounce, contrary to analysts' predictions at the beginning of the year. The only benefit for purchasing has been the weakness of the dollar compared to the euro.

## Results

A summary of results is shown in Table 1.

**TABLE 1**  
BULGARI GROUP  
SUMMARIZED INCOME STATEMENT

<i>(Millions of euros)</i>	3rd Qtr '02	3rd Qtr '01	30/09/02	30/09/01
Consolidated net revenues	180.2	181.5	518.6	540.3
Operating profit	23.6	15.7	56.6	77.3
Net income before taxes	17.9	12.1	43.8	65.6
Net Income	14.0	8.0	36.5	56.2

During the quarter, net revenues remained basically in line with the same period last year (-0.7%), even though volume increased about 3% when excluding the negative effect of exchange rates. This represents a reversal of trends, however slight, compared to the first six months of the year. Cumulative revenues as of 30 September totalled 518.6 million euros, down 4.0% compared to the same period in 2001.

A detailed breakdown by product and geographic area appears in the tables below.

As stated above, operating profit in the third quarter benefited from Group actions to contain costs. For this reason, it shows growth of 50.7% compared to the third quarter of 2001, equal to 23.6 million euros (13.1% of sales). For the year to date, operating profit was 56.6 million euros (10.9% of sales), still down 26.8% compared to the first nine months of the year before.

Net income followed a similar path, with 14.0 million euros for the quarter, up 73.6% compared to July-September 2001, while the year-to-date figure, 36.5 million euros, was down 35.0% from last year. Net income for the quarter represented 7.7% of sales for the quarter, while net income for the year to date as of 30 September 2002 was 7.0% of sales (10.4% as of 30 September 2001).

### **Breakdown of revenues**

During the first nine months of 2001, there was strong growth in general across product categories. However, only perfumes were able to sustain growth during the first nine months of this year, slacking only partially in the third quarter of 2002. By comparison, the same period the year before saw the launch of the new line, *BLV pour homme*. Perfume sales for the first nine months of 2002 are even more remarkable considering the significant growth of 39% that this category posted in 2001 compared to the first nine months of 2000.

The growth of perfume sales in 2002 continues the enormous success of recent years and also gives the Bulgari Group an important role in this product category.

On the other hand, the other product categories reflected the negative market to a greater degree.

In reality, however, only watches significantly dropped during the first nine months (-11.2%), although they showed improvement in the last quarter (+11.4%). This confirms the impression that distributors, faced with a stagnant market, reduced inventories between the end of 2001 and the first months of 2002, drastically lowering new orders. Certainly all those in the watch sector, after years of euphoria, are experiencing difficult times. Lower short-term sales must be considered carefully before drawing any conclusions about future prospects.

Jewellery sales have been significant, in line with the first nine months of last year, when they grew 38.8% compared to the same period in 2000. This was thanks in part to the launch of the *Lucea* jewellery collection during the summer of 2001.

Sales of accessories were essentially unchanged after the extraordinary success of the first nine months of 2001, when they posted an increase of 61%, in spite of the crisis in travel retail that occurred mainly during the first months of 2002.

Table 2 shows the percentage growth by product category compared to the same period the year before. Table 3 shows revenues by product category and their impact on total Group turnover.

TABLE 2  
BULGARI GROUP  
GROWTH IN REVENUES BY PRODUCT CATEGORY

	3rd Qtr '02	3rd Qtr '01	30/09/2002	30/09/2001	31/12/2001
Jewellery	-7%	+44%	-1%	+39%	+26%
Watches	+11%	-17%	-11%	+6%	-6%
Perfumes	-13%	+26%	+7%	+39%	+37%
Accessories	+11%	+26%	-1%	+61%	+48%
Royalties and other	-25%	+22%	-13%	+32%	+11%

TABLE 3  
BULGARI GROUP  
REVENUES BY PRODUCT CATEGORY AND IMPACT ON TOTAL SALES

<i>(Millions of euro)</i>	3rd Qtr '02		3rd Qtr '01		30/09/2002		30/09/2001		31/12/2001	
Jewellery	64.0	35%	68.6	38%	195.0	38%	196.9	36%	287.7	38%
Watches	75.0	42%	67.4	37%	194.3	37%	218.8	41%	295.9	39%
Perfumes	29.1	16%	33.4	18%	92.6	18%	86.4	16%	126.5	16%
Accessories	9.2	5%	8.3	5%	26.1	5%	26.2	5%	38.5	5%
Royalties and other	2.9	2%	3.8	2%	10.5	2%	12.0	2%	17.5	2%
Total	180.2	100%	181.5	100%	518.6	100%	540.3	100%	766.1	100%

As was the case during the last part of 2001, the markets that suffered the most were the United States, Hong Kong and Singapore. For Bulgari, however, sales remained good in Japan, where they suffered during the last few months from the weakness of the yen, which went from an average value of 109 yen per euro during the first nine months of 2001 to 117 yen per euro during the first nine months of this year. This exchange rate affects sales negatively when expressed in euro. Finally, data as of 30 September show some drop in sales in Italy, because of the reduced flow of American and Japanese tourists. However, this does follow the extraordinary results of 2001 (+41% compared to 30 September 2000). Sales in other European countries also followed an excellent 2001 (+37% compared to 30 September 2000). Sales were particularly strong in Germany and in the United Kingdom.

Table 4 shows the percentage growth by geographical area compared to the same period the year before. Table 5 shows revenues by geographical area and their impact on total Group turnover.

TABLE 4  
BULGARI GROUP  
GROWTH IN REVENUES BY GEOGRAPHICAL AREA

	3rd Qtr '02	3rd Qtr '01	30/09/2002	30/09/2001	31/12/2001
Italy	+10%	+21%	-3%	+41%	+19%
Europe (excluding Italy)	-16%	+41%	-3%	+37%	+24%
America	-1%	-28%	-10%	-8%	-16%
Japan (*)	-4%	+5%	-2%	+9%	+17%
Far East (*)	-3%	+20%	-14%	+44%	+14%
Middle East	-10%	+61%	-16%	+93%	+71%
Other	+323%	-15%	+166%	+9%	+37%

TABLE 5  
BULGARI GROUP  
REVENUES BY GEOGRAPHICAL AREA AND AS A PERCENT OF TOTAL TURNOVER

(Millions of euros)	3rd Qtr '02		3rd Qtr '01		30/09/2002		30/09/2001		31/12/2001	
Italy	25.9	14%	23.7	13%	71.2	14%	73.3	14%	104.3	14%
Europe (excluding Italy)	40.4	22%	48.4	27%	134.6	26%	138.2	26%	198.0	26%
America	28.5	16%	28.7	16%	78.0	15%	87.0	16%	118.3	15%
Japan (*)	35.8	20%	37.2	20%	104.1	20%	105.8	19%	167.6	22%
Far East (*)	32.4	18%	33.6	19%	89.1	17%	103.1	19%	128.1	17%
Middle East	6.7	4%	7.4	4%	21.2	4%	25.3	5%	35.3	4%
Other	10.5	6%	2.5	1%	20.4	4%	7.6	1%	14.5	2%
Total	180.2	100%	181.5	100%	518.6	100%	540.3	100%	766.1	100%

(\*) Some of the revenues from Japan were reclassified to Far East after the acquisition of a franchisee in Korea.

### Financial situation

The net indebtedness of the Group, after nine months of 2002, equalled 247.5 million euros and compares with net indebtedness of 344.9 million euros as of 30 September 2001 and 284.3 million euros as of 31 December 2001. The decided improvement in the net financial situation resulted from operating cash flow as well as actions taken by the Group to contain costs. Costs went from 577.3 million euros as of 30 September 2001 (547.5 million as of 31 December 2001) to 518.5 million euro as of 30 September 2002, in spite of unfavourable market conditions.

With total shareholders' equity (including minority interests) of 504.3 million euros as of 30 September 2002, the ratio of net debt to equity (gearing) equalled 49.1%, a continued improvement compared to 54.8% as of 30 June 2002, 59.8% as of 31 December 2001 and 73.4% as of the end of September 2001.

The breakdown between short-term and long-term indebtedness is well balanced, thanks to a bond issue with a face value of 100 million euros, maturing in December 2003, and to bank loans of 50 million euros, mostly obtained by Bulgari Japan Ltd and maturing in 2006.

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

TABLE 6  
BULGARI GROUP  
FINANCIAL SITUATION

(in millions of euros) Assets (Liabilities)	30/09/02	30/09/01	31/12/01
Bank overdrafts and borrowings due within 1 year	(124.7)	(221.3)	(188.7)
Bank overdrafts and borrowings due after 1 year	(50.0)	(54.0)	(36.1)
Bonds due after 1 year	(100.0)	(100.0)	(100.0)
Payable to other financial entities due within 1 year	(1.0)	-	(1.0)
Payable to other financial entities due after 1 year	(5.7)	(5.5)	(6.4)
Cash and bank balances	31.6	34.7	47.9
Financial receivables due within 1 year	2.0	1.2	-
Financial receivables due after 1 year	0.3	-	-
<b>TOTAL NET CASH</b>	<b>(247.5)</b>	<b>(344.9)</b>	<b>(284.3)</b>
Due from (to) within 1 year	(92.1)	(185.4)	(141.8)
Due from (to) after 1 year	(155.4)	(159.5)	(142.5)

#### **Significant events of the third quarter 2002 and outlook for the period**

During the month of July, proceedings were begun to liquidate Century Bright (Wholesale) Ltd of Hong Kong, which is no longer useful in the distribution setup of Group in the Far East. The liquidation will be completed in the coming months.

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, fully paid in. Bulgari Reinsurance Company Ltd's purpose will be to reinsure insured risks of the Group on the market, rationalising, and thus optimising, risk management. For the purposes of the consolidation as of 30 September 2002, this investment was valued using the cost method.

The difficult international political and economic situation does not allow us to entertain a particularly positive picture for the last months of 2002. Continued talk of a probable war in Iraq has an even more negative influence. The recent action by the Federal Reserve and the announcements by the European Central Bank essentially confirm that the economies of the principal countries in the world are still in a negative phase.

As a result, we must face the last part of the year, during which December is the most important month, with prudence, in spite of the positive signs shown by the Bulgari Group during the third quarter and the initial positive indicators from preliminary data for October. Meanwhile, we will continue all initiatives to achieve greater efficiency in containing costs and in managing invested capital. These have already begun to show positive results in recent months.

#### **Events subsequent to 30 September 2002**

There are no significant events to report subsequent to 30 September 2002.

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

**FINANCIAL STATEMENTS**

**Bulgari S.p.A. and Subsidiaries**  
**Consolidated balance sheet as of 30 September 2002 and as of 31 December 2001**

(Amounts in thousands of euros)

<b>ASSETS</b>	<b>30/09/2002</b>	<b>31/12/2001</b>
Intangible long-term assets	59,074	64,367
Tangible long-term assets	88,130	96,173
Long-term financial investments	25,722	23,741
<b>Total long-term assets</b>	<b>172,926</b>	<b>184,281</b>
Inventories	518,538	547,528
Trade receivables	112,349	123,870
Other receivables and short term financial investments	87,216	99,568
Cash and bank balances	31,615	47,911
<b>Total assets</b>	<b>922,644</b>	<b>1,003,158</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>30/09/2002</b>	<b>31/12/2001</b>
Group net shareholders' equity	494,676	464,491
Minority interests	9,641	10,607
<b>Net shareholders' equity</b>	<b>504,317</b>	<b>475,098</b>
Reserves for risks and charges	13,644	10,469
Reserve for employee severance payments	8,271	7,673
Bonds	100,000	100,000
Bank overdrafts and borrowings	181,390	232,284
Other liabilities	115,022	177,632
<b>Total liabilities and shareholders' equity</b>	<b>922,644</b>	<b>1,003,158</b>

**Bulgari S.p.A. and Subsidiaries****Consolidated income statement for the periods ending 30 September 2002 and 30 September 2001**

(Amounts in thousands of euros)

	30/09/2002	30/09/2001
<b>A. Revenues</b>		
<b>Revenues from sales and services</b>	<b>518,563</b>	<b>540,278</b>
Changes in inventory of work in progress, semi-finished and finished goods	(19,340)	109,062
Other income and revenues	5,079	6,064
<b>Total Revenues (A)</b>	<b>504,302</b>	<b>655,404</b>
<b>Total production costs (B)</b>	<b>447,702</b>	<b>578,063</b>
<b>Difference between revenues and production costs (A-B)</b>	<b>56,600</b>	<b>77,341</b>
<b>C. Financial income and expenses</b>		
Financial income and (expenses)	(9,868)	(8,814)
Gains (losses) on foreign exchange	894	4,911
<b>C. Total financial income and (expenses)</b>	<b>(8,974)</b>	<b>(3,903)</b>
<b>D. Adjustments to financial assets</b>		
Revaluation of investments	0	138
<b>D. Total adjustments to financial assets</b>	<b>0</b>	<b>138</b>
<b>E. Total extraordinary income and (expenses)</b>	<b>(2,909)</b>	<b>(5,053)</b>
<b>Income before taxes and minority interests</b>	<b>44,717</b>	<b>68,247</b>
<b>Income taxes for the period</b>	<b>7,275</b>	<b>9,389</b>
<b>Minority interests for the period</b>	<b>(913)</b>	<b>(2,617)</b>
<b>Net income for the period</b>	<b>36,529</b>	<b>56,241</b>

**Bulgari S.p.A. and Subsidiaries**  
**Income Statement reclassified as of 30 September 2002**

*(Amounts in thousands of euros)*

<b>BULGARI GROUP</b>					
<b>YEAR TO DATE DATA</b>					
		<b>% of</b>		<b>% of</b>	<b>Change</b>
	<b>30/09/02</b>	<b>NET SALES</b>	<b>30/09/01</b>	<b>NET SALES</b>	<b>from '01</b>
<b>SALES REVENUES</b>					
<b>JEWELLERY</b>	195,027	<b>37.6%</b>	196,871	<b>36.4%</b>	<b>-0.9%</b>
<b>WATCHES</b>	194,323	<b>37.5%</b>	218,808	<b>40.5%</b>	<b>-11.2%</b>
<b>PERFUMES</b>	92,621	<b>17.9%</b>	86,332	<b>16.0%</b>	<b>7.3%</b>
<b>ACCESSORIES</b>	26,101	<b>5.0%</b>	26,227	<b>4.9%</b>	<b>-0.5%</b>
<b>SERVICES AND ROYALTIES</b>	10,491	<b>2.0%</b>	12,040	<b>2.2%</b>	<b>-12.9%</b>
<b>TOTAL SALES</b>	<b>518,563</b>	<b>100.0%</b>	<b>540,278</b>	<b>100.0%</b>	<b>-4.0%</b>
<b>CONTRIBUTION MARGIN</b>	<b>320,498</b>	<b>61.8%</b>	<b>356,251</b>	<b>65.9%</b>	<b>-10.0%</b>
<b>TOTAL OPERATING COSTS</b>	<b>263,898</b>	<b>50.9%</b>	<b>278,910</b>	<b>51.6%</b>	<b>-5.4%</b>
<b>OPERATING PROFIT</b>	<b>56,600</b>	<b>10.9%</b>	<b>77,341</b>	<b>14.3%</b>	<b>-26.8%</b>
FINANCIAL INCOME/(EXPENSES)	(9,868)	<b>-1.9%</b>	(8,814)	<b>-1.6%</b>	12.0%
GAINS/(LOSSES) ON EXCHANGE (*)	894	<b>0.2%</b>	4,911	<b>0.9%</b>	-81.8%
OTHER INCOME/(EXPENSES)	(2,909)	<b>-0.6%</b>	(5,191)	<b>-1.0%</b>	-44.0%
MINORITY INTERESTS	(913)	<b>-0.2%</b>	(2,617)	<b>-0.5%</b>	-65.1%
<b>TOTAL</b>	<b>(12,796)</b>	<b>-2.5%</b>	<b>(11,711)</b>	<b>-2.2%</b>	<b>9.3%</b>
<b>GROSS PROFIT/(LOSS)</b>	<b>43,804</b>	<b>8.4%</b>	<b>65,630</b>	<b>12.1%</b>	<b>-33.3%</b>
<b>TAXES</b>	<b>7,275</b>	<b>1.4%</b>	<b>9,389</b>	<b>1.7%</b>	<b>-22.5%</b>
<b>NET INCOME for the PERIOD</b>	<b>36,529</b>	<b>7.0%</b>	<b>56,241</b>	<b>10.4%</b>	<b>-35.0%</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

### **Notes to the consolidated financial statements as of 30 September 2002**

#### **GENERAL ACCOUNTING PRINCIPLES**

The consolidated quarterly report is based on the general accounting principles, consolidation principles and valuation criteria used for the annual report and the half-yearly report.

The quarterly report was prepared in accordance with the provisions of Art. 82 of the "Regulation containing rules for implementing Legislative Decree No. 58 of 24 February 1998 concerning issuers" (CONSOB Resolution No. 11971 of 14 May 1999 as amended).

Balance sheet information provided refers to data as of 30 September 2002 and 31 December 2001. The economic data provided refer to the periods ending 30 September 2002 and 30 September 2001.

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

The quarterly accounts were not audited.

#### **SCOPE OF CONSOLIDATION**

The consolidated companies are shown individually in Table 1 "Fully consolidated companies and companies consolidated with the equity method". Bulgari Saint Barth S.a.S. and Bulgari (Luxembourg) S.A., which were not consolidated as of 31 December 2001, are consolidated as of 30 September 2002. The latter was valued at cost as of 31 December 2001.

#### **PRINCIPLES OF CONSOLIDATION**

##### **Other information**

In order to make 2001 income statement data comparable to data for 2002, revenues from Japan were reclassified as coming from the Far East.

## EXCHANGE RATES

The exchange rates of countries not belonging to the Monetary Union are as follows:

Currency	30/09/2002		31/12/2001		30/09/2001	
	Income Statement	Balance Sheet	Income Statement	Balance Sheet	Income Statement	Balance Sheet
USD	0.92630000	0.98600000	0.89550000	0.88130000	0.89560000	0.91310000
JPY	116.58802804	119.67004575	108.71999600	115.33001106	108.07994890	109.01998663
CHF	1.46740001	1.46110000	1.51040000	1.48289999	1.52260001	1.47609999
GBP	0.62610000	0.62950000	0.62180000	0.60850000	0.62220000	0.62200000
SGD	1.66440000	1.75419999	1.60410000	1.63060000	1.59400001	1.61229999
HKD	7.22470009	7.69049983	6.98450007	6.87230009	6.98520018	7.12170010
AUD	1.71809999	1.81009999	1.73199999	1.72800001	1.72660000	1.84202194
MYR	3.52240003	3.75200000	3.40449998	3.38119997	3.40549996	3.46050002
DKK	7.43129986	7.42739977	7.44930006	7.43650010	7.45180027	7.43669974
TWD	31.89940205	34.43700490	30.23000195	31.09000307	30.00999633	31.42000185
KRW	1,161.98001394	1,204.89186096	1,154.82775744	1,161.54811132	1,155.00115500	1,190.67463620

## NOTES TO THE BALANCE SHEET

### BALANCE SHEET – ASSETS.

(amounts in euros)

#### *Intangible long-term assets*

Net balance as of 30/09/2002: 59,074,000 euros

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

The major investments were related to the following items:

- “organisation and start-up costs”: refer to expenses borne by the Parent Company (537,000 euros) related to share capital increases and costs related to the “Bulgari Hotels & Resorts” project, for consulting to develop the project itself and to develop the “Brand Standards”;
- “research, development and advertising”: development expenses referring mainly to Bulgari Parfums S.A. (311,000 euros) and to Bulgari Global Operations S.A. (118,000 euros);
- “patents and intellectual property rights”: mainly for the purchase of integrated application software licences to manage principal corporate businesses. These refer essentially to Bulgari S.p.A. for 1,503,000 euros, to Bulgari Time S.A. for 509,000 euros, to Bulgari Global Operations S.A. for 389,000 euros and to Bulgari Parfums Italia S.p.A. for 156,000 euros;
- “accruals and advances”: refer mainly (1,093,000 euros) to investments by the Parent Company for the development of software that as of the period closing date was still being implemented;
- “pre-paid expenses”: refer essentially to Parent Company expenses (516,000 euros) to take over leases.

### ***Tangible long-term assets***

Net balance as of 30/09/2002: 88,130,000 euros

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

The largest investments were posted to the following items:

- “industrial and commercial equipment”: refers to investments of Bulgari Parfums S.A. (544,000 euros);
- “furniture, office machinery and fittings” and “improvements to rented premises”: refer mainly to the following new or renovated shops: Tokyo – Ginza; Zurich; Ala Moana - Hawaii; Saint Barthelemy; Palm Beach; as well as the corporate offices of the Parent Company and the renovation of other offices of Group companies. The entry also includes investments by Bulgari Global Operations S.A., 1,348,000 euros, to purchase display windows to use in the third-party distribution network to display products with the BVLGARI trademark;
- “accruals and advances”: essentially the cost of work by Bulgari Corporation of America Inc. on the shop in Los Angeles (5,030,000 euros).

### ***Long-term investments***

Net balance as of 30/09/2002: 25,722,000 euros

Net balance as of 31/12/2001: 23,741,000 euros

This item includes essentially:

- 13,393,000 euros for the following investments valued using the cost method: Opera Participations S.c.a. for 12,104,000 euros, Bulgari Hotel and Resorts B.V. for 654,000 euros, and Bulgari Reinsurance Company Ltd. for 635,000 euros; this last company was established in July 2002;
- 12,225,000 euros for “other receivables due after one year” mainly related to surety deposits.

### ***Current assets***

#### ***Inventories***

Net balance as of 30/09/2002: 518,538,000 euros

Net balance as of 31/12/2001: 547,528,000 euros

Stock levels decreased compared to 31 December 2001, showing the effectiveness of Group initiatives to contain this item of capital investment despite difficult market conditions.

#### ***Other receivables and short term investments***

Balance as of 30/09/2002: 87,216,000 euros

Balance as of 31/12/2001: 99,568,000 euros

This item includes essentially:

- “other receivables due within one year”: 36,583,000 euros referring mainly to VAT receivables and sales taxes. These relate to: Bulgari Italia S.p.A. for 10,562,000 euros; Bulgari S.p.A. for 3,029,000 euros in tax credits for Group VAT clearing pursuant to article 73, last paragraph, of Presidential Decree 633/72 and article 3 of the Ministerial Decree of 13/12/1979; Bulgari Gioielli S.p.A. for 4,874,000 euros; and the Swiss companies for 6,085,000 euros.

- “other receivables due after one year”: 41,627,000 euro refer to 29,634,000 euro in accrued taxes receivable, related mainly to elimination of inter-company profits within the Group and as yet unrealized from trade receivables. The item also includes VAT tax reimbursement credits, as well as accrued interest for Bulgari S.p.A. of 11,882,000 euros.

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

*Reserves for risks and charges*

Balance as of 30/09/2002: 13,644,000 euros

Balance as of 31/12/2001: 10,469,000 euros

This item broke down as follows as of 30 September 2002:

Description	Balance as of 30/09/2002	Balance as of 31/12/2001
Reserve for taxes:	10,408	10,266
- Reserve for taxes	2,585	2,957
- Reserve for deferred taxes	7,823	7,309
Other reserves:	3,236	203
- other	3,236	203
<b>Total</b>	<b>13,644</b>	<b>10,469</b>

The increase in the item Other is essentially due to the risk of paying penalties for cancelling orders from suppliers during the period immediately following the tragic events of September 2001.

**NOTES TO THE INCOME STATEMENT**  
**(amounts in tables in thousands of euros)**

**Revenues**

***Revenues from sales and services***

Amount as of 30/09/2002: 518,563,000 euros

Amount as of 30/09/2001: 540,278,000 euros

Revenues from sales and services as of the third quarter of 2002 are as follows:

Description	30/09/2002	30/09/2001
Sales	508,072	528,238
Royalties and other services	10,491	12,040
<b>Total</b>	<b>518,563</b>	<b>540,278</b>

The item "Royalties and other services" of 10,491,000 euros, consists mainly of royalties for the use of the trademark and revenues for services related to Opera Management S.A. The breakdown of revenues by product category and geographic area is explained in the Directors' Report.

***Costs of production***

Amount as of 30/09/2002: 447,702,000 euros

Amount as of 30/09/2001: 578,063,000 euros

This item breaks down as follows:

Description	30/09/2002	30/09/2001
Purchases of raw materials and finished goods	142,754	274,408
Changes in inventories of raw materials and finished goods	(203)	3,942
Personnel costs	91,771	86,798
Production and administrative expenses	132,595	116,182
Amortisation, depreciation and other write-downs	31,860	30,009
Advertising and promotion	48,925	66,724
<b>Total</b>	<b>447,702</b>	<b>578,063</b>

***Financial income and expenses***

Amount as of 30/09/2002 equalled expenses of 8,974,000 euros

Amount as of 30/09/2001 equalled expenses of 3,903,000 euros

The item consists of:

**Financial income and (expenses)**

Amount as of 30/09/2002 equalled expenses of 9,868,000 euros

Amount as of 30/09/2001 equalled expenses of 8,814,000 euros

This item breaks down as follows:

Description	30/09/2002	30/09/2001
Interest income and other	5,285	7,987
Interest and financial expenses	15,153	16,801
Total	(9,868)	(8,814)

**Gains (losses) on foreign exchange**

Amount as of 30/09/2002: 894,000 euros

Amount as of 30/09/2001: 4,911,000 euros

Description	30/09/2002	30/09/2001
Gains on foreign exchange	23,507	31,379
Losses on foreign exchange	22,613	26,468
Total	894	4,911

Complying with Accounting Principle No. 26 of the National Board of Business Consultants and Accountants, “transactions and entries in foreign currency”, this entry includes only losses from financial activities. Gains and losses on foreign exchange related to hedging commercial risk (related to invoices and orders) were reclassified to the heading “costs for raw materials, parts, supplies, other”.

**Extraordinary income and (expenses)**

**Extraordinary expenses**

Amount as of 30/09/2002: 2,909,000 euros

Amount as of 30/09/2001: 6,979,000 euros

Extraordinary expenses include 1,587,000 euros of costs not related to ordinary operations and expenses related to prior years. They relate mainly to Bulgari Parfums S.A. for 465,000 euros, to Bulgari Global Operations S.A. for 233,000 euros and to Bulgari Corporation of America Inc. for 216,000 euros.

**Minority interests for the period**

Amount as of 30/09/2002: 913,000 euros

Amount as of 30/09/2001: 2,617,000 euros

This entry reflects that portion of period income accruing to third parties involved in Bulgari Japan Ltd., of which the Group owns 80%, to Bulgari (Hong Kong) Ltd., Century Bright (Wholesale) Ltd., Bulgari (Taiwan) Ltd. and Bulgari Korea Ltd. of which the Group owns 51%. The aforementioned companies were fully consolidated.

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

### **SCOPE OF CONSOLIDATION**

- Table 1: Fully consolidated companies and companies consolidated by the equity method
- Table 2: List of companies valued with the cost method

Bulgari S.p.A. and Subsidiaries  
Table 1

Fully consolidated companies						
Company	% owned 30/09/02	% owned 31/12/01	Currency	Share capital	Head office	Business
Bulgari Gioielli S.p.A.	100.00	100.00	EUR	2,580,000	Rome	Jewellery production
Bulgari Italia S.p.A.	99.86	99.86	EUR	12,000,000	Rome	Retail
Bulgari International Corporation (BIC) N.V.	100.00	100.00	EUR	18,301,200	Amsterdam	Sub-holding
Bulgari Collection Internationale B.V.	100.00	100.00	EUR	1,928,563	Amsterdam	High-fashion jewellery production
Bulgari Corporation of America Inc.	100.00	100.00	USD	24,350,000	New York	Retail
Bulgari S.A.	99.50	99.50	CHF	600,000	Geneva	Retail
Bulgari Time (Switzerland) S.A.	99.99	99.99	CHF	1,000,000	Neuchâtel	Production of watches and accessories
Bulgari Jewels S.A.	99.99	99.99	CHF	5,000,000	Neuchâtel	Jewellery production
Bulgari France S.A.	99.96	99.96	EUR	225,000	Paris	Retail
Bulgari Montecarlo S.A.M.	99.99	99.99	EUR	762,245	Montecarlo	Retail
Bulgari (Deutschland) GmbH	100.00	100.00	EUR	2,556,459	Munich	Retail
Bulgari Japan Ltd.	80.00	80.00	JPY	400,000,000	Tokyo	Retail
Bulgari España S.A. Unipersonal	100.00	100.00	EUR	4,918,344	Madrid	Retail
Bulgari Parfums S.A.	99.98	99.98	CHF	1,000,000	Neuchâtel	Perfume production
Bulgari Parfums Italia S.p.A.	100.00	100.00	EUR	1,020,000	Rome	Perfume distribution
Bulgari Parfums USA Inc.	100.00	100.00	USD	100,000	New York	Perfume distribution
Bulgari Netherlands B.V.	100.00	100.00	EUR	9,914,811	Amsterdam	Sub-holding
Bulgari Portugal Accesorios de Luxo Lda.	100.00	100.00	EUR	52,873	Madeira	Sub-holding
Bulgari Asia Ltd.	99.99	99.99	HKD	12,126,809	Hong Kong	Sub-holding
Bulgari South Asian Operations Pte Ltd.	100.00	100.00	SGD	1,000,000	Singapore	Retail
Bulgari (UK) Ltd.	100.00	100.00	GBP	7,700,000	London	Retail
Bulgari Latin America N.V.	100.00	100.00	USD	6,000	Aruba	Retail
Bulgari Latin America Service N.V.	100.00	100.00	USD	6,000	Aruba	Logistical support
Bulgari Belgium S.A.	100.00	100.00	EUR	2,478,935	Brussels	Retail
Bulgari Australia Pty. Ltd.	100.00	100.00	AUD	1,200,000	Sydney	Retail
Bulgari (Malaysia) Sdn Bhd	100.00	100.00	MYR	1,000,000	Kuala Lumpur	Retail
Bulgari Global Operations S.A.	100.00	100.00	CHF	1,000,000	Neuchâtel	Logistical support
Bulgari Operational Services ApS	100.00	100.00	DKK	500,000	Copenhagen	Services
Daniel Roth et Gérald Genta Haute Horlogerie S.A.	100.00	100.00	CHF	7,100,000	Geneva	Production of watches
Bulgari (Hong Kong) Ltd.	51.00	51.00	HKD	1,000,000	Hong Kong	Retail
Century Bright (Wholesale) Ltd.	51.00	51.00	HKD	100	Hong Kong	Product distribution
Bulgari (Taiwan) Ltd.	51.00	51.00	TWD	9,792,310	Taiwan	Retail
Bulgari Korea Ltd.	51.00	51.00	KRW	4,500,000,000	Seoul	Retail
Bulgari Collection Internationale S.A.	100.00	100.00	CHF	3,000,000	Neuchâtel	High-fashion jewellery production
Bulgari (Luxembourg) S.A. (1)	100.00	100.00	EUR	100,000	Luxembourg	Holding for the Bvlgari Hotels and Resorts project
Bulgari Saint Barth S.a.S.	100.00	-	EUR	40,000	Saint Barthelemy	Retail
Companies consolidated with the equity method						
Company	% owned 30/09/02	% owned 31/12/01	Currency	Share capital	Head office	Business
Opera Management S.A.	50.00	50.00	EUR	100,000	Luxembourg	Share asset management

(1) Company valued at cost as of 31 December 2001

Bulgari S.p.A. and Subsidiaries

Table 2

List of companies valued with the cost method

Company	% owned 30/09/02	% owned 31/12/01	Currency	Share capital	Head office	Business
Luxlook Ltd. (1)	2	2	USD	39,900,000	New York	Internet distribution of products

List of companies valued with the cost method

Company	% owned 30/09/02	% owned 31/12/01	Currency	Share capital	Head office	Business
Opera Participations S.c.a. (2)	11.67	11.79	EUR	1,155,970	Luxembourg	Share investment purchases
Bulgari Hotels & Resorts B.V. (3)	65.00	65.00	EUR	90,000	Amsterdam	Company in joint-venture with the Marriott Group
Bulgari Milan Hotels Leasing Company S.r.l.(4)	65.00	-	EUR	10,000	Rome	Company involved in the Bvlgari Hotels & Resorts project
Bulgari Reinsurance Company Ltd.	100.00	-	EUR	635,000	Dublin	Insurance
Bulgari (Luxembourg) S.A. (5)	-	100.00	EUR	100,000	Luxembourg	Holding for the Bvlgari Hotels and Resorts project

(1) Company is in liquidation. The value of the investment was zeroed during 2001.

(2) Bulgari International Corporation (BIC) NV. directly holds 11.73% of the total Class A.1 shares of this company. Also, Opera Management S.A., of which Bulgari International Corporation (BIC) N.V. holds 50%, owns 100% of the class B.1 shares. (Class A.1 shares are privileged in the distribution of dividends, while class B.1 shares do not enjoy any privilege in the distribution of dividends but do allow the shareholder to vote on particularly important resolutions.

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

(4) Company held 61.75% indirectly through Bulgari Hotels & Resorts (95% \* 65%) and 3.25% directly by Bulgari SpA.

(5) Company included in consolidation