

Bulgari S.p.A. and Subsidiaries

**CONSOLIDATED QUARTERLY
REPORT**

AS AT 30 SEPTEMBER 2004

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Introduction

The consolidated quarterly report as at 30 September 2004, which was prepared in accordance with the principles set forth in Article 82 of CONSOB Regulation 11971 of 14 May 1999 and subsequent revisions, consists of the consolidated financial statements and related notes of the Bulgari Group, of which this Report of the Board of Directors on Group Performance as at 30 September 2004 forms an integral part.

Income statement figures are provided for the period 1 July to 30 September 2004 and 1 January to 30 September 2004, and are compared with corresponding periods in 2003. Balance sheet figures are for the periods ended 30 September 2004, 30 September 2003 and 31 December 2003.

Figures reported as at 30 September 2004 and 30 September 2003 were not audited. Figures reported as at 31 December 2003 were audited by KPMG S.p.A.

Report of the Board of Directors on Group Performance as at 30 September 2004

Operating and financial results

The results of the Bulgari Group for the third quarter confirm and strengthen the significant upward trend in sales and profits started in the first half of 2004.

In fact, overall revenue growth for the three months from 1 July to 30 September 2004 was 10.9% at current exchange rates and over 13% at comparable exchange rates. The Group's consolidated net revenues for the current quarter were 201.6 million euros compared with 181.9 million euros for the same period of the previous year.

Thus, for the first nine months, the Group's net revenues totalled 554.4 million euros compared with 512.0 million euros as at 30 September 2003, an increase of 8.3% at current exchange rates and 11.5% at comparable exchange rates.

The impressive results of the first half of the year showed further improvement in the third quarter due in part to the better ability to absorb fixed structural costs and further efficiency improvements in operating processes.

The Group's consolidated operating profit rose from 27.0 million euros in the third quarter of 2003 (14.9% of net revenues) to 35.2 million euros in the third quarter of 2004 (17.4% of net revenues) showing a growth of 30.1%. Cumulative operating profit for the first nine months was 77.5 million euros (14.0% of net revenues) compared with 62.1 million euros for the same period in 2003 (+24.7%).

Consolidated net income for the third quarter was 28.3 million euros (14.0% of revenues), representing a 50.1% increase over the 18.9 million euros for the third quarter of 2003. For the period from 1 January to 30 September 2004, net income was 62.0 million euros (11.2% of net revenues) compared with 43.9 million euros for the first nine months of 2003 (+41.2%).

These very solid results are even more impressive since they were achieved in an environment that continues to show signs of political and economic uncertainty worldwide and with only distant signs of recovery, at least in several important areas for the Group such as Europe.

In this regard, it is useful to bear in mind certain summary figures regarding the current macroeconomic situation.

In the United States, economic growth is continuing at a steady pace but fell somewhat short of expectations. In fact, GDP in the US rose by 3.7% compared with analysts' forecasts of 4.3%. The good news regarding consumer spending was contrasted with the reduction in exports and the downsizing of

business inventories. The Federal Reserve took these figures into account at its summit meeting of 10 November at which it continued its policy of gradual interest rate hikes.

While in America there were clear signs of improvement in the economy, the same could not be said for Europe. Although Jean-Claude Trichet, the European Central Bank president, confirmed his basic optimism for the future, the path of the recovery still remains uncertain on the old continent. However, there was concern over the recent inflationary trend in the euro area, which does not rule out the possibility of a future rate increase. In reality, a lot will depend on the euro exchange rate, which, at this time is clearly a determining factor in setting monetary policy.

With regard to currencies, the dollar was largely stable, as was the case for nearly all of the third quarter: as at 30 September 2004, the exchange rate against the euro was 1.24, while the nine-month average was 1.23 (1.13 for the first nine months of 2003). However, at the beginning of November after the American elections, the dollar suddenly and unexpectedly resumed its free fall pushing the euro to a new historical high of over 1.30 against the US currency.

As at 30 September, the Japanese yen ended at a level of 137.17 against the euro, while the average rate for the first nine months was 133.51, with a weakening of 2% against the European currency (the average exchange rate was 130.95 as at 30 September 2003). The euro-yen exchange rate remained stable (around 136-137) in October-November even after the sharp decline of the dollar.

With regard to raw materials of interest to the Bulgari Group, gold prices were bolstered by the dollar's performance, and after staying at very high levels, at the beginning of November, they reached an historical 16-year high of \$431/ounce. As at 30 September 2004 gold was priced at \$412/ounce with an average of \$401/ounce for the first nine months. In the area of purchases, the only benefit derived was from the weakness of the dollar against the euro. In fact, gold prices in terms of euros/ounce remained very stable moving from about 333 as at 30 September 2003 to 332 as at 30 September 2004 with an average of 327 euros/ounce for the first nine months of this year.

A summary of results is given in Table 1 below.

TABLE 1
BULGARI GROUP
SUMMARY INCOME STATEMENT

<i>(Million euros)</i>	3 rd Qtr. 04	3 rd Qtr. 03	30/09/04	30/09/03
Consolidated net revenues	201.6	181.9	554.4	512.0
Operating profit	35.2	27.0	77.5	62.1
Profit before taxes and minority interest	31.9	25.7	69.7	54.2
Net income	28.3	18.9	62.0	43.9

Revenue analysis

The outstanding sales growth continued in jewellery, Bulgari's main product line. In the third quarter of 2004, jewellery sales rose by 14.5% at comparable exchange rates (12.1% at current exchange rates) over the same period of the previous year, and sales for the first nine months were up by 15% at comparable exchange rates (12% at current exchange rates) over 2003. The figure for the third quarter alone, which was clearly in line with growth for the first six months, was even more significant since it was compared to the third quarter of 2003, which was already up by 21% over the same period in 2002 at comparable exchange rates.

Thus, overall results for the last two years confirm the excellent sales performance of Bvlgari-branded jewellery.

The watch area posted an outstanding third quarter in 2004 (+23.6% at comparable exchange rates over the third quarter of 2003), thereby confirming the success of new Bvlgari products, with revenues up by 12.6% for the first nine months at comparable exchange rates (8.5% at current exchange rates).

Perfume sales, which were compared with a particularly brisk base (third quarter 2003 sales were +48% at comparable exchange rates) as a result of the launch of the new *Omnia* fragrance, remained nearly unchanged for the quarter (-4.9% at comparable exchange rates and -6.5% at current exchange rates). On a cumulative basis, sales at the end of September totalled 95.5 million euros, which was up by 7.2% over the same period in 2003 at comparable exchange rates (4% at current exchange rates).

Excellent performance was posted by accessories with an additional growth spurt of 27.1% at comparable exchange rates in the third quarter of 2004 after rising by 39% in the third quarter of 2003 at comparable exchange rates. For the first nine months, revenues from accessories totalled 42.1 million euros (+8.5% at comparable exchange rates over the same period of the previous year), and sales for the latter quarter were up by 63% over 2002 at comparable exchange rates.

Table 2 below reports percentage growth in various product types at current exchange rates over the same period of the previous year, while Table 3 provides revenues by type of product and their percentage of total Group revenues.

TABLE 2
BULGARI GROUP
REVENUE GROWTH BY TYPE OF PRODUCT

	3 rd Qtr. 2004	3 rd Qtr. 2003	30/09/2004	30/09/2003	31/12/2003
Jewellery	+12%	+12%	+12%	+7%	+ 5%
Watches	+20%	-28%	+9%	-17%	- 17%
Perfume	-6%	+38%	+4%	-1%	+ 3%
Accessories	+26%	+30%	+6%	+52%	+ 40%
Royalties and other	-14%	+26%	-21%	+5%	+ 5%

TABLE 3
BULGARI GROUP
REVENUES BY TYPE OF PRODUCT AND PERCENTAGE OF TOTAL REVENUES

(Million euros)	3 rd Qtr. 2004		3 rd Qtr. 2003		30/09/2004		30/09/2003		31/12/2003	
Jewellery	80.6	40%	71.9	39%	233.5	42%	208.5	41%	307.6	41%
Watches	65.1	32%	54.1	30%	174.6	31%	161.0	31%	244.2	32%
Perfume	37.7	19%	40.3	22%	95.5	17%	91.8	18%	136.7	18%
Accessories	15.1	8%	12.0	7%	42.1	8%	39.7	8%	55.7	7%
Royalties and other	3.1	1%	3.6	2%	8.7	2%	11.0	2%	15.1	2%
Total	201.6	100%	181.9	100%	554.4	100%	512.0	100%	759.3	100%

Moving to an analysis of sales on a geographical basis, sales growth continued to be strong in Japan, where in the third quarter of 2004 sales rose by 31.7% at comparable exchange rates despite the sharp growth in the base for comparison (+23%). Sales for the first nine months were up by 25.8% at comparable exchange rates over 2003, which in turn rose by 17.1% at comparable exchange rates.

In America, sales at comparable exchange rates were up by 17.3% for the quarter and by 22.5% for the first nine months over the same periods in 2003.

In the Far East, revenues increased by 13.9% at comparable exchange rates for the quarter, and by 9.6% for the first nine months over the same periods in 2003.

However, there continue to be mixed signals in the European market where continuing weak demand tied to reduced tourist traffic was only partially offset by an increase in sales to local customers. In fact, net

revenues for the third quarter and first nine months of 2004 were down by 8.3% and 2.7% respectively from the corresponding periods in 2003.

In Italy, sales for the quarter were up by 17.8% over the third quarter of 2003, which rose at a modest pace. However, the cumulative figure through September remained largely unchanged from 2003 and 2002 figures.

Table 4 below reports percentage growth by geographical area at current exchange rates over the same period of the previous year, while Table 5 provides revenues by geographical area and their percentage of total Group revenues.

TABLE 4
BULGARI GROUP
REVENUE GROWTH BY GEOGRAPHICAL AREA

	3 rd Qtr. 2004	3 rd Qtr. 2003	30/09/2004	30/09/2003	31/12/2003
Italy	+18%	-16%	-1%	-1%	-2%
Europe (excl. Italy)	-8%	+25%	-3%	0%	-1%
America	+9%	-7%	+13%	-11%	-6%
Japan	+30%	+10%	+24%	+5%	+1%
Far East	+9%	+3%	+4%	+8%	+8%
Middle East	+46%	-6%	+42%	-8%	-5%
Other	-2%	-60%	-2%	-37%	-44%

TABLE 5
BULGARI GROUP
REVENUES BY GEOGRAPHICAL AREA AND PERCENTAGE OF TOTAL REVENUES

(Million euros)	3 rd Qtr. 2004		3 rd Qtr. 2003		30/09/2004		30/09/2003		31/12/2003	
Italy	25.6	13%	21.8	12%	70.1	13%	70.8	14%	105.5	14%
Europe (excl. Italy)	46.3	23%	50.5	28%	130.7	24%	134.3	26%	189.7	25%
America	28.8	14%	26.4	15%	78.1	14%	69.0	14%	108.7	14%
Japan	51.2	25%	39.4	22%	135.6	24%	109.6	21%	166.4	22%
Far East	36.4	18%	33.3	18%	99.7	18%	96.0	19%	142.6	19%
Middle East	9.1	5%	6.3	3%	27.5	5%	19.4	4%	29.1	4%
Other	4.2	2%	4.2	2%	12.7	2%	12.9	2%	17.3	2%
Total	201.6	100%	181.9	100%	554.4	100%	512.0	100%	759.3	100%

The Group's financial situation

As at 30 September 2004 the Group's net indebtedness stood at 89.1 million euros compared with net indebtedness of 155.7 million euros as at 30 September 2003 and 44.9 million euros as at 31 December 2003. It should be noted that given the seasonality of sales, which is particularly significant in the last quarter, indebtedness is historically lower towards the end of the year. Thus, the more appropriate comparison with the same period of 2003 shows a clear improvement in the financial situation due to cash flow from operations as well as from action taken by the Group to improve the efficiency of its invested capital. Specifically, inventory levels remained largely unchanged from last year (470 million euros as at

30 September 2004, 467 million euros as at 30 September 2003) despite a significant increase in sales with a resulting improvement in turnover.

The strength of the Group's financial position is reflected in its gearing (net indebtedness/total shareholders' equity) which stood at 14.5% as at 30 September 2004 (29% as at 30 September 2003).

The Group's financial situation as at 30 September 2004 is provided in Table 6.

TABLE 6
BULGARI GROUP
FINANCIAL SITUATION

<i>(Million euros)</i> assets (liabilities)	30/09/04	30/09/03	31/12/03
Bank overdraft and borrowing due within one year	(59.7)	(35.6)	(13.5)
Bank overdraft and borrowing due after one year	(61.5)	(79.0)	(73.6)
Bonds falling due within one year	-	(100.0)	-
Bonds falling due after one year	-	-	-
Payables to other lenders due within one year	(1.7)	(0.8)	(6.3)
Payables to other lenders due after one year	-	(4.9)	-
Cash and bank balances	28.4	61.4	45.1
Financial receivables due within one year	3.6	2.7	2.7
Financial receivables due after one year	1.8	0.5	0.7
Total (borrowings)/net cash	(89.1)	(155.7)	(44.9)
<i>Of which, due within one year</i>	<i>(29.4)</i>	<i>(72.3)</i>	<i>28.0</i>
<i>Of which, due after one year</i>	<i>(59.7)</i>	<i>(83.4)</i>	<i>(72.9)</i>

Significant events in the third quarter of 2004 and outlook for the year

- Following the joint venture agreement initialled on 12 May 2004 between the Bulgari Group and the Leviev Group, on 9 August 2004, LB Diamonds & Jewelry Sarl was established with head office in Switzerland. This company is 50% owned by Bulgari International Corporation (BIC) N.V. (wholly owned by Bulgari S.p.A.), and 50% owned by LLD Diamonds Ltd. (wholly owned by the Leviev Group). The purpose of this transaction is to further expand the Bulgari Group's business in the area of making jewellery with diamonds.
- In August, the merger of Bulgari Netherlands B.V. into Bulgari International Corporation (BIC) N.V. was completed retroactive to January 2004. This transaction, which was approved by resolutions of the two companies on 23 March 2004, will make it possible to reduce operating expenses and provide a better and more streamlined management of investments within the Group.

Final figures for the first nine months of the year, and forecasts for the last quarter (which, as noted earlier, will be compared with an extremely high base in 2003) confirm expectations of significant revenue and profit growth for all of 2004.

Subsequent events

There are no significant events to report subsequent to 30 September 2004.

Bulgari S.p.A. and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

Bulgari S.p.A. and Subsidiaries
Consolidated Balance Sheet
as at 30 September 2004, 31 December 2003 and 30 September 2003
(thousands of euros)

ASSETS	30/09/2004	31/12/2003	30/09/2003
Intangible assets	58,568	58,994	60,707
Tangible assets	90,471	83,467	88,189
Financial investments	38,994	31,380	33,417
Total long-term assets	188,033	173,841	182,313
Inventory	470,280	429,964	466,845
Trade receivables	129,658	131,999	118,807
Other receivables and assets not included in long-term assets	88,166	81,031	80,999
Cash and bank balances	28,436	45,121	61,385
Total assets	904,573	861,956	910,349
LIABILITIES	30/09/2004	31/12/2003	30/09/2003
Group shareholders' equity	607,176	578,313	534,452
Minority interests	6,190	8,545	8,656
Total shareholders' equity	613,366	586,858	543,108
Reserve for risks and charges	19,430	11,254	17,271
Reserve for employee severance pay	11,752	10,559	10,673
Bonds	-	-	100,000
Bank overdraft, borrowings and payables to other lenders	122,885	93,410	120,353
Other payables	137,140	159,875	118,944
Total liabilities	904,573	861,956	910,349

Bulgari S.p.A. and Subsidiaries
Consolidated Income Statement
3rd Quarter 2004 and 3rd Quarter 2003 and Nine-Month Figures
as at 30 September 2004 and 30 September 2003
(thousands of euros)

	3rd Quarter 2004	3rd Quarter 2003	30/09/2004	30/09/2003
A. Revenues				
Revenues from sales and services	201,616	181,851	554,390	511,973
Change in the inventory of work in progress, semi-finished and finished goods	(273)	(17,105)	34,497	22,285
Increases in capitalised production costs	170	2,744	220	2,768
Other revenues and income	3,680	1,481	8,229	5,529
Total revenues (A)	205,193	168,971	597,336	542,555
Total production costs (B)				
Total production costs (B)	170,012	141,924	519,855	480,409
Difference between revenues and production costs (A-B)	35,181	27,047	77,481	62,146
C. Financial income and expenses				
Financial income and (expenses)	(1,869)	(2,313)	(4,728)	(6,873)
Gains (losses) on foreign exchange	(836)	1,125	(827)	827
C. Financial income and (expenses)	(2,705)	(1,188)	(5,555)	(6,046)
D. Adjustments in the value of financial assets				
Revaluations of investments				
Revaluation (write-down) of securities included in current assets that are not investments	-	691	-	822
Write-down of investments	(836)	-	1,552	-
D. Total adjustments in the value of financial assets	(836)	691	(1,552)	822
E. Total extraordinary income and (expenses)	239	(808)	(707)	(2,748)
Income before taxes and minority interests	31,879	25,742	69,667	54,174
Income taxes	3,078	6,757	6,708	10,481
Minority interests	(481)	(122)	(963)	202
Net income for the period	28,320	18,863	61,996	43,895

Bulgari S.p.A. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2004

**Notes to the Consolidated Financial Statements
as at 30 September 2004**

GENERAL PRINCIPLES

The consolidated quarterly report as at 30 September 2004 makes reference to the general criteria, consolidation principles and valuation criteria specified in the notes to the annual and semi-annual reports.

Balance sheet information is provided as at 31 December 2003, and income statement information is provided for the periods ended 30 September 2004 and 30 September 2003.

In order to clearly report the Group's balance sheet, financial situation and income statement, unless otherwise indicated, all amounts are expressed in thousands of euros, given their size, and all zero balance entries have been eliminated.

SCOPE OF CONSOLIDATION

Consolidated companies are detailed in Table 1, "List of companies included in the scope of consolidation using the full and proportional consolidation methods." In particular, since 31 December 2003 the following companies were included in the scope of consolidation as at 30 September 2004: Bulgari Parfum Deutschland GmbH and Bulgari Retail USA S.r.l. (consolidated using the full consolidation method) and LB Diamonds & Jewelry Sarl (consolidated using the proportional method since the Group's ownership is 50%). On the other hand, the following companies were removed from the scope of consolidation: Bulgari Latin America N.V. and Bulgari Latin America Services N.V. (these companies are currently in liquidation and their business was bought in August 2003 by Bulgari Corporation of America Inc.) and Bulgari Netherlands N.V., which was absorbed by Bulgari International Corporation (BIC) N.V. effective 1 January 2004. Table 3 shows changes in the scope of consolidation for the period ending 30 September 2004 as compared to the period ending 31 December 2003.

FOREIGN EXCHANGE RATES

The exchange rates of the euro against other currencies, which were used for the purposes of preparing this quarterly report, are reported below:

Currency	30/09/2004		31/12/2003		30/09/2003	
	Income Statement	Balance Sheet	Income Statement	Balance Sheet	Income Statement	Balance Sheet
US \$	1,2258	1,2409	1,1308	1,2630	1,1112	1,1652
YEN	133,5067	137,1700	130,9533	135,0500	131,4435	128,8000
SwFr	1,5476	1,5524	1,5208	1,5579	1,5096	1,5404
Lgs	0,6731	0,6868	0,6918	0,7048	0,6900	0,6986
Sing \$	2,0857	2,0937	1,9698	2,1450	1,9426	2,0125
HK \$	9,5504	9,6745	8,8054	9,8049	8,6645	9,0254
AUD	1,6815	1,7212	1,7385	1,6802	1,7643	1,7101
MYR	4,6586	4,7254	4,2999	4,7684	4,2257	4,4279
DKK	7,4419	7,4416	7,4307	7,4450	7,4288	7,4256
TWD	41,1332	42,2150	38,8916	42,7450	38,3772	39,2820
KRW	1.425,5506	1.429,3900	1.347,0760	1.506,3200	1.327,3434	1.340,1500

NOTES TO THE BALANCE SHEET

BALANCE SHEET - ASSETS (thousands of euros)

Intangible assets

Net balance as at 30 September 2004: 58,568,000 euros

Net balance as at 31 December 2003: 58,994,000 euros

The largest investments were for the following items:

- "Organisation and start-up costs": this item reflects the expenses incurred by the Parent Company (442,000 euros) for costs associated with the "Bulgari Hotels & Resorts" project in terms of consultancy for the development of the "Brand Standards" project, and consulting costs incurred by Opera Management S.A. (106,000 euros) for the establishment of Opera Partecipation 2 S.c.a. during the first quarter of 2004;
- "Research, development and advertising costs," which includes development expenses incurred principally by Bulgari Parfums S.A. (474,000 euros) for the development of a new fragrance that will be introduced in the market shortly;
- "Industrial patents and intellectual property rights," which mainly relates to the acquisition of application software licenses for managing various business activities principally by Bulgari S.p.A. (1,940,000 euros), Bulgari Global Operations S.A. (311,000 euros), Daniel Roth et Gérald Genta Haute Horlogerie S.A. (306,000 euros) and Bulgari Time S.A. (226,000 euros);
- "Goodwill," which refers to the goodwill (1,145,000 euros) paid by Daniel Roth et Gérald Genta Haute Horlogerie S.A. to one of its distributors to acquire the direct management of the distribution business in an area of the Asian market which is deemed to have particular strategic importance for the company and Group.
- "Assets under development and advance payments," which substantially includes expenses incurred by Bulgari S.p.A. (701,000 euros) in relation to additional costs for the development of application software which, as at 30 September 2004, was still in the implementation phase; this item also includes expenses incurred by Bulgari (UK) Ltd. (690,000 euros) and Bulgari Espana S.A. Unipersonal (425,000 euros) for costs incurred by these companies for taking over premises respectively in New Bond Street and Barcelona that had not yet opened;
- "Deferred charges to be amortised," which primarily refers to consideration of 729,000 euros paid by Bulgari Japan Ltd. to purchase a business previously managed by a franchisee;
- "Consolidation difference," which relates to the acquisition by Bulgari (Deutschland) GmbH of 100% of Bulgari Parfums Germany GmbH (657,000 euros) and the acquisition by Bulgari International Corporation (BIC) B.V. of an additional 49% in Bulgari Taiwan Ltd. (261,000 euros) during this period.

Tangible assets

Net balance as at 30 September 2004: 90,471,000 euros

Net balance as at 31 December 2003: 83,467,000 euros

The largest increases occurred in the following items:

- "Plant and machinery," which includes investments by Daniel Roth et Gérald Genta Haute Horlogerie S.A. (300,000 euros) and Bulgari Time S.A. (144,000 euros);
- "Industrial and commercial equipment," which primarily includes investments by Bulgari Parfums S.A. (1,073,000 euros);

- “Furniture, office equipment and furnishings” and “leasehold improvements,” which related primarily to the following new or renovated stores: Chicago (America), Tokyo (Japan), Peninsula (Hong Kong), Taichung Mitsukoshi (Taiwan), Chiba Mitsukoshi (Japan), Hiroshima Tenmaya (Japan), Nihonbashi Takashimaya (Japan), Gotemba (Japan), Milan (Italy). This item also includes investments made by Bulgari Global Operations S.A. in preparing for the Basel Fair (484,000 euros) and in purchasing showcases to be used in the third party distribution network for exhibiting BVLGARI products (935,000 euros) as well as improvements made to the Parent Company’s General Management and Administrative offices (1,183,000 euros), and investments made by Bulgari Japan Ltd. (750,000 euros) aimed at creating an appropriate workshop for providing repair assistance and service;
- “Construction in progress and advance payments,” which substantially includes investments for opening new stores in London (7,702,000 euros), England; and Osaka (2,265,000 euros), Japan, and for the renovation of the store in Berlin (777,000 euros), Germany.

Financial investments

Net balance as at 30 September 2004: 38,994,000 euros

Net balance as at 31 December 2003: 31,380,000 euros

This item includes:

- “Investments in subsidiaries” of 1,387,000 euros to reflect the value of investments in Bulgari Hotels & Resorts B.V. (374,000 euros) and in Bulgari Hotels and Resorts Milano S.r.l. (28,000 euros) which are valued according to the equity method. This item also includes the value of the investment in Bulgari Reinsurance Company Ltd. (985,000 euros), which was valued according to the cost method, since it is small in size, for the purposes of providing a true representation of the Group.
- “Investments in other companies” of 22,418,000 euros, which primarily includes the value of the investment in Opera Participations S.c.a., which is valued according to the cost method. The 6,047,000-euro increase over 31 December 2003 is due to the financing of the recapitalisation of one of the companies owned by the Fund. This item also includes the 190,000 euro investment of Opera Management S.A. in Opera Partecipation S.c.a. and in Opera Partecipation 2 S.c.a. which was established during the first quarter of 2004.
- “Other receivables due within one year” (809,000 euros), primarily related to a security deposit of 646,000 euros corresponding to Bulgari Italia S.p.A., paid by way of a customs security.
- “Other receivables due after 12 months” of 14,377,000 euros, is primarily related to security deposits of 7,500,000 euros and insurance funds of 5,090,000 euros to benefit employees of Bulgari Japan Ltd.

Current assets

Inventory

Net balance as at 30 September 2004: 470,280,000 euros

Net balance as at 31 December 2003: 429,964,000 euros

The increase in inventory from 31 December 2003 was due to the build-up of stocks of finished products by distribution companies in preparation for the launch of new products and the year-end sales campaign when seasonal market effects are traditionally more significant.

Other receivables and assets not included in long-term assets

Balance as at 30 September 2004: 88,166,000 euros

Balance as at 31 December 2003: 81,031,000 euros

This item primarily includes:

- “Receivables from tax authorities due within one year” of 28,715,000 euros, primarily for VAT credits and taxes on sales which are related to: the Swiss companies (9,781,000 euros), Bulgari Italia S.p.A. (2,571,000 euros), Bulgari (UK) Ltd. (1,275,000 euros), Bulgari Espana S.A. Unipersonal

(433,000 euros), Bulgari South Asian Operations Pte Ltd. (430,000 euros) and Bulgari Gioielli S.p.A. (387,000 euros), and in addition Bulgari S.p.A. (5,602,000 euros for the cumulative receivable from tax authorities for the settlement of the Group's VAT pursuant to the last paragraph of Article 73 of Presidential Decree 633/72 and Article 3 of Ministerial Decree 13/12/1979).

This item also includes 4,222,000 euros in Parent Company IRPEG [corporate income taxes] credits and receivables for taxes paid abroad.

- "Receivables from tax authorities due after one year" of 16,124,000 euros, which primarily includes a receivable for a VAT refund and the respective accrued interest which is due to Bulgari S.p.A. in the amount of 10,038,000 euros and Bulgari Gioielli S.p.A. in the amount of 5,109,000 euros.
- "Deferred tax charges" of 23,777,000, which are for deferred tax assets calculated primarily on the write-off of intra-company profits recorded between Group companies to be realised with respect to third party customers, and deferred tax assets related to past losses of the Parent Company, Bulgari S.p.A.;
- "Other receivables due within one year" of 4,682,000 euros, related primarily to social security receivables of 2,085,000 euros and advance payments of 1,779,000 euros;
- "Accrued income and prepaid expenses" of 8,333,000 euros, which are primarily for insurance costs of 3,411,000 euros and lease payments for premises of 3,006,000 euros;
- "Treasury stock" of 3,569,000 euros relating to 550,313 shares. At the end of the third quarter of 2004, these shares were valued at the average purchase price of 6.49 euros.

BALANCE SHEET – LIABILITIES AND SHAREHOLDERS' EQUITY (thousands of euros)

Reserve for risks and charges

Balance as at 30 September 2004: 19,430,000 euros

Balance as at 31 December 2003: 11,254,000 euros

As at 30 September 2004 this item was broken down as follows:

Description	Balance as at 30/09/2004	Balance as at 31/12/2003
Reserve for taxes including deferred taxes	17,355	9,055
- Reserve for taxes	1,622	1,644
- Reserve for current taxes	8,696	-
- Reserve for deferred taxes	7,037	7,411
Other reserves	2,075	2,199
Total	19,430	11,254

The "reserve for current taxes" includes the estimate of current taxes calculated on the basis of a realistic projection of tax charges for the period of each of the companies included in the scope of consolidation.

The item "Other reserves" mainly includes the allocation to account for the risk of paying penalties for the likely future cancellation of orders to suppliers for which it was prudentially preferred to set up a reserve. In addition, this item includes the extraordinary provisions described under the item "extraordinary expenses."

NOTES TO THE INCOME STATEMENT (Thousands of euros)

Revenues**Revenues from sales and services**

Amount as at 30 September 2004: 554,390,000 euros

Amount as at 30 September 2003: 511,973,000 euros

Revenues from sales and services for the third quarter of 2004 were as follows:

Description	30/09/2004	30/09/2003
Sales of goods	545,712	500,956
Royalties and other services	8,678	11,017
Total	554,390	511,973

The item "Royalties and other services" (8,678,000 euros) primarily includes royalties for granting the use of the trademark, and service revenues from Opera Management S.A.

Comments on the breakdown of revenues by type of product and geographical areas were already provided in the Performance Report.

Increases in capitalised production costs

Amount as at 30 September 2004: 220,000 euros

Amount as at 30 September 2003: 2,768,000 euros

This item includes the value of a number of typical Bvlgari products which are reclassified from inventory to tangible assets as a result of the project to set up a "Museum" of Bvlgari products.

Production costs

Amount as at 30 September 2004: 519,855,000 euros

Amount as at 30 September 2003: 480,409,000 euros

This item is broken down as follows:

Description	30/09/2004	30/09/2003
Raw materials, consumables and goods	185,334	166,916
Change in the inventory of raw materials and goods	(10,664)	1,767
Personnel costs	98,356	94,158
Production and administrative expenses	156,334	138,204
Advertising and promotion costs	63,844	49,587
Amortisation, depreciation and write-downs	26,651	29,777
Total	519,855	480,409

Financial income and expenses

Amount as at 30 September 2004: Expenses of 5,555,000 euros

Amount as at 30 September 2003: Expenses of 6,046,000 euros

As at 30 September 2004, this item was made up of:

- financial expenses of 4,728,000 euros compared to 6,873,000 euros as at 30 September 2003, and is broken down as follows:

Description	30/09/2004	30/09/2003
Interest income and other	1,397	4,177
Interest and financial expenses	(6,125)	(11,050)
Total	(4,728)	(6,873)

- losses on foreign exchange of 827,000 euros, compared to gains on foreign exchange of 827,000 euros as at 30 September 2003, which were made up as follows:

Description	30/09/2004	30/09/2003
Gains on foreign exchange	31,879	51,409
Losses on foreign exchange	(32,706)	(50,582)
Total	(827)	827

Adjustments in the value of financial assets

Revaluation of securities included in current assets that are not investments

Amount as at 30 September 2004: zero

Amount as at 30 September 2003: 822,000 euros

Write-down of investments

Amount as at 30 September 2004: 1,552,000 euros

Amount as at 30 September 2003: zero

This item, which totals 1,552,000 euros, includes the write-down of investments in Bulgari Hotels & Resorts B.V. and in Bulgari Hotels and Resorts Milano S.r.l., which, as noted earlier, were valued according to the equity method.

Extraordinary income and expenses

Extraordinary income

Amount as at 30 September 2004: 963,000 euros

Amount as at 30 September 2003: zero

This item, which totals 963,000 euros, is primarily (769,000 euros) related to Bulgari S.p.A. for a refund of non-deductible taxes paid abroad and for the refund of costs allocated in December 2003 by Daniel Roth et Gérald Genta Haute Horlogerie S.A. (161,000 euros).

Extraordinary expenses

Amount as at 30 September 2004: 1,670,000 euros

Amount as at 30 September 2003: 2,748,000 euros

Extraordinary losses are primarily related to Bulgari S.p.A. for the final balance of non-deductible taxes and non-recoverable taxes paid abroad (1,344,000 euros) and to Bulgari Japan Ltd. for the management of certain brand-dedicated BVLGARI stores, which were previously managed by third parties (219,000 euros).

Minority interests

Amount as at 30 September 2004: 963,000 euros

Amount as at 30 September 2003: 202,000 euros

This item reflects the proportion of third party income corresponding to Bulgari Japan Ltd., which is 80% owned by Bulgari International Corporation N.V., and to Bulgari Korea Ltd., 51% of which is owned by the aforementioned company.

Since the third quarter of 2003, the remaining 49% of Bulgari (Hong Kong) Ltd. and Bulgari (Taiwan) Ltd. were purchased in 2004 bringing the Group's stake to 100%.

Bulgari S.p.A. and Subsidiaries

Table 1

List of companies included in the scope of consolidation
using the fully consolidated method

Company	% owned 30/09/2004	% owned 31/12/2003	Currency	Authorised capital	Head office	Business
Bulgari Gioielli S.p.A.	100.00	100.00	Euro	2,580,000	Rome	Jewellery production
Bulgari Italia S.p.A.	100.00	100.00	Euro	12,000,000	Rome	Retail sales
Bulgari International Corporation (BIC) N.V. (1)	100.00	100.00	Euro	28,216,011	Amsterdam	Sub-holding company
Bulgari Corporation of America Inc.	100.00	100.00	Us\$	24,350,000	New York	Retail sales
Bulgari S.A.	100.00	100.00	Swfr	600,000	Geneva	Retail sales
Bulgari Time (Switzerland) S.A.	100.00	100.00	Swfr	1,000,000	Neuchatel	Production of watches and accessories
Bulgari Jewels S.A.	100.00	100.00	Swfr	5,000,000	Neuchatel	Jewellery production
Bulgari France S.A.	100.00	100.00	Euro	225,000	Paris	Retail sales
Bulgari Montecarlo S.A.M.	100.00	100.00	Euro	800,000	Monte Carlo	Retail sales
Bulgari (Deutschland) GmbH	100.00	100.00	Euro	2,556,459	Monaco	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	Euro	4,918,344	Madrid	Retail sales
Bulgari Parfums S.A.	100.00	100.00	Swfr	1,000,000	Neuchatel	Perfume production
Bulgari Parfums Italia S.p.A.	100.00	100.00	Euro	2,020,000	Rome	Perfume distribution
Bulgari Parfums USA Inc.	100.00	100.00	Us\$	100,000	New York	Perfume distribution
Bulgari Netherlands B.V. (1)	-	100.00	Euro	9,914,811	Amsterdam	Sub-holding company
Bulgari Portugal Acessorios de Luxo Lda.	100.00	100.00	Euro	92,873	Madeira	Sub-holding company
Bulgari Asia Ltd.	100.00	100.00	HK\$	12,126,809	Hong Kong	Sub-holding company
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	15,100,000	London	Retail sales
Bulgari Belgium S.A.	100.00	100.00	Euro	2,478,935	Brussels	Retail sales
Bulgari Australia Pty. Ltd.	100.00	100.00	Aud	3,200,000	Sydney	Retail sales
Bulgari (Malaysia) Sdn Bhd	100.00	100.00	Rm	3,334,000	Kuala Lumpur	Retail sales
Bulgari Global Operations S.A.	100.00	100.00	SwFr	1,000,000	Neuchatel	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	SwFr	7,100,000	Geneva	Production of watches
Bulgari (Hong Kong) Ltd.	100.00	51.00	HK\$	1,000,000	Hong Kong	Retail sales
Bulgari (Taiwan) Ltd.	100.00	51.00	Twd	110,000,000	Taiwan	Retail sales
Bulgari Korea Ltd.	51.00	51.00	Kwon	4,500,000,000	Seoul	Retail sales
Bulgari Collection Internationale S.A.	100.00	100.00	Swfr	3,000,000	Neuchatel	Jewellery production
Bulgari (Luxembourg) S.A.	100.00	100.00	Euro	100,000	Luxembourg	Holding company relating to the Bvlgari Hotels and Resorts project
Bulgari Saint Barth S.a.S.	100.00	100.00	Euro	40,000	Saint Barthelemy	Retail sales
Bulgari Retail USA S.r.l.	100.00	-	Euro	50,000	Rome	Retail sale and wholesale
Bulgari Parfums Deutschland GmbH	100.00	-	Euro	25,000	Wiesbaden	Perfume distribution

List of companies included in the scope of consolidation
using the proportional method

Company	% owned 30/09/2004	% owned 31/12/2003	Currency	Authorised capital	Head office	Business
LB Diamonds & Jewelry Sarl.	50.00	-	Euro	1,250,000	Neuchatel	Jewellery production
Opera Management S.A.	50.00	50.00	Euro	120,000	Luxembourg	Management of equity interests
Crova S.p.A.	50.00	50.00	Euro	2,700,000	Valenza (Alessandria)	Jewellery production

(1) In 2004, Bulgari Netherland N.V. was merged into Bulgari International Corporation (BIC) N.V.

Bulgari S.p.A. and Subsidiaries

Table 2

List of companies valued using the equity method

Company	% owned 30/09/2004	% owned 31/12/2003	Currency	Authorised capital	Head office	Business
Bulgari Hotels & Resorts B.V. (1)	65.00	65.00	Euro	90,000	Amsterdam	Company in joint venture with the Marriott Group
Bulgari Hotels and Resorts Milano S.r.l. (2)	65.00	65.00	Euro	100,000	Rome	Company involved in the Bulgari Hotels and Resorts project
Luxlook Ltd. (3)	2.00	2.00	Us\$	39,900,000	New York	Distribution of products on the Internet

List of companies valued using the cost method

Company	% owned 30/09/2004	% owned 31/12/2003	Currency	Authorised capital	Head office	Business
Opera Participations S.c.a. (4)	11.91	11.72	Euro	2,139,120	Luxembourg	Acquisition of equity interests
Opera Participations 2 S.c.a. (5)	22.99	-	Euro	970,000	Luxembourg	Acquisition of equity interests
Bulgari Reinsurance Company Ltd.	100.00	100.00	Euro	635,000	Dublin	Insurance company
Bulgari Retail USA S.r.l. (6)	-	100.00	Euro	50,000	Rome	Retail sale and wholesale

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

(2) Company owned indirectly through Bulgari Hotels & Resorts B.V. at a percentage of 61.75% (95% * 65%, Bulgari Hotels and Resorts B.V. investments in Bulgari Hotels and Resorts Milano S.r.l.) and directly through Bulgari SpA at a percentage of 3.25%.

(3) Company in liquidation. The value of the shareholding was reset to zero during the 2001 fiscal year.

(4) Company directly owned by Bulgari International Corporation (BIC) N.V. which holds 11.91% of all class A.1 shares. In addition, Opera Management S.A., 50% owned by Bulgari International Corporation (BIC) N.V., owns 100% of class B.1 shares (class A.1 shares have preference in the distribution of dividends whereas B.1 shares do not enjoy any preference in the distribution of dividends, but enable their holders to exercise voting rights on particularly important decisions).

(5) Company directly owned by Bulgari International Corporation (BIC) N.V. which holds 22.99 % of all class A.1 shares. In addition, Opera Management S.A., 50% owned by Bulgari International Corporation (BIC) N.V., owns 100% of class B.1 shares (class A.1 shares have preference in the distribution of dividends whereas B.1 shares do not enjoy any preference in the distribution of dividends, but enable their holders to exercise voting rights on particularly important decisions).

(6) Company included in the scope of consolidation in 2004

Bulgari S.p.A. and Subsidiaries

Table 3

Statement of changes in the scope of consolidation
occurring in the period ended 30 September 2004 compared with
the period ended 31 December 2003

Companies entering the scope of consolidation	Head office	Business
LB Diamonds & Jewelry Sarl.	Neuchatel	Jewellery production
Bulgari Retail USA S.r.l.	Rome	Retail sale and wholesale
Bulgari Parfums Deutschland GmbH	Wiesbaden	Perfume distribution
Companies leaving the scope of consolidation	Head office	Business
Bulgari Netherlands B.V. (1)	Amsterdam	Sub-holding company
Bulgari Latin America N.V. (2)	Aruba	Retail sales
Bulgari Latin America Service N.V. (2)	Aruba	Logistical support

(1) Company absorbed by Bulgari International Corporation (BIC) N.V.

(2) Company in liquidation