

BULGARI S.P.A. AND SUBSIDIARIES

**CONSOLIDATED QUARTERLY REPORT
OF THE DIRECTORS**

AS AT 31 MARCH 2005

BULGARI S.P.A. AND SUBSIDIARIES

Quarterly Report of the Bulgari Group as at 31 March 2005

Introduction

The quarterly report as at 31 March 2005 was prepared in accordance with the principles set forth in Article 82 of CONSOB Regulation 11971 of 14 May 1999 and subsequent revisions. Income statement figures are provided for the period 1 January 2005 to 31 March 2005 and for the corresponding period in 2004. Balance sheet figures are provided for the periods ending 31 March 2005, 31 December 2004 and 31 March 2004.

Figures reported as at 31 March 2005 and 31 March 2004 were not audited. Figures reported as at 31 December 2004 were audited by KPMG S.p.A..

Macroeconomic situation and operating and financial results

In line with the gradual but constant improvement during 2004, the first three months of 2005 were characterised by greater stability in the international markets than in recent times, even though some tensions still remain, in particular because of the situation in Iraq and the Middle East.

The market environment is still characterised by some conflicting situations, with geographical areas such as America and Asia showing constant growth, compared to Europe where the economy is still having a hard time to recover.

Propensity to travel and tourism, which are particularly important for the luxury goods industry, are showing signs of revival.

In the environment just described, total sales reported by Bulgari in the first quarter confirmed the positive growth trend, with good prospects also for 2005 in terms of results.

In fact, the Group's consolidated net revenues amounted to 179.4 million euros compared to 160.3 million euros in the first quarter of 2004, showing an increase, at comparable exchange rates, of 12.8% (11.9% at current rates).

The Group's consolidated operating profit in the first three months of the year was influenced by substantial expenditure on communication (+48.3% compared to the same period of 2004), decreasing from 18.9 million euros in the first quarter of 2004 (11.8% of revenues) to 18.3 million euros in the first quarter of 2005 (10.2% of revenues), a decrease of 3%.

If we consider the operating result before advertising and promotion expenses, for which benefits are expected in the upcoming months, the first quarter closed with 41.9 million euros, an increase of 20.4% compared to the 34.8 million euros for the same period of 2004.

Consolidated net income was 14.7 million euros, the 8.2% of revenues, an increase of 9.1% compared to the 13.5 million euros for the first quarter of 2004. This result was partly due to the good results from financial management, but also to the smaller impact of taxes estimated for the period, compared to the first three months of 2004.

The quarterly results achieved by the Group provide a bright outlook for the rest of the year, which is traditionally the most important season for sales. An ongoing analysis of market trends is therefore fundamental in any evaluation of these prospects.

In this regard, it is useful to bear in mind certain summary figures regarding the macroeconomic situation in the first part of the year, and in particular, the monetary policies followed by authorities in the main geographical areas, which are often essential for understanding the current and future economic situation.

For Italy and Europe, 2005 still appears to be a year of transition in terms of wealth creation. The Organisation for Economic Cooperation and Development (OECD), the European Central Bank and many commercial banks estimate that GDP for countries in the euro zone will rise by between 1.8% and 2% in 2005. Amongst the larger European countries, Spain will show the highest growth with 2.5%.

The situation in the United States and the Asian continent is different. In the USA growth is estimated between 3.5% and 4%. As regards Japan, financial analysts often take different views. In some cases

there are signs of worry over a possible drop in consumption, but these have not yet been confirmed. The remaining Asian countries generally have healthy economies, in the wake of China which has forecast a rate of growth of 8.75% for the year.

The different levels of economic growth are directly influencing interest rates. The difficulties in the euro zone have led the European Central Bank towards a wait-and-see monetary policy, without rate cuts but at the same time no squeeze. The cost of money has therefore been stuck at 2% for over a year and a half. On the other hand, in the United States economic growth has encouraged the Federal Reserve to adopt a restrictive monetary policy. In fact, after the five gradual rate rises of 2004, the American Central Bank raised the cost of money three more times in the first months of 2005, always by 0.25 percentage points, bringing it to 3%.

With regards to currencies, the average exchange rates for the first quarter of 2005 compared with those for the first quarter of 2004, show the European currency strengthening by 4.8% against the American dollar, by 2.2% against the yen and by 1.2% against the Singapore dollar. The sole currencies relevant to the Bulgari Group which rose slightly against the Euro were the Hong Kong dollar and the Swiss franc.

With regard to raw materials, gold prices remained at USD400/ounce mark for all of the first quarter of 2005, with fluctuations tied primarily to the performance of the dollar. However, in the first months of 2005 the growth trend shown in 2004, in parallel with the depreciation of the American currency, suffered a setback and gold prices were at an average value of USD430/435/ounce.

A summary of results is given in Table 1.

TABLE 1
BULGARI GROUP
SUMMARY INCOME STATEMENT

<i>(million euros)</i>	31/03/2005	31/03/2004
Consolidated net revenues	179.4	160.3
Operating profit	18.3	18.9
Profit before taxes and minority interests	17.9	17.4
Net income	14.7	13.5

Revenue analysis

For the first quarter of 2005 sales of the Bulgari Group increased in Italy, America, Japan and other Far Eastern countries, while the difficult economic situation negatively affected sales in Europe. The substantial growth of sales in Italy, while proving a certain renewal of tourist traffic, is actually due to the particularly low levels of sales of the period for comparison (the first quarter of 2004).

Below we provide greater detail on changes in net revenues at constant exchange rates and indicate the changes from the first quarter of 2004 to the same period of 2005 for each geographical area.

In Japan, which confirmed to have the highest revenues for the Group, sales at comparable exchange rates increased by 19.9% (+18.3% at current exchange rates) after registering a 23.1% increase at comparable exchange rates in the first quarter of 2004.

In America Group revenues grew by 33.7% at comparable exchange rates (+29.4% at current exchange rates) confirming the clear market recovery which was already seen in the final quarters of 2003 and the whole of 2004.

In other Far Eastern countries (excluding Japan), sales at comparable exchange rates were up by 8.6% (+7.7% at current exchange rates), which was an impressive result considering that sales volume in this area grew by 4.8% and 34% in the first quarter of 2004 and the first quarter of 2003 respectively.

As already noted, however, the situation was clearly more difficult in Europe (excluding Italy) where Group sales were essentially stable (-0.8%). Sales in Italy increased but, as already mentioned, partly due to the period for comparison (the first quarter of 2004), which had suffered a drop of 22.7%. Strong sales

posted by Group-owned stores in the first weeks of the second quarter led to a certain amount of optimism for the next few months including for these markets.

Table 2 below shows the value of revenues by geographical area according to market outlet, their percentage contribution towards total revenues and quarter-on-quarter growth.

TABLE 2
BULGARI GROUP
REVENUES BY GEOGRAPHICAL AREA (current exchange rates)

Geographical area	1 st Qtr. 2005			1 st Qtr. 2004			1 st Qtr. 2003		
<i>(million euros)</i>									
Italy	21.7	12%	+21%	17.8	11%	-23%	23.1	14%	+15%
Europe (excl. Italy)	37.9	21%	-1%	38.2	24%	-5%	40.2	25%	-12%
America	30.3	17%	+29%	23.4	15%	+6%	22.1	14%	-12%
Japan	47.2	26%	+18%	39.9	25%	+17%	34.1	21%	+17%
Far East	32.1	18%	+8%	29.8	18%	-5%	31.1	20%	+25%
Middle East	6.8	4%	+3%	6.6	4%	+51%	4.4	3%	-23%
Other	3.4	2%	-24%	4.6	3%	-14%	5.3	3%	-3%
TOTAL REVENUES	179.4	100%	+12%	160.3	100%	0%	160.6	100%	+3%

In terms of product type, for the first quarter of 2005 jewellery sales rose by 10.2% at comparable exchange rates (+9.1% at current exchange rates) over the same period of the previous year, and at 72.2 million euros represented even more than 40% of total sales.

Watch sales at comparable exchange rates increased of 3.1% (+1.8% at current rates). Growth has been most significant in Group-owned stores, while deliveries to retailers during the quarter were probably slower in expectation of the presentation of important new product releases in April.

The performance of accessory sales (+28.3%, +27.9 at current exchange rates) confirms Bulgari exceptional success with these products as well.

Perfume sales increased by almost 20% (+20.3% at current exchange rates) due largely to the highly successful new fragrance AQVA.

Table 3 below shows the amount of revenues, the percentage of the total revenues according to product type and the quarter-on-quarter increase.

TABLE 3
BULGARI GROUP
REVENUES BY PRODUCT TYPE (current exchange rates)

Type of product	1 st Qtr. 2005			1 st Qtr. 2004			1 st Qtr. 2003		
<i>(million euros)</i>									
Jewellery	72.2	40%	+9%	66.2	41%	+8%	61.5	38%	-1%
Watches	50.3	28%	+2%	49.4	31%	-6%	52.6	33%	+1%
Perfumes	34.1	19%	+20%	28.4	18%	+3%	27.6	17%	-9%
Accessories	17.5	10%	+28%	13.7	8%	-7%	14.8	9%	+82%
Royalties and other	5.3	3%	+97%	2.6	2%	-36%	4.1	3%	+10%
TOTAL REVENUES	179.4	100%	+12%	160.3	100%	0%	160.6	100%	+3%

The Group's financial situation

At the end of March 2005, net indebtedness was 36.2 million euros compared with 10.2 million euros as at 31 December 2004 and 72.9 million euros as at 31 March 2004.

The increase in indebtedness for the three months compared with the end of 2004 was entirely due to the normal build-up of inventory, and especially new products, for the second half of the year when sales traditionally reach the highest levels.

At the end of the quarter, the Group's shareholders' equity totalled 667.4 million euros (674.3 million euros including minority interests) compared with 656.1 million euros as at 31 December 2004 and 588.1 million euros as at 31 March 2004.

At the end of the quarter, gearing (net indebtedness/total shareholders' equity including minority interests) was 5%.

The Group's financial situation as at 31 March 2005 is provided in Table 4.

TABLE 4
BULGARI GROUP
FINANCIAL SITUATION

<i>(million euros)</i> assets (liabilities)	31/03/2005	31/12/2004	31/03/2004
Bank overdraft and borrowing due within one year	(28.3)	(27.1)	(24.4)
Bank overdraft and borrowing due after one year	(59.9)	(58.1)	(76.9)
Bonds falling due within one year	-	-	-
Bonds falling due after one year	-	-	-
Payables to other lenders due within one year	(2.8)	(2.8)	(2.0)
Payables to other lenders due after one year	(2.0)	-	-
Cash and bank balances	52.5	72.4	26.1
Financial receivables due within one year	3.6	3.6	3.6
Financial receivables due after one year	0.7	1.8	0.7
TOTAL NET CASH (BORROWINGS)	(36.2)	(10.2)	(72.9)
Of which, due within one year	25.0	46.1	3.3
Of which, due after one year	(61.2)	(56.3)	(76.2)

Significant events in the first quarter of 2005

No significant events took place during the first quarter of 2005.

I.A.S./I.F.R.S.

With reference to 2005 1st quarter report, Consob, in its ruling No. 14990 of 15 April 2005, article 82bis, established a temporary regime allowing the use of the pre-existing regulations (Legislative Decree 127/91, L.D. 87/92 and L.D. 173/97) for the preparation of accounting statements. The notes accompanying the quarterly report must be prepared in accordance with the provisions of Appendix 3 D of the Issuer Regulations.

The Bulgari Group began some time ago to analyse and assess the major issues from an accounting, organisational, business and information systems perspective, associated with the introduction of the IFRS. The progress made to date on implementation of the new procedures has resulted in the quantification of the effects upon all statement items, with the exception of application of IAS 19 to the reserve for employee termination of the Group's Italian companies, now approaching completion.

The Board of Directors of Bulgari S.p.A. has therefore opted for the use of the pre-existing regulations (Legislative Decree 127/91, L.D. 87/92 and L.D. 173/97) for 2005 1st quarter report and envisages application of the provisions of International Accounting Standard 34 from 2005 interim report.

Meanwhile, the auditors have been requested to perform some checks of the significance and accuracy of the valuations that the Group is performing internally with regard to the reconciliations of the Shareholders' Equity information at the beginning and the end of 2004, as well as the financial results for the same year. The outcome of these checks will be published together with the interim report information, as provided for by Consob.

Events subsequent to 31 March 2005 and forecast for the year

- On 4 April 2005 Bulgari bought 50% of the shares of Cadrans Design S.A., a company specialised in the production of watch components. This purchase was made to strengthen the process of vertical integration within one of its core businesses.

There are no other significant events subsequent to 31 March 2005.

The Group continues to focus on major launches of new products in all merchandise categories, for which initial market returns are particularly favourable. In the first months of the year the good performance of jewellery, the growth in watches and the excellent performance of business in perfumes and accessories allow optimism for upcoming months. Thus, we are able to confirm forecasts of increased sales growth also for the next quarters, and this, together with a continuing watchful eye over costs, should also lead to a further improvement in profits.

BULGARI S.P.A. AND SUBSIDIARIES

**CONSOLIDATED
FINANCIAL STATEMENTS**

Bulgari S.p.A. and Subsidiaries
Consolidated Balance Sheet
as at 31 March 2005 and 31 December 2004
(thousands of euros)

ASSETS	31/03/2005	31/12/2004
Intangible assets	69.761	69.798
Tangible assets	88.309	86.705
Financial investments	42.348	41.805
Total long-term assets	200.418	198.308
Inventory	492.754	458.774
Trade receivables	118.934	161.057
Other receivables and assets not included in long-term assets	97.372	118.031
Cash and bank balances	52.522	72.387
Total assets	962.000	1.008.557
LIABILITIES	31/03/2005	31/12/2004
Group shareholders' equity	667.438	656.114
Minority interests	6.863	6.742
Total shareholders' equity	674.301	662.856
Reserve for risks and charges	12.471	10.379
Reserve for employee severance pay	13.995	13.656
Bank overdraft, borrowings and payables to other lenders	96.822	88.083
Other payables	164.411	233.583
Total liabilities	962.000	1.008.557

Bulgari S.p.A. and Subsidiaries
Consolidated income statement
for the periods ended 31 March 2005 and 31 March 2004
(thousands of euros)

	31/03/2005	31/03/2004
A. Revenues		
Revenues from sales and services	179.402	160.322
Change in the inventory of work in progress, semi-finished and finished goods	25.869	22.513
Increases in capitalised production costs	2	11
Other revenues and income	3.074	1.574
Total revenues (A)	208.347	184.420
Total production costs (B)	190.008	165.505
Difference between revenues and production costs (A-B)	18.339	18.915
C. Financial income and expenses		
Financial income and (expenses)	(1.161)	(1.198)
Gains (losses) on foreign exchange	873	653
C. Financial income and (expenses)	(288)	(545)
D. Adjustments in the value of financial assets		
Write-downs of securities included in current assets that are not investments	-	(304)
D. Total adjustments in the value of financial assets	-	(304)
E. Total extraordinary income and (expenses)	(102)	(709)
Income before taxes and minority interests	17.949	17.357
Income taxes	(2.670)	(3.680)
Minority interests	(530)	(164)
Net income for the period	14,749	13,513

BULGARI S.P.A. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS AS AT 31 MARCH 2005**

**Notes to the Consolidated Financial Statements
as at 31 March 2005**

GENERAL PRINCIPLES

The consolidated quarterly report as at 31 March 2005 refers to general criteria, consolidation principles and valuation criteria defined in the accompanying notes to the annual and interim financial statements.

The balance sheet figures are provided as at 31 March 2005 and 31 December 2004, and income statement figures are provided as at 31 March 2005 and 2004.

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." To be specific, at 31 March 2005 compared with 31 December 2004, Bulgari Hotels & Resorts B.V. and Bulgari Hotels and Resorts Milano S.r.l., formerly valued using the equity method, were included in the scope of the consolidation. These companies have now been consolidated using the proportional method although the overall controlling percentage of the Group over Bulgari Hotels & Resorts B.V and over Bulgari Hotels and Resorts Milano S.r.l. is equal to 65% of the capital. Inasmuch as control of these is understood as being together with the other partner because, on the basis of the joint venture agreements, neither of the partners is able to control the companies unilaterally.

Table 3 shows the change in the scope of consolidation as at 31 March 2005 as compared with the period ending 31 December 2004.

FOREIGN EXCHANGE RATES

The exchange rates used for this quarterly report are provided below (1 EURO=):

Currency	31/03/2005		31/12/2004		31/03/2004	
	Income Statement	Balance Sheet	Income Statement	Balance Sheet	Income Statement	Balance Sheet
US \$	1,3111	1,2964	1,2434	1,3621	1,2507	1,2224
YEN	137,0052	138,4400	134,3965	139,6500	134,0256	126,9700
CHF	1,5488	1,5486	1,5441	1,5429	1,5686	1,5594
GBP	0,6936	0,6885	0,6786	0,7050	0,6803	0,6659
SGD	2,1450	2,1377	2,1009	2,2262	2,1193	2,0459
HK \$	10,2246	10,1110	9,6843	10,5881	9,7272	9,5228
AUD	1,6874	1,6763	1,6893	1,7459	1,6341	1,6052
MYR	4,9786	4,9365	4,7265	5,1769	4,7492	4,6532
DKK	7,4432	7,4495	7,4400	7,4388	7,4495	7,4448
TWD	41,2648	40,9040	41,5116	43,0370	41,7081	40,3780
KRW	1.340,5700	1.316,4900	1.423,0014	1.410,0594	1.465,6702	1.401,4200

NOTES TO THE BALANCE SHEET

BALANCE SHEET - ASSETS

Intangible assets

Net balance as at 31 March 2005: 69,761,000 euros

Net balance as at 31 December 2004: 69,798,000 euros

The largest investments were for the following items:

- “research, development and advertising costs”: these include development costs primarily relating to Bulgari Parfums S.A. (133,000 euros) for the development of new fragrances as well as skin tests for perfumes;
- “industrial patents and intellectual property rights”: due primarily to the purchase of application software licenses for the management of various corporate activities largely carried out by Bulgari S.p.A. (964,000 euros) and Daniel Roth et Gérald Genta Haute Horlogerie S.A. (48,000 euros);
- “concessions, licences and trademarks”: the increases for the period refer to costs sustained by Bulgari Parfums S.A. for patents on perfumes (82,000 euros);
- “assets under development and advance payments”: these primarily include expenses incurred by Bulgari S.p.A. (253,000 euros) related to additional costs for the development of application software which, as at 31 March 2005, were still being implemented.

The net balance for intangible assets as at 31 March 2005 includes also 1,038,000 euros relating to Bulgari Hotels & Resorts Milano S.r.l. (of which 701,000 euros relates to start-up costs and 337,000 euros to research and development costs). As already mentioned this company, previously valued using the equity method, was consolidated using the proportional method from 2005.

Tangible assets

Net balance as at 31 March 2005: 88,309,000 euros

Net balance as at 31 December 2004: 86,705,000 euros

The largest increases occurred in the following items:

- “plant and machinery”: these include investments by Daniel Roth and Gérald Genta Haute Horlogerie S.A. (101,000 euros);
- “industrial and commercial equipment” which mainly includes investments by Bulgari Parfums S.A. (150,000 euros);
- “furniture, office equipment and furnishings” and “leasehold improvements”: these are primarily for the following new or renovated stores: Geneva (Switzerland), Taipei (Taiwan), Montaigne (France), Venice (Italy), Aspen (USA), Osaka (Japan) and New Bond Street (UK). The item also includes investments made by Bulgari Global Operations S.A. for improvements to the building where the Basel Fair is held (62,000 euros) and in purchasing show cases to be used in the third party distribution network for exhibiting BVLGARI products (514,000 euros) as well as improvements made to the Parent Company’s General Management and Administrative offices (52,000 euros), and costs sustained for hardware investments of 762,000 euros. Also included are investments of 38,000 euros made by Bulgari Japan Ltd. for the assistance and repairs service workshop;
- “construction in progress and advance payments”: these consist mainly of investments for remodelling the Waikiki/Honolulu store (746,000 euros) in America and Rome (129,000 euros) store.

The net balance for tangible assets as at 31 March 2005 includes also 1,658,000 euros (of which 1,225,000 euros relate to improvements to rented premises, 385,000 euros for equipment and 48,000 euros for hardware and furniture) for Bulgari Hotels & Resorts Milano S.r.l. coming within the scope of consolidation from 2005.

Financial investments

Net balance as at 31 March 2005: 42,348,000 euros

Net balance as at 31 December 2004: 41,805,000 euros

This item includes:

- “investments in subsidiaries” of 985,000 euros, representing the value of the holding in Bulgari Reinsurance Company Ltd. valued according to the cost method since it is irrelevant in terms of a true representation of the Group.

- “investments in other companies” of 23,534,000 euros. This amount mainly includes the value of the investment of the group in Opera Participations S.c.a. and in Opera Participations 2 S.c.a., valued according to the cost method.
- “other receivables due within one year” amounting to 4,243,000 euros. This amount refers mainly, for 3,887,000 euros, to a loan granted by Bulgari International Corporation (BIC) N.V. to LB Diamonds & Jewelry Sarl, a company 50% owned and proportionally consolidated, and to 150,000 euros to a security deposit of Bulgari Italia S.p.A., paid by way of a customs security.
- “other receivables due after one year”, amounting to 13,580,000 euros. The most significant part of this is represented by 7,413,000 euros of security deposits, 5,508,000 euros in insurance funds for the benefit of employees of Bulgari Japan Ltd. and 659,000 euros for long-term finance granted by Bulgari Hotels & Resorts B.V. to Bulgari Hotels and Resorts Milano S.r.l..

Current assets

Inventory

Net balance as at 31 March 2005: 492,754,000 euros

Net balance as at 31 December 2004: 458,774,000 euros

The increase in inventory compared to 31 December 2004 was due to the build-up of stocks of finished goods by the distributing companies in preparation for the launch of new product lines and the growth in sales scheduled for future months.

Other receivables and assets not included in long-term assets

Balance as at 31 March 2005: 97,372,000 euros

Balance as at 31 December 2004: 118,031,000 euros

This item primarily includes:

- “tax receivables due within one year” of 35,220,000 euros, primarily for VAT credits and taxes on sales, and are primarily related to: the Swiss companies (13,087,000 euros), Bulgari (UK) Ltd. for 2,057,000 euros, Bulgari Italia S.p.A. for 1,714,000 euros, Bulgari Gioielli S.p.A. for 883,000 euros, Bulgari France S.A. for 664,000 euros, Bulgari Espana S.A. Unipersonal for 562,000 euros, Bulgari S.p.A. for 5,527,000 euros for taking on the tax representation of Bulgari Parfums S.A. and for 2,713,000 euros relating to the cumulative receivable from tax authorities for the settlement of Group VAT (pursuant to the last paragraph of Article 73 of Presidential Decree 633/72 and Article 3 of Ministerial Decree 31/12/1979).
This item also includes 4,669,000 euros in Parent Company IRPEG [corporate income taxes] credits and receivables for taxes paid abroad.
- “tax receivables due after one year” of 16,060,000 euros referring mainly to credit for a VAT refund and the respective interest accrued which is due to Bulgari S.p.A. in the amount of 10,006,000 euros and Bulgari Gioielli S.p.A. in the amount of 5,092,000 euros.
- “advance taxes” of 24,222,000 euros, for deferred tax assets largely related to the writing-off of intra-company profits recorded between Group companies to be realised with respect to third-party customers and to deferred tax assets relating to losses recorded by the Parent Company Bulgari S.p.A.;
- “other receivables due within one year” of 6,128,000 euros, due mainly to advance payments to suppliers for 3,715,000 euros and to receivables from social security entities for 904,000 euros;
- “other receivables due after one year” of 2,714,000 euros net of a 468,000 euros fund for write-down of receivables, refers primarily to interest-free credits granted by Bulgari South Asian Operations Pte Ltd. to finance stores with the Bulgari brand in Peking and Shanghai in China, managed by third parties;
- “accrued income and prepaid expenses” of 9,459,000 euros, 3,962,000 euros of which was for advertising and promotion expenses linked to the launch of new products, 3,024,000 euros for insurance costs and 2,427,000 euros for rental of premises;
- “treasury stock” of 3,569,000 euros relating to 550,313 shares. At the end of the first quarter of 2005 the stock was valued at an average cost price of 6.49 euros.

The decrease in other receivables and financial assets not representing fixed assets compared with 31 December 2004 is primarily due to the collection of VAT receivables.

BALANCE SHEET – LIABILITIES AND SHAREHOLDERS' EQUITY

Reserve for risks and charges

Balance as at 31 March 2005: 12,471,000 euros

Balance as at 31 December 2004: 10,379,000 euros

As at 31 March 2005, this item was made up as follows:

Description (thousands of euros)	Balance as at 31/03/2005	Balance as at 31/12/2004
Reserves for taxes, including deferred	10,542	7,925
- Reserve for taxes	893	1,267
- Reserve for current taxes	3,240	-
- Reserve for deferred taxes	6,409	6,658
Other reserves	1,929	2,454
Total	12,471	10,379

The “Reserve for current taxes” includes an estimate of current taxes calculated on the basis of a realistic forecast of the tax burden for the period of each of the companies included within the scope of consolidation. The item “Other reserves” mainly includes appropriations for current legal disputes, as well as the appropriation for the risk of payment of fines for probable future cancellation of orders to suppliers for which a reserve fund has been prudently set aside.

INFORMATION ON THE INCOME STATEMENT (thousands of euros)

Revenues

Revenues from sales and services

Amount for 1st quarter of 2005: 179,402,000 euros

Amount for 1st quarter of 2004: 160,322,000 euros

Revenues from sales and services for the first quarter of 2005 were as follows:

Description (thousands of euros)	31/03/2005	31/03/2004
Sales of goods	176,228	157,666
Royalties and other services	3,174	2,656
Total	179,402	160,322

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

It is worth remembering that from the first of January 2005 Bulgari Hotels and Resorts Milano S.r.l., which in 2004 was valued using the equity method, entered the scope of consolidation (proportional method). The impact of this change on net revenues is 2.1 million euros.

The item “Royalties and other services” (3,174,000 euros) primarily includes royalties for granting the use of the BVLGARI trademark, and service revenues from Opera Management S.A..

Production costs

Amount for 1st quarter of 2005: 190,008,000 euros

Amount for 1st quarter of 2004: 165,505,000 euros

This item is broken down as follows:

Description (thousands of euros)	31/03/2005	31/03/2004
Raw materials, consumables and goods	76,978	70,175
Change in the inventory of raw materials and goods	(9,326)	(9,734)
Personnel costs	37,543	31,835
Production and administrative expenses	51,671	48,920
Advertising and promotion costs	23,592	15,906
Amortisation, depreciation and write-downs	9,550	8,403
Total	190,008	165,505

Financial income and expenses

Amount for 1st quarter of 2005: 288,000 euros

Amount for 1st quarter of 2004: 545,000 euros

As at 31 March 2005 this item was made up as follows:

- financial expenses of 1,161,000 euros compared with 1,198,000 euros as at 31 March 2004 broken down as follows:

Description (thousands of euros)	31/03/2005	31/03/2004
Interest income and other	561	497
Interest and financial expenses	(1,722)	(1,695)
Total	(1,161)	(1,198)

- Gains on foreign exchange of 873,000 euros, compared with gains on foreign exchange of 653,000 euros as at 31 March 2004, were made up as follows:

Description (thousands of euros)	31/03/2005	31/03/2004
Gains on foreign exchange	9,520	13,916
Losses on foreign exchange	(8,647)	(13,263)
Total	873	653

Adjustments in the value of financial assets*Write-down of investments*

Amount for 1st quarter of 2005: zero

Amount for 1st quarter of 2004: 304,000 euros

As at 31 December 2004 this item included the write-down of investments in Bulgari Hotels and Resorts B.V. and in Bulgari Hotels and Resorts Milano S.r.l., formerly valued according to the equity method.

As already mentioned, the above investments are consolidated using the proportional method starting from 2005.

Extraordinary income and expenses

Extraordinary income

Amount for 1st quarter of 2005: zero

Amount for 1st quarter of 2004: 531,000 euros

Extraordinary expenses

Amount for 1st quarter of 2005: 102,000 euros

Amount for 1st quarter of 2004: 1,240,000 euros

Extraordinary expenses refer primarily to 55,000 euros for taxes relating to previous financial periods.

Result for Minority interests

Amount for 1st quarter of 2005: 530,000 euros

Amount for 1st quarter of 2004: 164,000 euros

This item reflects the proportion of third party income for the period relating to Bulgari Japan Ltd. and to Bulgari Korea Ltd., 80% and 51% owned by Bulgari Corporation (BIC) N.V. respectively.

Bulgari S.p.A. and Subsidiaries

Table 1

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

Company	% owned 3/31/2005	% owned 12/31/2004	Curr.	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.	100.00	100.00	Euro	18,301,200	Amsterdam	Sub-holding company
Bulgari Corporation of America Inc.	100.00	100.00	Us\$	24,350,000	New York	Retail sales and perfume distribution
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	5,418,344	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	1,020,000	Rome	Perfume distribution
Bulgari Portugal Acessorios de Luxo Lda.	100.00	100.00	Euro	92,873	Madeira	Sub-holding company
Bulgari Asia Ltd.(1)	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	20,100,000	London	Retail sales
Bulgari Belgium S.A.	100.00	100.00	Euro	1,000,000	Brussels	Retail sales
Bulgari Australia Pty. Ltd.	100.00	100.00	Aud	5,200,000	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	100.00	HK\$	1,000,000	Hong Kong	Retail sales
Bulgari (Taiwan) Ltd.	100.00	100.00	Twd	260,000,000	Taipei	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	100.00	Euro	50,000	Rome	Retail and wholesale
Crova S.p.A.	100.00	100.00	Euro	2,700,000	Valenza (Alessandria)	Jewellery production
Bulgari Parfums Deutschland GmbH	100.00	100.00	Euro	25,000	Wiesbaden	Perfume distribution

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

Company	% owned 3/31/2005	% owned 12/31/2004	Curr.	Authorised capital	Head office	Business
LB Diamonds & Jewelry Sarl.	50.00	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
Bulgari Hotels & Resorts B.V. (2)	65.00	65.00	Euro	18,000	Amsterdam	Company in joint-venture with the Marriot Group
Bulgari Hotels & Resorts Milano S.r.l. (3)	65.00	65.00	Euro	100,000	Rome	Company involved in the Bvlgari Hotels and Resorts project

(1) Company in liquidation in 2004.

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

(3) 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 & Resorts Milano S.r.l.) and directly through Bulgari SpA at a percentage of 3.25%.

Bulgari S.p.A. and Subsidiaries

Table 2

List of companies valued
using the cost method

Company	% owned 3/31/2005	% owned 12/31/2004	Curr.	Authorised capital	Head office	Business
Opera Participations S.c.a. (1)	11.80	11.80	Euro	2,225,309	Luxembourg	Acquisition of equity interests
Opera Participations 2 S.c.a. (2)	21.70	21.70	Euro	1,020,000	Luxembourg	Acquisition of equity interests
Bulgari Reinsurance Company Ltd.	100.00	100.00	Euro	635,000	Dublin	Insurance company

(1) Company directly owned by Bulgari International Corporation (BIC) N.V. which holds 11.80% 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).

(2) Company directly owned by Bulgari International Corporation (BIC) N.V. which holds 21.7% 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).

Bulgari S.p.A. and Subsidiaries

Table 3

Statement of changes in the scope of consolidation
occurring in the period ended 31 March 2005 compared with
the year ended 31 December 2004

Companies entering the scope of consolidation	Head office	Business
Bulgari Hotels & Resorts B.V.	Amsterdam	Company in joint venture with Marriot Group
Bulgari Hotels and Resorts Milano S.r.l.	Rome	Company involved in the Bvlgari Hotels and Resorts project