

B V L G A R I

**Consolidated quarterly report
at 31 March 2006**

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Bulgari S.p.A. and Subsidiaries

**Report of the Directors
on the Group's operations
at 31 March 2006**

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Introduction

The Bulgari Group has prepared its consolidated quarterly report at 31 March 2006 in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The consolidated financial statements at 31 March 2006, have been prepared in accordance with International Financial Reporting Standards (IAS/IFRS). Comparative figures are provided at 31 December 2005 and 31 March 2006, adjusted and reclassified to conform to those Standards.

Performance of the Group

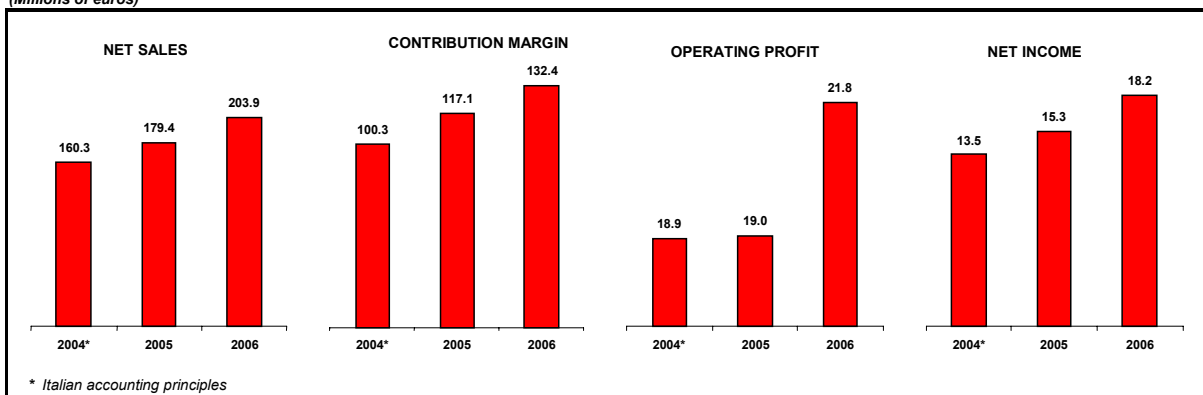
Net sales of the Bulgari Group grew by 13.6% in the first quarter of 2006 at current exchange rates and by 11.9% at comparable exchange rates.

In profitability terms, the first three months of the year confirm the positive effect that the Group's activities had in supporting contribution margin (up 13.1%), which amounted to 65% of net sales, in a difficult moment for the tend of raw material prices. Operating profit rose by 15.2% and net income by 18.6%, demonstrating that the year has begun well for growth, despite the significant expenses incurred to strengthen the distribution network of stores owned by the Group which will continue throughout the year.

MAIN ECONOMIC INDICATORS

Consolidated net revenues for the first quarter of 2006 totalled 203.9 million euros compared to 179.4 million euros in the first quarter of the prior year. The effect of the change in the scope of consolidation on sales was insignificant (less than 0.5%), since a large part of the sales of the companies acquired in 2005 are made to Group companies.

(Millions of euros)



Contribution margin in the quarter rose from 117.1 to 132.4 million euros (up 13.1%), representing 65.0% of net sales compared to 65.2% in the first quarter of 2005, and therefore essentially stable in proportional terms. These figures are especially positive if the negative effect of exchange rates and the significant increase in raw materials prices, particularly those of gold, are taken into consideration, and even more so since the planned increase in sales prices still had only a marginal impact in the first quarter, with greater

effects to be felt in the coming months. This result is yet another testimonial to the success of the action taken to achieve production efficiencies and to obtain greater vertical integration in strategic sectors.

In order to sustain this trend in the growth of both sales and contribution margin, also for future months, operating costs in the quarter, excluding advertising and promotion expenses, increased from 74.5 to 87.0 million euros, a rise of 16.7% compared with the corresponding period in 2005.

Actions taken to support the BVLGARI brand remained steady during the period, and advertising and promotion expenses amounted to 23.6 million euros (up 0.1%). These expenses represented 11.6% of net revenues for the 2006 quarter compared to 13.2% in the first quarter of 2005.

The Group achieved an operating profit of 21.8 million euros for the first three months of 2006, an increase of 15.2% compared to the 19.0 million euros in the same quarter of 2005.

Net income amounted to 18.2 million euros a rise of 18.6% compared to the first quarter of 2005, benefiting in part from the increased exchange gains compared to those of the corresponding period of 2005.

CONSOLIDATED INCOME STATEMENT				
<i>Millions of euros</i>	BULGARI GROUP			
	I Q 2006	I Q 2005	DIFF	% DIFF
NET REVENUES	203.9	179.4	24.5	13.6%
CONTRIBUTION MARGIN NET	132.4 65.0%	117.1 65.2%	15.4	13.1%
Variable selling expenses	8.4	6.7	1.7	25.6%
Personnel costs	37.8	33.6	4.2	12.6%
Other income and expense	32.7	25.8	6.9	26.8%
Advertising and promotion expenses	23.6	23.6	0.0	0.1%
Depreciation, amortisation and impairment	8.1	8.5	(0.4)	-4.6%
TOTAL OPERATING EXPENSES	110.6	98.1	12.5	12.7%
OPERATING PROFIT	21.8 10.7%	19.0 10.6%	2.9	15.2%
Other non-operating income (expense)	(0.8)	(0.4)	(0.4)	93.6%
INCOME BEFORE TAXATION AND MIN. INTERESTS	21.1	18.6	2.5	13.6%
Current and deferred taxation	(2.8)	(2.7)	(0.1)	2.8%
INCOME BEFORE MINORITY INTERESTS	18.3 9.0%	15.9 8.8%	2.4	15.4%
Income attributable to minority interests	(0.1)	(0.5)	0.4	-78.0%
NET INCOME ATTRIBUTABLE TO THE GROUP	18.2 8.9%	15.3 8.5%	2.8	18.6%

MACRO-ECONOMIC SCENARIO

In order to be able to understand better the results achieved by the Bulgari Group to date and its prospects over the coming months, an analysis of the international macro-economic scenario is useful, even though this is somewhat summarised.

The OECD, the International Monetary Fund and the US Central Bank all agree in their forecast that there will be a good level of growth in 2006, although slightly lower than that of 2005 in which there was a slowdown in the final quarter in which there was an increase of 1.1%. The only worrying figures are those relating to the turnaround in the interest rate curve, meaning that long-term returns are lower than those yielded in the shorter term; on the two occasions when this phenomenon occurred in the past, a recession arrived in the short term. The Federal Reserve has made it publicly known that it expects to interrupt the series of increases in rates which have reached 4.75% after fifteen consecutive increases.

According to the President of the European Central Bank, Trichet, the situation in Europe is beginning to improve, thanks especially to Germany. The German economy has begun to take off again and in December 2005 the index of business confidence in the country reached an all time high for the last six years. Growth in Germany is forecast at 1.7% in 2006, that in France 1.9% and that in Spain 3.1%. The increase in Italy is expected to be more contained where, after zero growth in 2005, a rise of 1.3% is forecast for the year. What continues to concern Italy is the figure for the budget deficit, which will probably exceed 4% as a proportion of GDP.

After a long waiting period lasting from mid 2003, the European Central Bank has raised reference interest rates to 2.5% by two successive increases of 0.25% at the end of 2005 and at the beginning of 2006, and has announced that there will be further rises from June 2006.

All the stock markets continue with an upwards trend. In America, in Europe and also in Asia, lists are at their highest levels for several years in certain cases.

The unstoppable rise in gold prices continues, and these have now reached their highest levels for the past few decades. The euphoric atmosphere recalls the magical three year period between 1979 and 1981, when the price even briefly exceeded US \$ 850 per ounce. The elements supporting the quotation of gold are still present, from the continuingly unstable geopolitical situation to the high price of oil, a situation which is capable of generating inflation and slowing economic growth.

The price of gold reached 582 dollars per ounce at the end of March (average for the quarter: 554 dollars per ounce, up 36.1% compared to the first quarter of 2005), which increased even during the stages in which the dollar was recovering against the euro. The price of gold in euros over the past few years had, in fact, always remained at around 320 to 330 euros per ounce, but this sequence was interrupted in the Spring of 2005. The gold price held at even higher levels during the weeks following the end of the quarter (April average: 611 dollars per ounce) and even exceeded 670 dollars per ounce at the beginning of May; to give an example, this price represents a rise of 59% over the average of 422 dollars per ounce for May 2005.

REVENUE ANALYSIS

REVENUES BY PRODUCT TYPE

Sales at comparable exchange rates rose in the first quarter of 2006 in all the product sectors in which the Group operates, with the exception of perfumes which remained substantially stable compared to the same period of 2005.

In jewellery, Bulgari's main product category, growth reached 8.2% (10.0% at current exchange rates), continuing the constant positive trend achieved over the past few years.

Watches confirmed the notable growth already signalled during the last quarter of 2005, recording an increase of 13.1% compared to the first three months of 2005 (up 15.9% at current exchange rates). The

positive sales figures resulting from the new models introduced during the first part of 2005, such as the *Carbon Gold* and the *Titanium*, and the great success of the *Assioma*, which was launched onto the market in September 2005, were the main factors sustaining the growth of this product category and, together with the new models recently presented at the Basel fair, create good expectations for sales over the forthcoming months of this year.

The extraordinary success of accessories continues, with sales for the quarter which grew by 44.2% at comparable exchange rates (up 44.8% at current exchange rates), demonstrating once again the correctness of the decision to invest in a business which is relatively new to the Group.

The JWA (Jewels-Watches-Accessories) Division grew by 15% in the first three months of 2006 at comparable exchange rates (up 16% at current exchange rates).

Sales of the Perfume Division (down by 1.4% at comparable exchange rates and by 0.7% at current exchange rates) consolidated the high level of growth achieved in the first quarter of 2005, taking advantage of the impressive success of the launch of *Aqua*, the masculine fragrance introduced onto the market at the end of 2004. The Group expects there to be a further improvement in the fragrance sector as a result of the introduction of important new products in the second half of the year.

Following its opening in May 2004, the activities of the Milan hotel continue with ever increasing success. This hotel is the first bearing the BVLGARI brand and is managed in partnership with the Marriott group through Bulgari Hotels and Resorts Milano S.r.l.. Its contribution in terms of turnover of the company, which is consolidated using the proportionate method, amounted to 2.6 million euros in the first quarter of 2006, which represents a growth of 23.3% compared to the first three months of 2005.

Table 1 sets out revenues by product type for the first quarter of 2006, the proportion of each type as a percentage of total revenues, the change at both current and comparable exchange rates over the same period of the previous year and total figures for 2005.

TABLE 1
BULGARI GROUP
REVENUES BY TYPE OF PRODUCT – FIRST QUARTER

Product Line <i>(millions of euro)</i>	I Q 2006				I Q 2005				2005			
	Absolute value	%	Δ % vs PVY		Absolute value	%	Δ % vs PVY		Absolute value	%	Δ % vs PVY	
			curr. exch. rate	comp. exch. rate			curr. exch. rate	comp. exch. rate			curr. exch. rate	comp. exch. rate
<i>Jewellery</i>	79.4	39%	+10	+8	72.2	40%	+9	+10	368.2	40%	+7	+8
<i>Watches</i>	58.3	29%	+16	+13	50.3	28%	+2	+3	267.9	29%	+4	+4
<i>Accessories</i>	25.4	12%	+45	+44	17.5	10%	+28	+28	76.9	8%	+24	+24
<i>Other</i>	1.8	1%	+14	-	1.6	1%	+46	-	7.1	1%	+17	-
JWA Division	164.9	81%	+16	+15	141.6	79%	+9	+10	720.1	78%	+8	+8
Perfume Division	33.8	17%	-1	-1	34.1	19%	+20	+20	182.6	20%	+18	+18
Hotel Division	2.6	1%	+23	-	2.1	1%	-	-	9.6	1%	+141	-
Royalties and other	2.6	1%	+55	-	1.6	1%	+1	-	6.2	1%	+2	-
Total net revenues	203.9	100%	+14	+12	179.4	100%	+12	+13	918.5	100%	+10	+11

Operating profitability by sector is reported in the notes.

REVENUES BY GEOGRAPHICAL AREA

Following the positive results already achieved in 2005, in which revenues grew by 15% over the year, there was a further rise of 13.9% in Italy during the first quarter of 2006, thanks also to the confirmed pick up in tourist flows.

There were also clear signs of a recovery in sales in Europe (excluding Italy) which increased by 27.1% in the first quarter of 2006; this regards in particular sales made by owned stores, which benefited from the increase in tourist traffic, and this could be a favourable indication for the future. Sales in Spain, the UK and France were especially positive, due also to the new store in *Place Vendome* which was opened in December 2005, although it should be highlighted that there was a general trend towards growth in all countries.

Revenues in America grew by 8.4% at comparable exchange rates (up 15.3% at current exchange rates) over the first quarter of 2005. This result is without doubt promising, especially if it is considered that this market was penalised by the closure in February of the flagship store on Fifth Avenue, which will be reopened in the Spring of 2007 after having undergone a complete refurbishment. In addition, the strategic decision taken by the Group to handle the distribution of perfumes on the American market directly, rather than through third parties as before, continues to be a success.

Growth in Japan remains important for the Group; this market is paramount for our sector and there was a further rise of 25.3% in the quarter at comparable exchange rates (up 22.8% at current exchange rates), following increases also in the first quarters of 2004 and 2005 of respectively 23.1% and 19.9% at comparable exchange rates.

There was a drop of 24.7% at comparable exchange rates (20.3% at current exchange rates) in sales in the Far East over the figure for the first quarter of 2005, caused by a general weakness of the local market and as a result of the continuation of more attentive policies carried out by the Group in respect of third party distributors, despite an overall positive performance of sales in the Bulgari brand stores.

Table 2 that follows sets out revenues for the first quarter of 2006 by geographical area determined on the basis of outlet market, their amount as a percentage of total revenues, the change at both current exchange rates and comparable exchange rates over the same period of the previous year and total figures for 2005.

TABLE 2
BULGARI GROUP
REVENUES BY GEOGRAPHICAL AREA

Geographical area <i>(millions of euro)</i>	I Q 2006				I Q 2005				2005			
	Absolute value	%	Δ % vs PVY		Absolute value	%	Δ % vs PVY		Absolute value	%	Δ % vs PVY	
			curr. exch. rate	comp. exch. rate			curr. exch. rate	comp. exch. rate			curr. exch. rate	comp. exch. rate
Italy	24.7	12%	+14	-	21.7	12%	+21	-	129.9	14%	+15	-
Rest of Europe	48.1	24%	+27	-	37.9	21%	-1	-	218.6	24%	+15	-
America	35.0	17%	+15	+8	30.3	17%	+29	+34	138.2	15%	+13	+12
Japan	58.0	28%	+23	+25	47.2	26%	+18	+20	238.9	26%	+16	+17
Far East	25.6	13%	-20	-25	32.1	18%	+8	+9	139.6	15%	-5	-7
Middle East	8.8	4%	+30	-	6.8	4%	+3	-	37.1	4%	+1	-
Other	3.7	2%	+7	-	3.4	2%	-24	-	16.2	2%	-3	-
Total net revenues	203.9	100%	+14	+12	179.4	100%	+12	+13	918.5	100%	+10	+11

FINANCIAL AND BALANCE SHEET SITUATIONS OF THE GROUP

Net financial debt at 31 March 2006 is equal to 63.2 million euros, compared with the figure of 49.9 million euros at 31 December 2005 and 41.7 million euros at 31 March 2005.

The increase in debt over the three months compared to 31 December 2005 is partially due to the normal

increase in stocks, in particular those of new products in view of expected sales in the second half of the year, the period in which historically these have always reached their highest levels. There was an increase of 6.7% in the level of inventory compared to that at 31 March 2005, comparable therefore from a seasonal point of view, which represents half of the growth rate in sales, with a consequent improvement in inventory turnover. Shareholders' equity at 31 March 2006, inclusive of minority interests, amounted to 700.1 million euros, compared to 686.2 million euros at 31 December 2005 and 645.0 million euros at 31 March 2005. The gearing ratio, being the ratio between net debt and shareholders' equity inclusive of minority interests, was 9% at the end of the quarter.

The reclassified balance sheet of the Group is set out below.

RECLASSIFIED CONSOLIDATED BALANCE SHEET		
<i>(Millions of euros)</i>	31 Mar 2006	31 Dec 2005
Trade receivables, net	124.9	169.0
Other receivables	63.2	49.8
Inventory	530.2	505.1
Trade payables	(135.4)	(168.2)
Other payables	(45.6)	(42.1)
Total working capital, net	537.2	513.5
Tangible and intangible fixed assets	188.4	188.7
Financial investments	40.3	34.8
Other long-term assets (liabilities)	(2.6)	(0.9)
NET INVESTED CAPITAL	763.2	736.2
Shareholders' equity	700.1	686.2
Short-term debt	33.6	23.2
Long-term debt	29.5	26.7
Total debt	63.2	49.9
COVER	763.2	736.2

INVESTMENTS

Investments of 6.8 million euros were made in tangible fixed assets in the first three months of 2006, regarding work carried out and in part also still being carried out in connection with the opening or refurbishment of stores, amongst which that in Fifth Avenue in New York already mentioned, and for the purchase of displays to be used by the third party distribution network for the presentation of BVLGARI products.

Investments in intangible assets amounting to 2.8 million euros regarded principally costs incurred for the purchase and implementation of the software used to manage the Group's major operating activities.

Financial investments increased by 5.4 million euros, mainly as a result of the payment of a guarantee deposit by Bulgari Japan Ltd. in connection with renting a building in Tokyo which will be completely refurbished over the coming months and which will be used to house various Group activities and offices starting from 2007.

SIGNIFICANT EVENTS IN THE QUARTER

On 6 January 2006, Bulgari Commercial (Shanghai) Company Ltd. was registered under Chinese law; the company is wholly owned by Bulgari S.p.A., has its registered office in Beijing and has subscribed capital of US\$ 5,000,000.

This company will manage any future investments made by the Group in China, taking advantage of the certainly interesting opportunities offered by this market.

On 29 March 2006, Bulgari Asia Ltd., a company already being wound up, reimbursed the residual capital in the company to its sole shareholder Bulgari International Corporation (BIC) N.V.. The winding up process will be formally completed by the end of July 2006.

There are no other significant events to report regarding the first quarter of 2006.

EVENTS SUBSEQUENT TO 31 MARCH 2006

There are no significant events to report which occurred subsequent to 31 March 2006.

FORECAST FOR 2006

It appears that 2006 will be characterised by the continuing recovery in the demand for luxury goods, although any forecast of this nature is always subject to the by now constant risk of economic and geo-political instability.

Nonetheless market conditions and the results achieved by the Group in the first quarter in all its product categories and in all the major countries in which it operates provide a good reason, in the absence of extraordinary events, to be able to expect a growth in sales and positive results for the full year.

B V L G A R I

Bulgari S.p.A. and Subsidiaries

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**

CONSOLIDATED INCOME STATEMENT AS AT 31 MARCH 2006

	Note	31 March 2006	31 March 2005	Change %
€/000				
Total net revenues		203,883	179,402	13.6%
Cost of sales		(71,447)	(62,344)	14.6%
Total contribution margin		132,436	117,058	13.1%
		65.0%	65.2%	
Net operating expenses	2	(110,598)	(98,106)	12.7%
Operating profit		21,838	18,952	15.2%
		10.7%	10.6%	
- Financial income (expense)		(1,794)	(1,269)	
- Foreign exchange gains (losses)		1,028	874	
Total financial income (expense)	3	(766)	(395)	93.6%
Income before taxation and minority interests		21,072	18,557	13.6%
Current and deferred taxation	4	(2,776)	(2,699)	2.8%
Income before minority interests		18,296	15,858	15.4%
Income attributable to minority interests		(115)	(525)	-78.0%
Net income for the period		18,181	15,333	18.6%
		8.9%	8.5%	
Basic earnings per share (euros)		0.06	0.05	
Number of shares on which the calculation is based		297,814,044	296,822,787	
Diluted earnings per share (euros)		0.06	0.05	
Number of shares on which the calculation is based		302,958,539	301,413,147	

BULGARI GROUP
CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2006
 €/000

€/000	Note	31 March 2006	31 December 2005
<u>ASSETS</u>			
Tangible fixed assets	5	97,428	98,066
Intangible assets	6	90,941	90,603
Financial investments	7	40,279	34,838
Total fixed assets		228,648	223,507
Other non-current assets	8	45,063	45,385
NON-CURRENT ASSETS		273,711	268,892
Non-current assets held for sale		-	-
Total inventory	10	530,187	505,058
Trade receivables		127,394	170,777
Other current assets	8	78,371	70,929
Cash and banks	11	30,282	26,685
CURRENT ASSETS		766,234	773,449
TOTAL ASSETS		1,039,945	1,042,341
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Shareholders' equity attributable to the Group	12	(692,038)	(677,646)
Shareholders' equity attributable to minority interests		(8,037)	(8,587)
TOTAL SHAREHOLDERS' EQUITY		(700,075)	(686,233)
Employees' leaving entitlement and other personnel provisions	16	(14,395)	(14,307)
Provisions for risks and charges	17	(5,640)	(3,673)
Other non-current liabilities	18	(31,539)	(31,475)
Non-current financial payables to banks	14	(28,113)	(25,261)
NON-CURRENT LIABILITIES		(79,687)	(74,716)
Non-current liabilities held for sale		-	-
Trade payables		(135,423)	(168,239)
Other current liabilities	18	(51,392)	(50,112)
Current financial payables to banks	14	(73,368)	(63,041)
CURRENT LIABILITIES		(260,183)	(281,392)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		(1,039,945)	(1,042,341)

BULGARI GROUP
CONSOLIDATED CASH FLOW STATEMENT

€/000

	31 March 2006	31 March 2005
Cash flows from operating activities		
Net income for the period	18,181	15,333
Depreciation, amortisation and impairment of fixed assets	8,119	8,535
<i>Cash flows from operating activities</i>	<i>26,300</i>	<i>23,868</i>
(Increase) Decrease in trade receivables in working capital	44,110	41,722
(Increase) Decrease in other receivables in working capital	(13,341)	23,502
(Increase) Decrease in inventory	(35,104)	(29,052)
Increase (Decrease) in trade payables	(32,547)	(32,374)
Increase (Decrease) in other payables	3,269	(37,943)
Exchange differences	9,975	(4,685)
Other changes, net	2,287	2,760
<i>Cash flows from changes in net working capital</i>	<i>(21,351)</i>	<i>(36,070)</i>
Other medium/long-term assets (including other non-current financial assets)	(5,836)	(1,464)
Other medium/long-term liabilities	(198)	(157)
(a) Cash flows from operating activities	(1,085)	(13,823)
Cash flows from investing activities		
Purchases of tangible fixed assets (net of disposals)	(6,787)	(5,358)
Purchases of intangible assets	(2,754)	(1,556)
Purchases of financial investments (excluding other non-current financial assets)	-	-
Other changes	1,721	(2,136)
(b) Cash flows from investing activities	(7,819)	(9,050)
Cash flows from financing activities		
Change in shareholders' equity for increase in share capital	4,009	(3,569)
Change in shareholders' equity relating to minority interests	(550)	117
Other changes	(7,798)	(2,314)
<i>(c) Total changes in shareholders' equity</i>	<i>(4,339)</i>	<i>(5,766)</i>
Changes in medium/long-term financial payables	2,866	1,746
Changes in medium/long-term financial receivables	(9)	(101)
<i>(d) Total changes in medium/long-term financial assets</i>	<i>2,857</i>	<i>1,645</i>
(e) Cash flows from financing activities	(1,482)	(4,121)
(f) Difference in short-term net cash (debt) (a)+(b)+(e)	(10,387)	(26,994)
<i>Net cash (debt) at beginning of period</i>	<i>(49,915)</i>	<i>(13,009)</i>
Changes in short-term debt (f)	(10,387)	(26,994)
Changes in long-term debt (e)	(2,857)	(1,645)
Net cash (debt) at end of period	(63,159)	(41,648)
of which - cash and bank	30,282	47,383
- current financial payables	(79,125)	(29,870)
- current financial assets	15,218	2,094
- non-current financial payables	(30,640)	(61,913)
- non-current financial receivables	1,106	658

Statement of changes in consolidated shareholders' equity for the three months ended 31 March 2006

	Share capital	Share premium reserve	Legal reserve	Transl. reserve	Other reserves	Stock option reserve	Hedging reserve	Retained earnings	Net income for the period	Equity attributable to the Group	Equity attributable to minorities	Total shareholders' equity
At 31 December 2005	16,859	114,490	5,762	(11,149)	2,106	4,423	(28)	428,738	116,447	677,646	8,587	686,233
Exchange differences	-	-	-	(8,806)	-	-	-	-	-	(8,806)	(666)	(9,472)
Reclassifications	-	-	-	11,137	-	-	-	(11,137)	-	-	-	-
Valuation of derivatives at fair value	-	-	-	-	-	-	(1,390)	-	-	(1,390)	-	(1,390)
Total income (expense) recognised directly in equity	-	-	-	2,331	-	-	(1,390)	(11,137)	-	(10,196)	(666)	(10,862)
Net income for the period	-	-	-	-	-	-	-	-	18,181	18,181	115	18,297
Total income and expense	-	-	-	-	-	-	-	-	18,181	18,181	115	18,297
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of net income for 2005	-	-	-	-	-	-	-	116,447	(116,447)	-	-	-
Sale of treasury shares	4,009	1,808	-	-	-	-	-	-	-	5,817	-	5,817
Allocation to treasury stock reserves of value of shares at the end of the period	-	-	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	590	-	-	-	590	-	590
At 31 March 2006	20,868	116,298	5,762	(8,818)	2,106	5,013	(1,418)	534,048	18,181	692,038	8,037	700,075

Statement of changes in consolidated shareholders' equity for the three months ended 31 March 2005

	Share capital	Share premium reserve	Legal reserve	Translation reserve	Other reserves	Stock option reserve	Hedging reserve	Retained earnings	Net income for the period	Equity attributable to the Group	Equity attributable to minorities	Total shareholders' equity
At 31 December 2004	20,816	107,135	5,762	(7,273)	5,675	1,987	-	393,763	108,758	636,624	6,875	643,499
Treasury shares	(3,569)	3,569	-	-	(3,569)	-	-	-	-	(3,569)	-	(3,569)
Valuation of derivatives at fair value	-	-	-	-	-	-	2,297	-	-	2,297	-	2,297
Valuation of equity investments at fair value	-	-	-	-	-	-	-	(8,019)	-	(8,019)	-	(8,019)
At 1 January 2005	17,247	110,704	5,762	(7,273)	2,106	1,987	2,297	385,744	108,758	627,333	6,875	634,208
Exchange differences	-	-	-	(908)	-	-	-	(1,828)	-	(2,736)	(408)	(3,144)
Valuation of derivatives at fair value	-	-	-	-	-	-	(2,297)	-	-	(2,297)	-	(2,297)
Total income (expense) recognised directly in equity	-	-	-	(908)	-	-	(2,297)	(1,828)	-	(5,033)	(408)	(5,441)
Net income for the period	-	-	-	-	-	-	-	-	15,333	15,333	525	15,858
Total income and expense	-	-	-	-	-	-	-	-	15,333	15,333	525	15,858
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of net income for 2004	-	-	-	-	-	-	-	108,758	(108,758)	-	-	-
Treasury shares 2005	-	-	-	-	-	-	-	-	-	-	-	-
Increase in capital as a result of the exercising of stock options	-	-	-	-	-	-	-	-	-	-	-	-
Allocation to treasury stock reserves of value of shares at the end of the period	-	-	-	-	-	-	-	-	-	-	-	-
Stock options	-	-	-	-	-	423	-	-	-	-	-	423
At 31 March 2005	17,247	110,704	5,762	(8,181)	2,106	2,410	-	492,674	15,333	637,632	6,992	645,047

Bulgari S.p.A. and Subsidiaries

Consolidated financial statements at 31 March 2006

SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

Bulgari S.p.A. (referred to in the following as the “parent company”) is a company having its registered office in Italy and domicile in Rome. The quarterly consolidated report at 31 March 2006 includes the financial statements of the parent company and its subsidiaries and joint ventures (together referred to as the “Group”). This quarterly consolidated report was authorised for publication by the Board of Directors on 11 May 2006.

(a) Statement of compliance

As a result of the introduction of European Community Regulation No. 1606 of 19 July 2002, and on the basis of the requirements of article 82 of the Regulations for Issuers as amended by Consob in resolution no. 14990 of 14 April 2005, the Bulgari Group has prepared its quarterly consolidated report at 31 March 2006 in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

(b) Basis of preparation

The consolidated financial statements consist of the balance sheet, the income statement, the cash flow statement, the statement of changes in shareholders’ equity and these notes. Current and non-current assets and liabilities are presented separately in the balance sheet. Costs are presented in the profit and loss account based on their function. The cash flow statement is presented using the indirect method.

The consolidated financial statements are presented in euros and all amounts are stated in thousands of euros unless otherwise indicated.

All the financial statements of companies included in the consolidation are prepared as at the balance sheet date of the consolidated financial statements and are adjusted, where necessary, to align them with the accounting principles and policies adopted by the parent company.

The accounting principles and policies adopted are the same as those used in the preparation of the annual consolidated financial statements.

(c) Consolidation principles

(i) Subsidiaries

Subsidiaries are those companies for which the parent company is in a position to determine, either directly or indirectly, the financial and operating policies for the purpose of obtaining the benefits resulting from its activities. In assessing whether control exists, potential voting rights that are currently exercisable or convertible are also taken into consideration. The financial statements of subsidiaries are included in the consolidated financial statements starting from the date on which control is gained up until the date on which that control ceases for the Group. Minority interests in shareholders’ equity and in the result for the year are presented separately in both the consolidated balance sheet and the consolidated income statement.

(ii) Joint Ventures

Joint Ventures are those entities in which the Group exercises contractually agreed joint control with other entities. The financial statements of joint ventures are consolidated using the proportionate method. As a result, the consolidated financial statements include the Group's share of the assets, liabilities, revenues and costs of these companies on a line-by-line basis, starting from the date on which joint control is gained up until the date on which that joint control ceases for the Group.

(iii) Intragroup operations

All intragroup balances and transactions, including any profits not yet realised with third parties, resulting from relations between Group companies, are fully eliminated. The Group's share of any losses not yet realised with third parties are eliminated unless they represent losses in value.

(d) Foreign currency

(i) Transactions in foreign currency

The financial statements of each consolidated company are prepared in that company's functional currency with respect to the economic environment in which it operates.

In these statements, all transactions in a currency different from the functional currency are converted at the exchange rate ruling at the date of the operation. Assets and liabilities denominated in currencies different from the functional currency are subsequently converted at the exchange rate ruling at the balance sheet date with any resulting exchange differences recognised in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies and stated at historic cost are converted at the exchange rate ruling at the date on which the original operation was recognised.

(ii) Conversion of foreign currency financial statements

Revenues, costs, assets and liabilities included in the consolidated financial statements are expressed in euros, which is the functional currency of the parent company Bulgari S.p.A..

In preparing the consolidated financial statements, the financial statements of companies included in the consolidation which have a functional currency different from the euro are translated by applying the exchange rate ruling at the balance sheet date to assets and liabilities (including goodwill and consolidation adjustments), the historical exchange rate ruling at the date of the respective transaction to items of shareholders' equity and the average exchange rate for the period (which approximates the exchange rates ruling at the date of the transactions) to the income statement. All resulting exchange differences are recognised directly as a separate equity reserve.

Exchange differences are recognised in the income statement only on the disposal of the investment or on the dissolution of the company to which it refers.

(e) Business combinations

All business combinations are accounted for by applying the purchase method. Under the purchase method, the cost of acquisition is the fair value at the date of exchange of the assets given and liabilities incurred or assumed plus any costs directly attributable to the acquisition. The cost of a business combination is then allocated to the acquiree's identifiable assets acquired and liabilities and contingent liabilities assumed at their fair values. The excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities so recognised is accounted for as goodwill. If the net fair value exceeds the cost of the acquisition, the excess is recognised immediately in the income statement.

On first-time adoption of IFRS, the Group elected not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred before 1 January 2005. As a result, any goodwill arising from acquisitions that occurred before the date of transition to IFRS has been left unchanged at its carrying amount in the last consolidated financial statements prepared in accordance with the previous accounting principles, being those at 31 December 2003.

(f) Tangible fixed assets

(i) Owned assets

Tangible fixed assets are stated at cost, including any directly attributable incidental expenses. They are included as assets only in the case that it is probable that future economic benefits will result from their use and that cost may be reliably determined.

Cost includes:

- a) purchase price (including any import duties and non-refundable purchase taxes), after deducting trade discounts and rebates;
- b) any costs incurred directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

If significant components of buildings, plant or machinery have different useful lives, then these are accounted for separately by applying the cost method described above.

(ii) Assets acquired under finance leases

Assets acquired under finance leases, under which all the risks and rewards incidental to ownership of an asset are substantially transferred to the Group, are recognised as assets at their fair value or, if lower, at the present value of the minimum lease payments due under the lease contract. The corresponding amount due to the lessor is included as part of financial liabilities.

(iii) Depreciation

Subsequent to their initial recognition, owned assets and assets acquired under finance leases are stated net of depreciation and any impairment losses determined in the manner described below. Depreciation commences when the asset becomes available for use and ceases when its is sold or when it is no longer expected to generate future benefits; it is calculated systematically on a straight line basis over the estimated useful lives of assets. Assets acquired under finance leases are depreciated over their estimated useful lives; in the case that there is no reasonable certainty that the Group will acquire the asset at the end of the lease term, it is depreciated over the lower of the lease term and its estimated useful life.

The estimated useful lives of assets are reviewed at least on an annual basis.

The following table sets out the main useful lives of assets:

Category	Useful life
----------	-------------

	(years)
Land and buildings	33
Plant and machinery	3 - 13
Industrial and commercial equipment	7 - 5
Furniture, office equipment and fittings	5 - 8
Motor vehicles	4
Aircraft (engines and avionics)	3
Aircraft (other)	3

Improvements made to leased properties are stated at cost and depreciated over a period equal to the lower of the lease term and their estimated useful lives. Costs incurred subsequent to purchase are recognised as an increase in the accounting value of the component to which they relate, if the future benefits resulting from the cost incurred for the replacement of a component of a building or plant and machinery will be in the Group's favour and if they can be reasonably estimated. All other costs are recognised in the income statement of the period in which they are incurred.

(g) Intangible assets

(i) Goodwill

Goodwill is not amortised subsequent to initial recognition and is stated net of any impairment losses determined in the manner described below.

Goodwill resulting from the acquisition of a company, and any adjustment to the fair values of the assets and liabilities deriving from the acquisition of that company, are accounted for as the assets and liabilities of the company itself. As a consequence, in the case of the acquisition of a foreign company, these are stated in the functional currency of the acquired company and converted using the exchange rate ruling at the balance sheet date.

Goodwill resulting from acquisitions made prior to 1 January 2005 is stated at its net book value in the last consolidated financial statements prepared in accordance with the previous accounting principles, being those at 31 December 2003.

(ii) Other intangible assets

Intangible assets are recognised as such only if it is probable that future economic benefits associated with the asset will flow to the entity and if the cost of an asset can be measured reliably, and are stated at cost, including any directly attributable incidental expenses.

Research expenditure is recognised as an expense in the income statement when it is incurred. Development costs are capitalised as assets only if it can be demonstrated that they are capable of producing future economic benefits.

Subsequent costs incurred for intangible assets are capitalised only if they increase the expected future economic benefits attributable to the asset to which they relate. All other subsequent expenditure is recognised in the income statement when it is incurred.

(iii) Amortisation

Subsequent to their initial recognition, those assets with a finite useful life are stated net of accumulated amortisation and any impairment losses determined in the manner described below. Amortisation of an asset begins when it is available for use and ceases when it is sold or if it is not expected to produce future economic benefits, and is allocated systematically on a straight-line basis over its estimated useful life, which is reviewed on an annual basis.

Intangible assets with an indefinite useful life are not amortised but are stated net of any impairment losses determined in the manner described below.

The following table sets out the main useful lives of assets:

Category	Useful life (years)
Development costs	Max 5
Industrial patents and intellectual property rights	Max 5
Concessions, trade marks and licences	Max 5
Assets in progress	-
Fees for taking over the lease of premises and other	Contract term

(h) Impairment

At the end of each quarter, tangible fixed assets and intangible assets, including goodwill, are reviewed to assess whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is determined.

The recoverable amount of goodwill and other assets having an indefinite useful life, if present, is in any case determined at least once a year.

The recoverable amount is the higher of the fair value of an asset less costs to sell and its value in use. In the absence of a binding sales agreement, fair value is estimated on the basis of values obtained from an active market or from recent transactions or on the basis of the best information available that reflects the amount that the company could obtain from the sale of the asset.

Value in use is defined as the present value of future pre-tax cash flows expected to be derived from the use of an asset, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks of the related activities. If an asset does not generate cash flows that are largely independent, its recoverable amount is determined in relation to the cash generating unit to which it belongs.

An impairment loss for an asset is recognised in the income statement if its carrying amount, or that of the cash generating unit to which it allocated, is higher than its recoverable amount. The impairment losses of a cash generating unit are firstly allocated to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on the basis of their carrying amounts.

Impairment losses other than those relating to goodwill are reversed to the extent of the impairment loss previously recognised if the reasons which led to the loss no longer exist, or if there have been changes in the estimates made to determine the recoverable amount.

(i) Financial instruments

(i) Investments in other entities

All investments in other entities are classified as “available for sale” and stated at fair value, with any gains or losses recognised directly in equity. These gains and losses are released to the income statement on the disposal of the investments. If fair value is not reliably determinable, the investments are stated at cost, adjusted for any impairment loss whose effect is recognised in the income statement on the basis of the present value of expected cash future cash flows discounted at the current market return for a similar financial asset.

Losses exceeding the carrying value of an investment are recognised as a liability in the caption “Provisions for risks and charges - other” to the extent that the investor has undertaken to fulfil any legal or constructive obligations towards the investee company or make good its losses.

(ii) Management of risk and hedging (derivative instruments)

The Group is exposed to various market risks in carrying out its activities and in particular to the risk of fluctuations in interest rates, foreign exchange rates and the price of gold.

To minimise these risks, the Group acquires derivative financial instruments available on the market to hedge the risk of both specific operations and complex exposures.

In particular, to reduce the risk of changes in the value of assets, liabilities and expected foreign currency cash flows to be generated by expected future operations, mostly forward and option contracts are used. The same instruments are used to reduce the risk of changes in the price of gold.

To minimise the risk connected with interest rate fluctuations, interest rate swaps and option contracts are used.

In general, the Group does not enter into speculative transactions in managing its finance and treasury and has adopted specific procedures which require that prudent criteria be followed.

Consistent with IAS 39, derivative instruments acquired for hedging purposes qualify for hedge accounting as described in that standard only if:

- a) at the inception of the hedge there is a formal designation and documentation of the hedging relationship;
- b) the hedge is highly effective;
- c) the effectiveness can be reliably demonstrated.

If an instrument is designated to offset the exposure to changes in the fair value of the hedged item (for example, the hedge of the changes in fair value of floating rate loans or foreign currency receivables and payables), it is recognised at fair value, with subsequent changes in fair value being recognised in the income statement; in a consistent manner, hedged items are adjusted to reflect the changes in fair value attributable to the risk being hedged.

If an instrument is designated to offset the exposure to variability in cash flows of a transaction (a cash flow hedge; for example the hedging of the variability in cash flows of forecast transactions due to foreign exchange rate fluctuations), the effective portion of the gain or loss arising from changes in the fair value of the hedging instrument is recognised directly in equity (the ineffective portion is recognised immediately in the income statement under the item foreign exchange gains (losses)).

The amounts recognised in equity are subsequently reclassified into the income statement in the period in which the forecast contracts and transactions affect profit or loss.

Changes in the fair value of derivatives which do not meet the conditions for recognition as hedging instruments are recognised in the income statement.

Derivates are accounted for on trading date.

(iii) Other financial assets

Financial assets for which there is the intention and ability to hold to maturity are recognised at cost (represented by the fair value of the initial consideration given) to which are added transaction costs (such as commissions and advisors' fees). Measurement subsequent to initial recognition is at amortised cost using the effective interest method.

Trade receivables are stated at amortised cost, net of any impairment loss. Impairment losses are determined on the basis of the present value of expected future cash flows, using a discount rate based on the original effective interest rate.

Trade receivables whose due date is based on normal commercial terms are not discounted.

Cash and cash equivalents consist of those balances which are payable on demand or within a very short period and which may be withdrawn without cost.

(iv) Other financial liabilities

Other financial liabilities, including trade payables, are stated at amortised cost using the effective interest method.

(l) Inventory

Inventories are stated at the lower of the cost of acquisition or production and estimated net realisable value, less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost configuration adopted is as follows:

- a) stocks of finished goods, consisting of single pieces, are valued on the basis of the specific identification of the cost;
- b) all other stock, grouped together in homogeneous categories, is valued on the basis of weighted average cost;
- c) work in progress is value on the basis of production cost, which includes the consumption of raw materials, direct labour and indirect production costs, based on the stage of production completed at the balance sheet date.

The carrying amount of obsolete and slow-moving goods is written down on the basis of an estimation of their future use or realisation by establishing a specific provision for the purpose.

(m) Provisions for risks and charges

Provisions for risks and charges are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and when it is probable that an outflow of resources will be required to settle the obligation; the amount recognised represents a realistic estimate of the cost that will be incurred, on the basis of the available information.

If the effect of the time value of money is material and the dates of the obligation can be reasonably estimated, the amounts provided are determined on the basis of the present value of expected future cash flows, using a pre-tax discount rate that reflects current market assessments of the time value of money and, if applicable, the risk specific to the obligation.

(n) Treasury shares

Treasury shares are stated at cost and presented as a deduction of shareholders' equity. Any gains or losses resulting from subsequent sale are recognised directly in equity.

(o) Employee benefits

Short-term employee benefits, such as wages, salaries and social security contributions, compensated absences and annual leave, where the absences are expected to occur within twelve months after the balance sheet date, and all other benefits in kind are recognised in the period in which the service is rendered by the employee.

Benefits guaranteed to employees which are payable on or after the completion of employment through defined benefit plans are recognised in the period in which the right matures.

Liabilities relating to defined benefit plans, net of any plan assets, are recognised on the basis of actuarial assumptions and on an accrual basis consistent with the service provided to obtain such benefits; the determination of these liabilities is made by independent actuaries.

Any actuarial gains or losses resulting from changes in actuarial assumptions or changes in the conditions of a plan are recognised in the income statement if, and to the extent that, the unrecognised net amount at the end of the previous reporting period exceeds the greater of 10% of the obligation relating to the plan and 10% of the fair value of any plan assets at that date (the corridor method).

On first-time application of IFRS, the Group elected to recognise all cumulative actuarial gains and losses at 1 January 2005, despite opting for the corridor method for subsequent actuarial gains and losses.

(p) Revenues and costs

Revenues from sales and services are recognised to the extent that it is probable that the respective economic benefits will flow to the Group and when it is possible to measure them reliably. Revenues are stated net of discounts, returns and rebates.

In particular, revenues from sales and services are recognised when all the significant risks and rewards of ownership have been transferred to the buyer and when the services have been rendered.

Financial income and expense are recognised under the accrual principle on the basis of the interest matured on the net value of the respective assets and liabilities, using the effective interest rate.

Dividends are recognised when the shareholders have the right to receive payment and namely at the time that shareholders in general meeting resolve their distribution.

Cost of sales includes the cost of production or purchase of products and goods which have been sold. In particular, it includes the cost of materials, transformation and those general expenses associated with the production and write-down of stock held in inventory.

(q) Taxation

Current income taxes are determined on the basis of a realistic estimate of the tax charge for the period of every company included within the scope of consolidation, in compliance with tax rates and tax laws that are in force or substantively in force in each country at the balance sheet date.

The expected liability is recognised in the balance sheet under the item “Provisions for risks and charges”, offset by any advance payments made, or under the item “Tax receivables” if an asset results from the set-off process.

Deferred tax assets and liabilities are determined from the temporary differences between the book value of assets and liabilities as stated in the consolidated balance sheet and their corresponding tax values, taking into account the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on those rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised; the recoverability of deferred tax assets in this manner is reviewed at each balance sheet date.

Deferred tax liabilities are also recognised on undistributed profits at the balance sheet date in the event that such profits will be taxed on distribution.

Current and deferred tax assets and liabilities are set off when income taxes are levied by the same taxation authority and when there is a legally enforceable right of set off.

(r) Share-based payment

The Group offers stock options to specific categories of employees and to the managing director as a form of remuneration for services rendered.

The cost of these services is measured at the fair value of the options at the date on which they are granted.

This cost is recognised in the income statement over the vesting period, that is the period from the grant date to the date on which the option matures, taking into account the best estimate available of the number of options that will be exercised.

(s) Use of estimates

The preparation of the financial statements requires the directors and managers of the Group to make estimates and assumptions which affect the carrying values of the assets and liabilities in the consolidated balance sheet and the disclosures relating to contingent assets and liabilities at the balance sheet date. These estimates and assumptions are based on accumulated experience and other factors considered reasonable in the circumstances and have been adopted to determine the accounting value of those assets and liabilities which is not easily obtainable from other sources. The actual results could differ from these estimates, as a result of the uncertainty inherent in the assumptions and conditions on which they are based.

In particular, estimates are used in the classification of certain assets and liabilities as either current or non-current, the recognition and measurement of provisions for the risk of inventory obsolescence and the recoverability of receivables, the measurement of any impairment of tangible and intangible assets, depreciation and amortisation, the measurement of employee benefits, the recognition and measurement of taxation and the measurement of contingent liabilities.

(t) Earnings per share

Earnings per share is calculated on the basis of the weighted average number of shares in circulation during the period, excluding own shares held by the Group.

Diluted earnings per share is calculated on the basis of the weighted average number of shares in circulation during the period, excluding treasury shares, to which is added the weighted average number of shares which would result if all stock options were exercised, factored by the difference between the average market price of the share during the period and the weighted average exercise price.

1. Segment reporting

The primary format for segment information is based on business segments, being the manner in which the Group's management structure and internal reporting is organised; the secondary format is based on geographical segments.

Intersector transfers are made at market rates.

The Group's results, assets and liabilities by sector include components that may be directly attributable to a sector or allocated on a reasonable basis. Components which are not attributed consist mainly of assets that generate revenues and the revenues themselves, interest-bearing debt and loan contracts and the respective costs.

GRUPPO BULGARI - SEGMENT REPORTING I TRIMESTRE 2006 vs 2005

I TRIM 2006				I TRIM 2005		Variazione %		I TRIM 2006				I TRIM 2005		Variazione %	
Ricavi netti per settore						Risultato operativo per settore									
(Milioni di Euro)						(Milioni di Euro)									
<i>Gioielli</i>	79,4		72,2		+10,0%										
<i>Orologi</i>	58,3		50,3		+15,9%										
<i>Accessori</i>	25,4		17,5		+44,8%										
<i>Altro</i>	1,8		1,6		+15,0%										
Divisione JWA	164,9		141,6		+16,5%			Divisione JWA	29,1		20,4		+42,8%		
Divisione Profumo	33,8		34,1		-0,7%			Divisione Profumo	0,1		4,2		-98,5%		
Altre attività ed eliminaz.	5,2		3,8		+37,5%			Altre attività ed eliminaz.	(7,3)		(5,6)		+30,7%		
Tot. ricavi netti	203,9		179,4		+13,6%			Tot. risultato operativo	21,8		19,0		+15,2%		

The results of the Divisions also include royalty charges from the parent company for the use of the BVLGARI brand of which it is the owner. These charges are then eliminated in the line "Other activities and eliminations", as are all other transactions between the Divisions within the Group.

The line "Other activities and eliminations" also includes all the unallocated revenues and costs managed by the Central group structure (Corporate), for the most part concentrated in the parent company Bulgari S.p.A, the activities relating to the Hotels, still of little significance overall, and all the advertising activities carried out through the media, including production, from which the BVLGARI brand is the overall beneficiary in general and therefore, as a result, all the Group's activities.

The operating profit of the JWA (Jewellery - Watches - Accessories) Division grew by 43% over the first quarter of 2005. Depreciation and amortisation for the period amounted to 5.8 million euros (6.1 million euros in 2005).

The Perfumes Division closed the quarter essentially in breakeven as the result of the structure created to sustain the business, especially in the American market, and an increase in sales in the coming months over those of 2005 is expected as the outcome of this. Depreciation and amortisation for the period amounted to 0.8 million euros (0.7 million euros in 2005).

Revenues by geographical area are presented and discussed above in the Report of the Directors on the Group's operations.

STATO PATRIMONIALE RICLASSIFICATO

	DIVISIONE JWA		DIVISIONE PROFUMO		Non allocati & eliminaz.		TOTALE GRUPPO	
	31 Mar 06	31 Dic 05	31 Mar 06	31 Dic 05	31 Mar 06	31 Dic 05	31 Mar 06	31 Dic 05
(Milioni di euro)								
Crediti commerciali netti	99,9	119,1	41,7	65,9	(16,7)	(16,1)	124,9	169,0
Altri crediti	54,2	42,8	11,7	11,7	(2,7)	(4,7)	63,2	49,8
Magazzino	452,5	436,7	70,9	62,4	6,8	5,9	530,2	505,1
Debiti commerciali	(118,5)	(144,6)	(37,8)	(51,8)	20,9	28,2	(135,4)	(168,2)
Altri debiti	(43,1)	(54,3)	(9,0)	(12,4)	6,5	24,6	(45,6)	(42,1)
Tot. Capitale Circolante netto	445,0	399,7	77,4	75,9	14,8	37,9	537,2	513,5
Immobilizz. mat e immat.	118,4	119,4	8,8	9,4	61,1	59,8	188,4	188,7
Immobilizz. finanz.					40,3	34,8	40,3	34,8
Altre attività (passività) a LT	8,4	11,3	0,3	(0,4)	(11,3)	(11,8)	(2,6)	(0,9)
CAPITALE INVESTITO NETTO	571,8	530,4	86,5	84,9	104,9	120,8	763,2	736,2
Patrimonio netto							700,1	686,2
Indebitamento a breve termine							33,6	23,2
Indebitamento a lungo termine							29,5	26,7
Totale indebitamento							63,2	49,9
COPERTURA							763,2	736,2

2. Net operating expenses

<i>Thousands of euros</i>	Note	1Q 2006	1Q 2005
Personnel costs	16	37,838	33,598
Variable selling expenses		8,368	6,663
Other selling, general and administrative expenses		40,769	34,251
Advertising and promotion expenses		23,623	23,594
		<u>110,598</u>	<u>98,106</u>

Personnel costs

Personnel costs are attributable to both variable selling expenses and other selling, general and administrative expenses

Variable selling expenses

<i>Thousands of euros</i>	1Q 2006	1Q 2005
Credit card commissions	1,260	913
Intermediaries' fees	1,401	1,210
Transport expenses	2,219	1,445
Sales commissions	1,163	1,050
Other	2,325	2,045
	<u>8,368</u>	<u>6,663</u>

“Intermediaries’ fees” refer to agents’ commissions of 1,311 thousand euros for the sale of perfumes (1,159 thousand euros in the first quarter of 2005).

Other selling, general and administrative expenses

<i>Thousands of euros</i>	1Q 2006	1Q 2005
Rentals	12,519	9,617
Other operating expenses	7,929	7,019
Other general expenses, net	20,321	17,615
	40,769	34,251

The increase in rentals is mostly attributable to the new premises used for carrying out sales activities; the main increases relate to the new stores in Berlin, London, Paris and Milan.

“Other operating expenses” prevalently relate to general expenses for 3,063 thousand euros (2,791 thousand euros for the first quarter of 2005), to utilities for 1,169 thousand euros (965 thousand euros for the first quarter of 2005), to operating lease instalments regarding mainly company vehicles and office machinery for 1,142 thousand euros (1,052 thousand euros for the first quarter of 2005) and to maintenance expenses for 974 thousand euros (906 thousand euros in for the first quarter of 2005).

“Other general expenses, net” include mainly travel expenses of 3,070 thousand euros (2,790 thousand euros for the first quarter of 2005), consultancy fees of 2,712 thousand euros (2,509 thousand euros for the first quarter of 2005), taxes other than income taxes of 1,343 thousand euros (1,026 thousand euros for the first quarter of 2005), including non-deductible taxes relating to prior years, paid abroad on a final basis and not recoverable by Bulgari S.p.A., of 713 thousand euros, fees to members of company bodies of 1,222 thousand euros (1,113 thousand euros for the first quarter of 2005) and insurance costs of 1,018 thousand euros (1,021 thousand euros for the first quarter of 2005). This item also includes depreciation and amortisation of 8,097 thousand euros (8,488 thousand euros for the first quarter of 2005) which mostly relates to leasehold improvements, costs for taking over leases and computer hardware and software.

3. Financial income (expense)

<i>Thousands of euros</i>	1Q 2006	1Q 2005
Interest income	470	376
Interest expense	(1,848)	(1,303)
Other financial income (expense)	(416)	(342)
Foreign exchange gains (losses)	1,028	874
	(766)	(395)

Interest income – 470 thousand euros

<i>Thousands of euros</i>	1Q 2006	1Q 2005
Bank interest income	122	134
Interest income from public authorities	68	97
Premium income on hedging activities	219	145
Other	61	-
	<u>470</u>	<u>376</u>

Interest expense – (1,848) thousand euros

<i>Thousands of euros</i>	1Q 2006	1Q 2005
Bank interest expense	(28)	(10)
Loan interest expense	(756)	(489)
Premium expense on hedging activities	(1,060)	(793)
Other	(4)	(11)
	<u>(1,848)</u>	<u>(1,303)</u>

Other financial income (expense) – (416) thousand euros

<i>Thousands of euros</i>	1Q 2006	1Q 2005
Discounts and allowances on financial assets	153	184
Discounts and allowances on financial liabilities	(162)	(221)
Bank commissions and charges	(177)	(155)
Actuarial losses on employees' leaving entitlement (TFR)	(113)	(105)
Other	(117)	(45)
	<u>(416)</u>	<u>(342)</u>

Foreign exchange gains (losses) – 1,028 thousand euros

<i>Thousands of euros</i>	1Q 2006	1Q 2005
Exchange gains	16,659	9,522
Exchange losses	(15,631)	(8,648)
	<u>1,028</u>	<u>874</u>

4. Taxation

<i>Thousands of euros</i>	Note	1Q 2006	1Q 2005
Current taxation		2,172	3,240
Prior year taxation		259	-
Deferred taxation	9	345	(541)
		<u>2,776</u>	<u>2,699</u>

The Group's average tax rate was 13.2%.

5. Tangible fixed assets – 97,428 thousand euros

Tangible fixed assets and changes for the quarter are set out as follows:

(Thousands of euros)

Description	Opening	Opening	Opening net	Purchases	Depreciation	Other	Closing	Closing	Closing net
	cost	accumulated	book value				cost	accumulated	book value
	31/12/05	depreciation	31/12/05			net	31/03/06	depreciation	31/03/06
Land and buildings	19,192	(5,703)	13,489	23	258	(57)	19,141	(5,944)	13,197
Plant and machinery	21,921	(15,561)	6,360	866	557	6	22,501	(15,827)	6,675
Equipment	16,185	(11,351)	4,834	59	390	(62)	16,050	(11,609)	4,441
Furniture, office equipment and fittings	85,425	(60,981)	24,444	1,852	2,250	(297)	85,490	(61,741)	23,749
Motor vehicles	373	(344)	29	-	1	-	348	(321)	28
Aircraft	5,810	(1,894)	3,916	-	40	(1)	5,809	(1,933)	3,875
Leasehold improvements	115,360	(72,051)	43,309	1,576	2,780	(538)	115,252	(73,684)	41,567
Constr. in progress and advance payments	1,685	-	1,685	2,410	-	(199)	3,896	-	3,896
TOTAL TANG. ASSETS	265,951	(167,885)	98,066	6,786	6,276	(1,148)	268,487	(171,059)	97,428

The purchases made during the quarter in the categories “Furniture, office equipment and fittings” and “Leasehold improvements” refer principally to investments made for the refurbishment or opening of new stores, including those in New York (United States), Seoul Hyundai (Japan) and Osaka (Japan). They include additionally investments in computer hardware and in displays of BVLGARI products used by the third party distribution network in some of the leading airports of the world, such as Madrid and Mexico City, which warrant a mention.

The increase in “Construction in progress and advance payments” relates mostly to the investments made in the new stores in Washington (United States) (Chevy Chase), Milan (Italy) and Macao (China).

6. Intangible assets – 90,941 thousand euros

Intangible assets and changes for the quarter are set out as follows:

(Thousands of euros)

Description	Opening cost 31/12/05	Opening accumulated amortization	Opening net book value 31/12/05	Purchases	Amortisation	Other changes, net	Closing cost 31/03/06	Closing accumulated amortization	Closing net book value 31/03/06
Development costs	8,168	(6,228)	1,940	221	275	(25)	8,264	(6,403)	1,861
Industrial patents and intellectual property rights	46,247	(31,742)	14,505	2,043	1,174	1,233	49,347	(32,739)	16,607
Concessions, trademarks and licences	2,779	(2,042)	737	-	54	(10)	2,736	(2,063)	673
Intangible assets in progress	7,475	-	7,475	491	-	(1,249)	6,716	-	6,717
Expenditure for taking over premises and other	26,524	(3,190)	23,334	-	323	(154)	26,323	(3,465)	22,857
TOTAL	91,193	(43,202)	47,991	2,755	1,826	(205)	93,386	(44,672)	48,715
Goodwill	52,293	(9,681)	42,612	-	-	(386)	51,878	(9,652)	42,226
TOTAL INTANG. ASSETS	143,486	(52,883)	90,603	2,755	1,826	(591)	145,264	(54,323)	90,941

The increases in “Industrial patents and intellectual property rights” relates principally to the purchase of applications software licences for the running of the various business activities.

7. Non-current financial assets

Thousands of euros	31/03/2006	31/12/2005
Investments in other companies	19,314	19,314
- Guarantee deposits	14,843	9,140
- Insurance funds	6,115	6,377
- Other	7	7
Non-current financial assets	20,965	15,524
	<u>40,279</u>	<u>34,838</u>

The increase in “Guarantee deposits” over 31 December 2005 refers to a new deposit made by Bulgari Japan Ltd. in connection with a rental agreement entered into for a building in Tokyo, which will be completely refurbished to house various Group activities and offices.

8. Other current and non-current assets

<i>Thousands of euros</i>	Note	31/03/2006	31/12/2005
Other current assets			
Other current receivables		63,153	49,817
Current financial assets		<u>15,218</u>	<u>21,112</u>
		<u>78,371</u>	<u>70,929</u>
Other non-current assets			
Deferred tax assets	9	27,046	26,627
Other non-current receivables		16,911	17,660
Non-current financial receivables		<u>1,106</u>	<u>1,098</u>
		<u>45,063</u>	<u>45,385</u>

Other current receivables

This item may be analysed as follows:

<i>Thousands of euros</i>	31/03/2006	31/12/2005
Other tax receivables	41,428	33,910
Prepayments and accrued income	10,928	7,546
Advances to suppliers	4,437	3,099
Due from social security authorities	3,343	3,328
Other	<u>3,017</u>	<u>1,934</u>
<i>Total other current receivables</i>	<u>63,153</u>	<u>49,817</u>

The increase in “Other tax receivables” over 31 December 2005 is entirely due to advance payments of current taxation.

The increase in “Prepayments and accrued income” over 31 December 2005 mostly relates to increased insurance premiums, costs regarding promotions and maintenance instalments paid in advance.

“Advances to suppliers” refer mainly to advances paid to professional consultants, promotion expenses and for transport costs.

Current financial assets

Current financial assets include an amount of 2,434 thousand euros representing the portion not eliminated on consolidation of a loan made by Bulgari International Corporation (BIC) N.V. to LB Diamonds & Jewelry Sarl, a company held as to 50% and consolidated using the proportionate method. The loan amounts in total to 2,750 thousand US dollars, falls due in May 2006 and bears interest at a floating rate of LIBOR +1.125%.

In addition, this item also includes a loan of 19,000 thousand Swiss francs made by Bulgari Global Operations S.A. to ABN-Amro Bank, which falls due in April 2006 and bears interest at a fixed rate of 1%.

Other non-current receivables

<i>Thousands of euros</i>	31/03/2006	31/12/2005
Other non-current tax receivables	14,077	14,014
Other	<u>2,834</u>	<u>3,646</u>
	<u>16,911</u>	<u>17,660</u>

“Other” relates principally to a non-interest bearing loan, net of a provision for bad debts, granted by Bulgari South Asian Operations Pte Ltd. to finance the Bulgari brand stores in China which are run by third parties.

9. Deferred taxation

Details of deferred taxation are set out in the following table, with an indication of the items which generate the main temporary differences:

<i>(Thousands of euros)</i>	At 31/12/2005	Charge	Utilisation	Other changes	At 31/03/2006
Accumulated tax losses	3,264	-	-	-	3,264
Elimination intercompany profits	16,264	-	(608)	-	15,656
Fixed assets	2,563	170	-	-	2,733
Other	4,536	973	(508)	392	5,393
Deferred tax assets	26,627	1,143	(1,116)	392	27,046
Accelerated depreciation	(3,312)	-	-	-	(3,312)
Undistributed profits	(13,003)	(79)	-	-	(13,082)
Tax prov. for obsolete inventory	(5,206)	(125)	-	65	(5,266)
Tax clean-up	(576)	-	-	-	(576)
Discounting TFR	(761)	(53)	-	-	(814)
Tax provision for bad debts	(1,592)	(122)	-	65	(1,649)
Other	(826)	-	7	11	(808)
Deferred tax liabilities	(25,276)	(379)	7	141	(25,507)
Total deferred taxation, net	1,351	764	(1,109)	533	1,539

The column “Other changes” principally includes the exchange effect resulting from the conversion of the financial statements of companies having a functional currency other than the euro.

10. Inventory

Inventory is made up as follows:

<i>Thousands of euros</i>	31/03/2006		31/12/2005	
	Gross stock value	Provision for obsolescence	Net balance	Net balance
Raw materials	43,966	-	43,966	39,341
Work in progress and semi-finished goods	146,066	13,595	132,471	121,543
Finished goods and packaging	374,527	20,777	353,750	344,174
	<u>564,559</u>	<u>34,372</u>	<u>530,187</u>	<u>505,058</u>

Net inventory increased by 5% over that at 31 December 2005. Considered from a seasonal point of view, there was an increase of 6.7% over that at 31 March 2005, which represents half of the growth rate in sales, with a consequent improvement in inventory turnover.

11. Cash and cash equivalents

This item may be analysed as follows:

<i>Thousands of euros</i>	31/03/2006	31/12/2005
Bank deposits	37,120	25,882
Cash and cheques	773	1,380
Overdrafts	(7,611)	(577)
	<u>30,282</u>	<u>26,685</u>

The interest rates applied by banks at 31 March 2006 on short-term deposits and current accounts, in which available funds are held in the various currencies, were on average approximately 0.75%.

12. Shareholders' equity

Share capital

Share capital amounts to 20,868 thousand euros, fully subscribed and paid up.

All 600,313 treasury shares held at 31 December 2005, amounting to 4,009 thousand euros, were sold during the quarter.

As a result, share capital at 31 March 2006 was made up of 298,114,200 shares each of par value 0.07 euros, fully subscribed and paid up.

Share premium reserve

The increase in the share premium reserve arises from the gain of 1,808 thousand euros realised from the sale of the treasury shares.

Reserve for translation differences

The reserve for translation differences represents the accumulated effect of all the exchange differences resulting from a comparison of the balance obtained from the conversion to euros of items of the shareholders' equity of subsidiaries with a money of account other than the euro using the historic exchange rate ruling at the date of their formation, with that obtained using the exchange rate ruling at the balance sheet date.

Reserve for cash flow hedges (hedging reserve)

The hedging reserve consists of the effective portion of the accumulated net change in the fair value of financial instruments used to hedge cash flows.

13. Earnings per share

Basic earnings per share

The calculation of basic earnings per share has been made by considering earnings attributable to ordinary shareholders of 18,108 thousand euros (15,333 thousand euros for the quarter ended 31 March 2005) and a weighted average number of 297,814 thousand shares in circulation during the period, determined in the following manner:

<i>Thousands of shares</i>	Q1 2006	Q1 2005
Ordinary shares at 1 January (excluding any treasury shares)	297,514	296,823
Treasury shares (purchased) sold in the period	600	-
Issue of new shares	-	-
Ordinary shares at 31 March (excluding any treasury shares)	298,114	296,823
Weighted average number of ordinary shares (excluding any treasury shares)	<u>297,814</u>	<u>296,823</u>

Diluted earnings per share

The calculation of diluted earnings per share has been made by considering earnings attributable to ordinary shareholders of 18,108 thousand euros (15,333 thousand euros for the quarter ended 31 March 2005) and a weighted average number of 302,959 thousand shares in circulation during the period, determined in the following manner:

<i>Thousands of shares</i>	Q1 2006	Q1 2005
Weighted average number of ordinary shares	297,814	296,863
Dilutive effect of option rights	5,145	4,550
Weighted average number of ordinary shares (diluted)	<u>302,959</u>	<u>301,413</u>

14. Current and non-current financial payables to banks

Information on the contractual terms of the Group's loans and principal financing is set out below:

<i>Thousands of euros</i>	31/03/2006	31/12/2005
Current financial payables to banks	<u>73,368</u>	<u>63,041</u>
Non-current financial payables to banks	<u>28,113</u>	<u>25,261</u>

The following list provides details of "Current financial payables to banks":

<i>Thousands of euros</i>	Balance at 31/03/2006	Interest rate
Bulgari Japan Ltd.	35,318	0.87%
Bulgari S.p.A.	12,631	5.14%
Crova S.p.A.	7,212	0.80%
Bulgari Korea Ltd.	5,187	5.56%
Bulgari (Taiwan) Ltd.	4,079	2.38%
LB Diamonds & Jewelry Sarl.	3,110	6.00%
Prestige D'Or S.A.	2,793	2.03%
Bulgari South Asian Operations Pte Ltd.	1,532	3.20%
Bulgari Malaysia Sdn	1,189	4.65%
Cadrans Design S.A.	190	1.62%
Bulgari Collection Internationale S.A.	127	2.81%
	<u>73,368</u>	

Short-term credit lines at 31 March 2006 amount to approximately 469 million euros, while those relating to forward hedging operations amount to approximately 1,000 million euros, of which approximately 140 million were in use at 31 March 2006. The nominal amount of credit lines granted to Bulgari by banks in connection with operations in derivatives is equal to approximately 15% of the nominal value of the derivative.

The following table provides details of “Non-current financial payments due to banks” with a separate indication of the repayment date, the interest rate and the original balance in foreign currency:

<i>Thousands of euros</i>	Balance at 31/03/2006	Due date	Interest rate	Foreign currency
Non-current financial payables to banks:				
Bulgari Corporation of America Inc.	20,654	2007	5.17%	US\$ 25,000,000
Bulgari Japan Ltd.	6,320	2009-2010	0.99%	Yen 900,000,000
Prestige D’Or S.A.	1,139	2008-2010	2.61%	Chf 1,800,000
	28,113			

The loan to Prestige d’Or S.A., current and non-current, regards in part a mortgage of 2,550 thousand Swiss francs secured on the Group’s property.

The loan to Bulgari Corporation of America Inc. bears interest at a variable rate linked to LIBOR, which is partially hedged at a fixed rate.

15. Derivative financial instruments

The following table sets out the nominal value and fair value of derivatives at 31 March 2006, grouped by type and with a separation between current financial assets and current financial liabilities.

<i>Thousands of euros</i>	Nominal value		Fair value		Difference
	31/03/2006	31/12/2005	31/03/2006	31/12/2005	
Cash flow hedge derivatives					
- Commodities	18,065	12,736	1,211	798	413
- Interest rate	8,262	8,477	355	312	43
CURRENT FINANCIAL ASSETS	26,327	21,213	1,566	1,110	456
Cash flow hedge derivatives					
- Foreign exchange	121,697	116,219	(969)	(2,355)	1,386
Fair value hedge derivatives					
- Foreign exchange	161,349	155,845	(1,330)	(1,430)	100
Trading derivatives					
- Foreign exchange	-	1,532	-	(47)	47
CURRENT FINANCIAL LIABILITIES	283,046	273,596	(2,299)	(3,832)	1,533

Interest rate hedges

In order to limit its exposure to interest rate risk on debt, the Group ensures that a certain percentage of debt is at fixed rates. This percentage is linked to financial requirements, the average life of the debt and to the reference market (country and currency). At 31 March 2006, the Group had entered into interest rate swap arrangements, expressed in US dollars, under which it pays at a fixed rate of 3.4% and receives at a six-month floating rate, as a partial hedge of the loan granted to Bulgari Corporation of America Inc. described previously.

Exchange rate hedges

The Group is exposed to the risk of fluctuations in rates of exchange with the functional currency. Its principal exposure is towards the Japanese Yen and US dollar.

In order to reduce this risk, the net foreign currency exposure generated by trade receivables and payables and by the estimated net cash flows in foreign currencies for the following 12 months arising from sales and purchases, as determined from the annual budget and quarterly revisions, is held to an acceptable level by entering into arrangements for the acquisition of derivative instruments (principally forward contracts and residually option contracts) whose term is less than 12 months.

Determination of fair value

Derivative contracts are measured at market value (marked to market) using quoted prices for those listed or by discounting future cash flows and comparing these to current market prices. The term market prices refers to official fixings (by central banks and associations of banks) or quotations made by brokers as published by providers of financial information. Fair value models also use these quotations as references.

16. Employee benefits

Personnel costs

Employee benefits may be summarised as follows:

<i>Thousands of euros</i>	Note	Q1 2006	Q1 2005
Wages and salaries		32,492	27,627
Social charges		7,210	6,382
Charge for the employees' leaving entitlement		460	409
Charges to other personnel provisions		158	401
Hiring and training		673	883
Other costs		2,319	2,025
		<u>43,312</u>	<u>37,727</u>
Transfer to cost of sales		(5,474)	(4,129)
	2	<u><u>37,838</u></u>	<u><u>33,598</u></u>

Employees' leaving entitlement and other personnel provisions:

<i>Thousands of euros</i>	31/03/2006	31/03/2005
Employees' leaving entitlement net of advances	10,726	10,692
Other personnel provisions	<u>3,669</u>	<u>3,615</u>
	<u>14,395</u>	<u>14,307</u>

“Other personnel provisions” includes amounts provided by Bulgari Japan Ltd. and Bulgari Korea Ltd. for obligations which depend on the length of service provided by the employee and his salary or wage at the date that he leaves the company.

Defined benefit plans

The liability due for the Italian employees' leaving entitlement at the balance sheet date, net of advances made, amounts to 10,726 thousand euros; this obligation is similar to a defined benefit obligation, and has been determined on the basis of prevailing legislation, regulations and labour contracts and a valuation made by an independent actuary using the projected unit credit method.

The changes that took place during the period in this obligation are set out as follows:

<i>Thousands of euros</i>	2006	2005
Employees' leaving entitlement at 1 January	10,692	9,440
Charges recognised in the income statement (see below)	573	514
Payments made	<u>(539)</u>	<u>(631)</u>
Employees' leaving entitlement at 31 March	<u>10,726</u>	<u>9,323</u>

Amounts recognised in the income statement for the period are set out as follows:

<i>Thousands of euros</i>	Q1 2006	Q1 2005
Cost of services provided	460	409
Interest charge on discounting the employees' leaving entitlement	113	105
	<u>573</u>	<u>514</u>

The principal assumptions made in the actuarial estimate were as follows:

Annual discount rate	4.50%
Annual inflation rate	2.00%
Annual rate of increase in the cost of labour	4.00%

Share-based payments

The Group has stock option plans in place in favour of the Managing Director and certain categories of manager.

The options are granted at the average officially quoted price of the thirty days preceding the grant date. The vesting period is variable, ranging from 2 to 4 years. The options may be exercised within a period of 5 years from the date that they have fully vested. In addition, the options may generally not be exercised if an employee leaves a company before the end of the vesting period.

The stock option plans in place at 31 March 2006 and the parameters used in the determination of the respective fair value are unchanged from those reported in the consolidated financial statements at 31 December 2005.

On 27 March 2006, the Board of Directors of Bulgari S.p.A. approved the granting of options to company and Group employees for the subscription of a maximum of 1,100,000 shares resulting from the increases in share capital resolved by shareholders in extraordinary general meetings held on 10 April 1996 and 29 April 2003, and delegated the managing director to determine who should be the beneficiaries of these options, the number of options to be granted up to the number referred to, and the issue price, which must be within the limits established by shareholders in the extraordinary general meetings of 10 April 1996 and 29 April 2003, but in any case stipulating that the amount may not be lower than the so-called “normal value” at the option grant date pursuant to article 9, no. 4, letter a), of the consolidated tax law.

In addition, the Board of Directors passed a resolution delegating the chairman to grant 600,000 options to the managing director which provide rights to subscribe to an equal number of shares of Bulgari S.p.A. each of par value 0.07 euros, of which 300,000 may be exercised from 1 July 2007 for a period of five years and the remaining 300,000 from 1 July 2008 for a period of five years. Finally, the chairman was delegated to determine the issue price of each share of Bulgari S.p.A. for which the option is to be exercised, consisting of the nominal value and the share premium, at the time that the options are granted, on the basis of the greater of (i) the arithmetic average of the official price of the Bulgari share on the Telematic Share Market (*Mercato Telematico Azionario*) organised and managed by Borsa Italiana S.p.A. in the month preceding the grant date (the preceding month is that from the grant date to the same day of the prior month; in determining the arithmetic average in that period, only the days on which the Stock Exchange is open and the ordinary shares of Bulgari S.p.A. are actually traded count towards the calculation), and (ii) the amount of 7.66 euros, which has been determined on the basis of the value of the company’s equity at 31 December 2005, taking also into account the performance of the share over the previous six months.

17. Provisions for risks and charges

Changes in this item for the quarter ended 31 March 2006 were as follows:

<i>Thousands of euros</i>	Tax provisions	Other provisions	Total
At 31 December 2005	750	2,923	3,673
Charge	-	2,232	2,232
Utilisation	(218)	(41)	(259)
Other changes	-	(6)	(6)
At 31 March 2006	<u>532</u>	<u>5,108</u>	<u>5,640</u>

The item “Other provisions” includes an estimate of current taxation on the basis of a realistic forecast of the tax charge for the period of each company included in the scope of consolidation.

The accruals made are classified in the income statement under the item “selling, general and administrative expenses”.

18. Other current and non-current liabilities

<i>Thousands of euros</i>	Note	31/03/2006	31/12/2005
Other current liabilities			
Other current payables		45,635	42,113
Current financial payables		<u>5,757</u>	<u>7,999</u>
		<u>51,392</u>	<u>50,112</u>
Other non-current liabilities			
Deferred tax liabilities	9	25,507	25,276
Other non-current payables		3,505	3,686
Other non-current financial payables		<u>2,527</u>	<u>2,513</u>
		<u>31,539</u>	<u>3,475</u>

Other current payables

<i>Thousands of euros</i>	31/03/2006	31/12/2005
Due to personnel	17,613	15,689
Due to public authorities	6,619	7,144
Due to social security authorities	3,396	4,085
Due to shareholders	870	238
Other payables	2,345	2,611
Current tax payables	7,240	5,766
Advances	2,824	2,555
Accrued expenses and deferred income	<u>4,728</u>	<u>4,025</u>
	<u>45,635</u>	<u>42,113</u>

Current financial payables

This item consist of financial payables falling due within 12 months and amounts to 5,757 thousand euros; the balance results principally from a loan of 2,272 thousand euros granted by LL International Holding B.V. to LB Diamonds Jewelry Sarl at a floating interest rate of LIBOR + 1.125% and payables of 3,451 thousand euros arising from agreements hedging exchange rate risk, interest rate risk and commodity price risk.

Other non-current payables

<i>Thousands of euros</i>	31/03/2006	31/12/2005
Other non-current payables	3,411	3,609
Deposits	94	77
	3,505	3,686

“Other non-current liabilities” include an amount of 2,848 thousand euros relating to the contractual liability of Bulgari International Corporation (BIC) N.V. to The Hour Glass Ltd. for the acquisition of Daniel Roth et Gérald Genta Haute Horlogerie S.A., which falls due in July 2007 and bears interest at EUROLIBOR plus 2%; of the remainder, 563 thousand euros relates to the long-term portion of the contractual liability due to Daniel Roth et Gérald Genta Haute Horlogerie S.A. for the purchase of part of its distribution operations previously carried out by companies outside the Group, bearing interest at 2% and payable in equal annual instalments up until 2010.

Other non-current financial payables

This item consists of loans of 1,688 thousand euros to Bulgari Hotels and Resorts Milan S.r.l., due after more than five years, granted by Luxury Hotels International B.V. and bearing interest at a floating rate of LIBOR plus 3%.

19. Significant related party transactions

Financial and commercial operations

The main activities of the parent company Bulgari S.p.A. are as follows:

- purchasing equity stakes and granting loans to Group companies;
- commercial exploitation linked to the use of the BVLGARI name and trademark;
- technical, financial and administrative coordination of the companies in which investments are held;
- invention, design and creation of articles of jewellery, gold jewellery, watches, perfumes, silk and leather accessories and porcelain, silver and crystal items.

In the first quarter of 2006, Bulgari S.p.A. carried out commercial transactions governed by specific agreements relating to the concession of the BVLGARI trademark with the various subsidiaries which produce and distribute BVLGARI brand products.

The parent company also carried out commercial transactions with the various subsidiaries which produce and distribute BVLGARI brand products, also governed by specific agreements between the parties, for the provision of services of a technical, administrative, selling, financial and IT nature.

In addition, the parent company performed activities of a financial nature for Group companies regarding the centralised treasury function, remunerated at market rates.

The transactions and operations referred to above were all carried out under market terms and conditions that would have been used by independent parties and were also performed in the interest of the subsidiaries concerned.

Transactions between Bulgari S.p.A. and other Group companies of a financial and commercial nature have been eliminated in the preparation of the consolidated financial statements and are not disclosed in detail in this note.

A summary of these transactions is set out in the following table:

<i>Thousands of euros</i>	At and for the quarter ended 31 March 2006			
	Receivables	Payables	Revenues	Costs
Bulgari S.p.A.	120,264	(30,764)	14,256	(4,680)
Subsidiaries	796,741	(879,716)	210,620	(222,602)
Joint ventures	2,507	(9,032)	2,895	(489)
	<u>919,512</u>	<u>(919,512)</u>	<u>227,771</u>	<u>(227,771)</u>

20. Information on companies consolidated using the proportionate method

The total amounts of the current assets and liabilities, non-current assets and liabilities, and revenues and costs of companies consolidated using the proportionate method are set out in the following table:

<i>(Millions of euros)*</i>	Opera Management S.A.	LB Diamonds & Jewelry Sarl	Cadrans Design SA	Bulgari Hotels & Resorts BV	Bulgari Hotels and Resorts Milano S.r.l.
<i>% interest</i>	50%	50%	50%	65%	65%
<i>Local currency</i>	euros	chf	chf	euros	euros
Current assets	3.0	42.9	2.7	0.1	5.0
Non-current assets	0.4	-	1.3	5.2	3.8
Current liabilities	2.2	31.1	1.7	0.2	6.3
Non-current liabilities	-	-	2.5	1.2	3.1
Revenues	2.0	5.8	1.7	-	3.9
Costs	1.4	5.2	1.4	-	4.3

* Amounts are expressed at 100%