

B V L G A R I

CONSOLIDATED QUARTERLY REPORT
at 30 September 2006

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B V L G A R I

Bulgari S.p.A. and Subsidiaries

**Report of the Directors
on the Group's operations
at 30 September 2006**

Bulgari S.p.A. and Subsidiaries

Report of the Directors on the Group's operations at 30 September 2006

INTRODUCTION

The Bulgari Group has prepared its consolidated quarterly report at 30 September 2006 in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34).

The consolidated financial statements at 30 September 2006 have been prepared in accordance with International Financial Reporting Standards (IAS/IFRS). Comparative figures are provided at 31 December 2005 and 30 September 2005, adjusted and reclassified to conform to those Standards.

PERFORMANCE OF THE GROUP

The Bulgari Group ended the first nine months of 2006 with an increase in net sales of 9.6% at current exchange rates and 11.2% at comparable exchange rates. As a result, accumulated growth in net revenues for the nine months amounted to 13.1% at current exchange rates and 14.1% at comparable exchange rates.

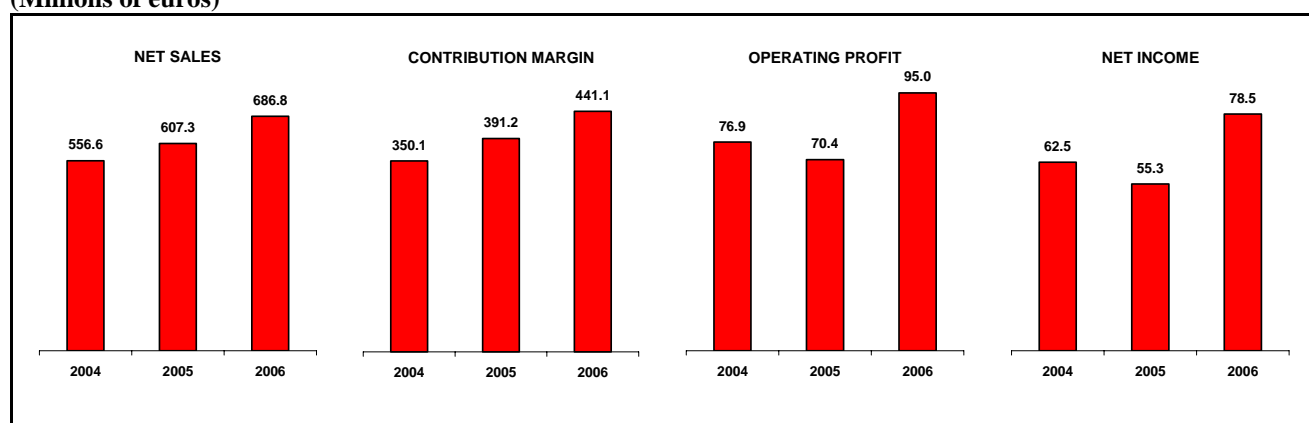
In profitability terms the third quarter has confirmed the positive results of steps taken to improve contribution margin, which rose by 10.0% despite the negative effects resulting from the strengthening of the euro - in particular against the Japanese yen - and from the price of gold, which continues to remain at prices that are high compared to those of previous years. There have been considerable improvements in operating profit (up 32.8%) and net income (up 29.4%) over the figures for the third quarter of 2005, despite the investments made to support growth whose effects are expected to be felt in the coming months.

MAIN ECONOMIC INDICATORS

Consolidated net revenues for the third quarter of 2006 amounted to 239.0 million euros compared to 218.1 million euros in the same period of the previous year. The effect of the change in the scope of consolidation on sales was totally insignificant.

Net revenues for the nine months ended 30 September 2006 reached 686.8 million euros compared to the figure of 607.3 million euros for the nine months ended 30 September 2005.

(Millions of euros)



Contribution margin in the third quarter rose from 140.6 to 154.7 million euros (up 10.0%), representing 64.7% of net sales compared to 64.5% in the third quarter of 2005 and showing a contained but significant improvement despite the persisting negative effects of exchange differences and gold prices. Contribution margin for the first nine months of 2006 amounted to 64.2% of sales, compared to 64.4% for the same period in 2005. This result is a demonstration of the extent to which the Group has been able to consolidate its growth in margins (contribution margin for the first nine months of 2004 amounted to 62.9%) as the result of the success of the steps taken to increase production efficiency and obtain greater vertical integration in strategic sectors.

Despite the fact that the present macro-economic situation is not favourable, as noted, we believe that there is still room for improving margins in the future.

Operating costs for the quarter, excluding advertising and promotion costs, increased from 86.6 million euros to 90.0 million euros, an increase of 4.0%, while over the nine months they amounted to 270.6 million euros, an increase of 11.2% over the same period in 2005, reflecting the investments made to sustain the growth trend in both sales and contribution margin.

Advertising and promotion expenses in the quarter amounted to 22.3 million euros, essentially in line with the third quarter of 2005, with an increase of 0.6%, and for the nine months totalled 75.6 million euros, down by 2.5%. These expenses were equivalent to 9.3% of net revenues for the quarter and 11.0% for the first nine months of 2006, confirming the important and continuing steps being taken to support the BVLGARI brand.

The Group achieved an operating profit of 42.3 million euros in the third quarter, an increase of 38.5% over the 31.9 million euros in the same period in 2005. Operating profit reached 95.0 million euros for the first nine months of 2006, with significant growth of 35.0% over the same period of 2005.

Net income for the quarter amounted to 34.1 million euros, a rise of 29.4% over that for the third quarter in 2005; the equivalent figure for the first nine months of the year was 78.5 million euros, an increase of 41.9% over that for the same period in 2005 of 55.3 million euros, benefiting in part from exchange gains recognised in financial income.

INCOME STATEMENT

<i>Millions of euros</i>	III QUARTER		30 SEPTEMBER	
	2006	2005	2006	2005
NET REVENUES	239.0	218.1	686.8	607.3
CONTRIBUTION MARGIN, NET	154.7 64.7%	140.6 64.5%	441.1 64.2%	391.2 64.4%
Variable selling expenses	10.8	8.7	29.1	23.8
Personnel costs	37.5	36.7	115.6	106.7
Other income and expense	31.2	31.6	97.5	87.0
Advertising and promotion expenses	22.3	22.2	75.6	77.5
Depreciation, amortisation and impairment	10.5	9.6	28.3	25.8
TOTAL OPERATING EXPENSES	112.3	108.8	346.1	320.9
OPERATING PROFIT	42.3 17.7%	31.9 14.6%	95.0 13.8%	70.4 11.6%
Other non-operating income (expense)	(1.9)	(2.9)	(0.6)	(6.6)
INCOME BEFORE TAXATION AND MIN. INTERESTS	40.4	29.0	94.5	63.8
Current and deferred taxation	(6.0)	(2.6)	(15.6)	(7.8)
INCOME BEFORE MINORITY INTERESTS	34.4 14.4%	26.4 12.1%	78.9 11.5%	55.9 9.2%
Income attributable to minority interests	(0.3)	(0.1)	(0.4)	(0.7)
NET INCOME ATTRIBUTABLE TO THE GROUP	34.1 14.3%	26.3 12.1%	78.5 11.4%	55.3 9.1%

MACRO-ECONOMIC SCENARIO

The good state in which the world economy finds itself in 2006 is sustained by a liveliness in the cyclical recovery which is especially affecting the Asian emerging countries (with China and India in the lead) and a large part of the European Union, whereas the United States is to a certain extent heading in the other direction after a good five years.

The rise in US gross domestic production in the first quarter of the year has been followed by a gradual slowdown in the two subsequent periods, leading to the belief that the slowdown may continue into the final quarter; growth nonetheless remains significant and points to a continuingly solid expansion, with an average rise of slightly above 3% being forecast for 2006 and 2% for next year. It is no coincidence that the Federal Reserve left the cost of borrowing unchanged at 5.25% during their meeting at the beginning of August, after seventeen consecutive increases in a two year period.

As far as the old continent goes, in its autumn report the European Commission has slightly revised its growth forecast upwards for the eurozone. Growth of approximately 2.6% is expected for the area in 2006, representing an increase over the forecasts made in previous months.

The European Commission has issued improved forecasts for France and Germany, with estimates of the gross domestic product of the two countries being revised upwards and a more favourable debt/Gdp ratio expected in both cases.

Growth in Germany in 2006 will close at 2.4% according to the Commission, compared to their previous forecast of 1.7%. France will have a similar performance, achieving growth of 2.2% against the previous forecast of 1.9%.

The European Commission believes that Italy will grow by 1.7% in 2006 and by 1.4% in 2007; these forecasts are more optimistic than those contained in the Italian Government's Finance Act, which is based on estimates in the growth of gross domestic product of respectively 1.6% and 1.3%.

A further increase in the cost of borrowing is almost certain to be made by the European Central Bank in this context, with reference interest rates to rise from 3.25% to 3.50%.

There have been modest increases on all the stock exchanges compared to levels at the beginning of the year, excluding that in Japan.

On currency markets the euro has maintained its strength compared to all the other major currencies. The weakness of the yen in 2006 needs to be especially noted, however, given the importance of the Japanese market for luxury goods; the currency fell from 138.90 yen per euro at the end of December 2005 to 149.34 yen at the end of September 2006, a drop of 7.5%.

Gold prices reached a peak of 725 dollars/ounce in mid-May, falling to 599.25 dollars/ounce at the end of September (the average for the first nine months of 2006 was 600.73 dollars/ounce, up 39.2% over the average for the first nine months of 2005 of 431.62 dollars/ounce). In euro terms, the average price for the first nine months of 2006 was 482.23 euros/ounce, up 40.8% over the average for the first nine months of 2005 of 342.45 euros/ounce.

The Group's financial policy includes the requirement to hedge future currency receipts and purchases of gold, with the consequence that the strengthening of the euro and the quotation of gold have led to an especially positive result in financial management

REVENUE ANALYSIS

REVENUES BY PRODUCT TYPE

Sales at comparable exchange rates increased during the third quarter of 2006 in all the product sectors in which the Group works, with the exception of accessories which suffered a fall after two quarters of strong growth.

In jewellery, growth reached 9.7% (7.7% at current exchange rates), taking the cumulative figure at 30 September 2006 to 10.2% (9.1% at current exchange rates). The result is clearly positive given the growth for the same period of the two previous years (up 7.3% and up 14.6% at comparable exchange rates) and confirms the success of Bulgari's main product category.

Watches confirmed in the quarter that sales are going through a highly successful period (up 14.8% at comparable exchange rates and 13.0% at current exchange rates), with this being the fourth consecutive quarter in which sales have risen by figures well exceeding 10%. The excellent reception given by the market to the new *Bulgari-Bulgari* model presented at this year's Basel fair should be added to the positive welcome given to the new lines already introduced in 2005, such as *Carbon Gold*, *Titanium* and *Assioma*. There was a rise of 17.3% in watch sales for the first nine months in 2006 over the same period of 2005.

After a long period of constant and noteworthy growth, in some quarters even exceeding 40% over the same period of the previous year, accessory sales fell by 16.4% (a fall of 18.2% at current exchange rates). This decrease is the result of a temporary drop in deliveries in the various distribution channels and travel retail

together with certain production delays and in no way puts the success of this product line under discussion; this success is moreover confirmed by the excellent performance in the same period of sales in own stores (which rose by more than 18% at comparable exchange rates).

The JWA (Jewels-Watches-Accessories) Division grew overall by 14% at comparable exchange rates during the first nine months of 2006 (12% at current exchange rates).

Sales in the Perfume Division achieved extraordinary growth in the quarter compared to the same period in 2005, rising by 19.3% at comparable exchange rates (18.4% at current exchange rates) to close the nine months at 131.6 million euros, an increase of 15.1% (14.4% at current exchange rates). The new product lines are encountering a huge success on all markets. The relaunch of the classic collection *pour Femme, pour Homme* and *pour Homme Extrême* was completed with two new fragrances for women, *Voile de Jasmin* and *Rose Essentielle*, and a new fragrance for men, *pour Homme Soir*.

Following its opening in May 2004, the operations of the Milan hotel, the first to bear the BVLGARI brand name, are continuing with increasing success; the hotel is managed in partnership together with the Marriott group through Bulgari Hotels and Resorts Milano S.r.l.. This company, consolidated using the proportionate method, contributed turnover of 8.4 million euros in the first nine months of 2006. Growth in that period amounted to 17% as confirmation that this project continues to flourish.

Tables 1 and 2 below set out revenues by product line for the third quarter of 2006 and for the nine months ended 30 September 2006, the revenues for each line as a percentage of total revenues and the change at current and comparable exchange rates over the same period of the previous year (and in table 2 over the full year 2005).

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

Product line (Millions of euros)	Third quarter 2006				Third quarter 2005			
	Absolute value	%	Δ % vs PVY		Absolute value	%	Δ % vs PVY	
			Curr. exch. rates	Comp. exch. rates			Curr. exch. rates	Comp. exch. rates
<i>Jewellery</i>	92.5	39%	+8	+10	85.9	39%	+7	+7
<i>Watches</i>	71.8	30%	+13	+15	63.6	29%	-2	-1
<i>Accessories</i>	15.0	6%	-18	-16	18.4	8%	+21	+22
<i>Other</i>	1.7	1%	+9	-	1.5	2%	+31	-
JWA Division	181.0	76%	+7	+10	169.4	78%	+5	+5
Perfume Division	52.8	22%	+18	+19	44.6	20%	+18	+19
Hotel Division	2.9	1%	+17	-	2.5	1%	+52	-
Royalties and other	2.3	1%	+37	-	1.6	1%	-17	-
TOTAL NET REVENUES	239.0	100%	+10	+11	218.1	100%	+7	+8

TABLE 2
BULGARI GROUP
REVENUES BY TYPE OF PRODUCT – CUMULATIVE AT 30 SEPTEMBER 2006 AND TOTAL 2005

Product line <i>(Millions of euros)</i>	Nine months ended 30 September 2006				Nine months ended 30 September 2005				Total 2005			
	Absolute value	%	Δ % vs PVY		Absolute value	%	Δ % vs PVY		Absolute value	%	Δ % vs PVY	
			Curr. exch. rates	Comp. exch. rates.			Curr. exch. rates	Comp. exch. rates.			Curr. exch. rates	Comp. exch. rates.
<i>Jewellery</i>	272.1	40%	+9	+10	249.3	41%	+7	+8	368.2	40%	+7	+8
<i>Watches</i>	199.9	29%	+16	+17	171.7	28%	-2	-1	267.9	29%	+4	+4
<i>Accessories</i>	62.5	9%	+15	+17	54.6	9%	+29	+30	76.9	8%	+24	+24
<i>Other</i>	5.3	1%	+13	-	4.6	1%	+20	-	7.1	1%	+17	-
JWA Division	539.8	79%	+12	+14	480.2	79%	+6	+6	720.1	78%	+8	+8
Perfume Division	131.6	19%	+14	+15	115.1	19%	+21	+21	182.6	20%	+18	+18
Hotel Division	8.4	1%	+17	-	7.2	1%	+226	-	9.6	1%	+141	-
Royalties and other	7.0	1%	+45	-	4.8	1%	-1	-	6.2	1%	+2	-
TOT. NET REVENUES	686.8	100%	+13	+14	607.3	100%	+9	+10	918.5	100%	+10	+11

Operating profitability by sector is reported in the notes.

REVENUES BY GEOGRAPHICAL AREA

Following a positive performance in the first half of the year, revenues in Italy fell by 14.0% in the third quarter, leading to a total after nine months that is essentially in line with sales for the first nine months of 2005, with an overall decrease of 1.1%. The own stores channel confirmed its growth, although a slowing down was noted in the distribution channel.

Sales to the Rest of Europe in the third quarter were up by 26.4%, continuing the strong growth already evident in the first half of the year, especially in our own stores which are benefiting from a recovery in the tourist trade, and leading us to have high hopes also for the future. There was a rise in sales of 23.1% for the first nine months. The results achieved in France were especially positive in this market and were higher than forecast; this result is also due to the opening of the new *PlaceVendom* store.

Sales in America have accelerated during the period (rising by 30.1% at comparable exchange rates and by 26.1% at current exchange rates) and reached a cumulative total for the nine months representing an increase of 16.8% (18.0% at current exchange rates).

As forecast, the growth of sales in Japan is slowing down (up 4.2% for the quarter at comparable exchange rates, up 21.2% after nine months); this country is especially important for our sector. Nonetheless the figures are still extremely positive if, amongst other things, the high starting point is taken into consideration (with rises at comparable exchange rates of 13.6% in the third quarter of 2005 and of 16.2% in the first nine months of 2005).

There has been a significant growth in the performance of sales in the Far East in the quarter, with a rise of 13.6% at comparable exchange rates (14.2% at current exchange rates). Figures for the first nine months, essentially in line with those of 2005 (down 1.1% at comparable exchange rates and up 0.8% at current exchange rates), are still influenced by the fall in sales for the first quarter due to the completion of steps taken by the company in connection with its third party distributors.

Tables 3 and 4 below set out revenues by geographical area, determined on the basis of outlet market, for the third quarter of 2006 and for the nine months ended 30 September 2006, together with the revenues for each

area as a percentage of total revenues and the change at current and comparable exchange rates over the same period of the previous year (and in table 4 over the full year 2005).

TABLE 3
BULGARI GROUP
REVENUES BY GEOGRAPHICAL AREA – THIRD QUARTER

Geographical area <i>(Millions of euros)</i>	Third quarter 2006				Third quarter 2006			
	Absolute value	%	Δ % vs PVY		Absolute value	%	Δ % vs PVY	
			Curr. exch. rates	Comp. exch. rates			Curr. exch. rates	Comp. exch. rates
Italy	29.4	12%	-14	-	34.3	16%	+26	-
Rest of Europe	64.0	27%	+26	-	50.7	23%	+9	-
America	37.9	16%	+26	+30	30.0	14%	+4	+5
Japan	56.3	23%	-2	+4	57.6	26%	+13	+14
Far East	35.6	15%	+14	+14	31.2	14%	-14	-16
Middle East	10.8	5%	+2	-	10.5	5%	+16	-
Other	5.0	2%	+30	-	3.8	2%	-8	-
TOTAL NET REVENUES	239.0	100%	+10	+11	218.1	100%	+7	+8

TABLE 4
BULGARI GROUP

REVENUES BY GEOGRAPHICAL AREA - CUMULATIVE AT 30 SEPTEMBER 2006 AND TOTAL 2005

Geographical area <i>(Millions of euros)</i>	Nine months ended 30 September 2006				Nine months ended 30 September 2005				Total 2005			
	Absolute value	%	Δ % vs PVY		Absolute value	%	Δ % vs PVY		Absolute value	%	Δ % vs PVY	
			Curr. exch. rates	Comp. exch. rates.			Curr. exch. rates	Comp. exch. rates.			Curr. exch. rates	Comp. exch. rates.
Italy	84.9	12%	-1	-	85.9	14%	+19	-	129.9	14%	+15	-
Rest of Europe	172.6	25%	+23	-	140.2	23%	+7	-	218.6	24%	+15	-
America	107.7	16%	+18	+17	91.3	15%	+17	+20	138.2	15%	+13	+12
Japan	180.0	26%	+16	+21	155.3	26%	+15	+16	238.9	26%	+16	+17
Far East	98.4	14%	+1	-1	97.6	16%	-2	-3	139.6	15%	-5	-7
Middle East	31.5	5%	+21	-	26.0	4%	-5	-	37.1	4%	+1	-
Other	11.7	2%	+7	-	11.0	2%	-13	-	16.2	2%	-3	-
TOT. NET REVENUES	686.8	100%	+13	+14	607.3	100%	+9	+10	918.5	100%	+10	+11

FINANCIAL SITUATION AND BALANCE SHEET SITUATION OF THE GROUP

Net financial debt at 30 September 2006 of 139.8 million euros compares with the balances of 49.9 million euros at 31 December 2005 and 159.4 million euros at 30 September 2005.

The increase in debt over the nine months compared to 31 December 2005 is due partly to the normal increase in stocks, in particular those of new products, in view of expected sales in the last part the year, the period in which sales have always reached their highest levels historically. On a comparable seasonal basis there was an increase in inventory of 7% over that at 30 September 2005, being less than the increase in sales with a consequent improvement in stock turnover. Dividends of 74.5 million euros were distributed in May 2006 compared to a distribution of 65 million euros in 2005.

Shareholders' equity at 30 September 2006, inclusive of minority interests, amounted to 685.5 million euros, compared to 686.2 million euros at 31 December 2005 and 621.2 million euros at 30 September 2005.

The gearing ratio, being the ratio between net debt and shareholders' equity including minority interests, was 20% at the end of the quarter.

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

RECLASSIFIED BALANCE SHEET

(Millions of euros)	TOTAL GROUP	
	30 Sept 06	31 Dec 05
Trade receivables, net	149.8	169.0
Other receivables	51.2	49.8
Inventory	558.3	505.1
Trade payables	(108.1)	(168.2)
Other payables	(52.5)	(42.1)
Total working capital, net	598.6	513.5
Tangible and intangible fixed assets	199.4	188.7
Financial investments	42.7	34.8
Other long-term assets (liabilities)	(15.4)	(0.9)
NET INVESTED CAPITAL	825.3	736.2
Shareholders' equity	685.5	686.2
Short-term indebtedness	81.6	23.2
Long-term indebtedness	58.3	26.7
Total indebtedness	139.8	49.9
COVER	825.3	736.2

INVESTMENTS

Investments of 33.7 million euros were made in tangible fixed assets in the first nine months of 2006 regarding work carried out, and in part also still being carried out, in connection with the opening or refurbishment of stores, and the purchase of window displays to be used by third party distributors to present BVLGARI products.

The balance additionally includes investments made in computer hardware, mostly by the Parent Company, and those made in production plant by the Group's production companies.

Investments in intangible assets amounting to 9.2 million euros mostly regard costs incurred for the implementation of software used to manage the Group's principal operational activities.

RELATED PARTY TRANSACTIONS

Bulgari S.p.A., which has its registered office at via Lungotevere Marzio 11, Rome, is the Parent Company of the Group and has a share capital of Euro 20.9 million.

Bulgari S.p.A. is the owner of the BVLGARI trade mark and its main activities are as follows:

- purchasing equity stakes and granting loans to Group companies;
- commercial exploitation of the BVLGARI name and trademark;

- the technical, financial and administrative coordination of the companies in which investments are held;
- the invention, design and creation of articles of jewellery, gold jewellery, watches, perfumes, silk and leather accessories and porcelain, silver and crystal items.

Bulgari S.p.A. carries 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 carries out commercial transactions, similarly governed by specific agreements between the parties, for the provision of services to certain of its subsidiaries of a technical, legal, fiscal, administrative, commercial, financial and IT nature.

In addition the Parent Company performs activities of a financial nature for Group companies regarding the centralised treasury function, which are remunerated at market rates.

Transactions between Bulgari S.p.A. and other Group companies of a financial and commercial nature, which have been eliminated in the preparation of the consolidated financial statements, are disclosed in detail the notes.

There are no transactions with related parties as defined in Consob Communication no.2064231 of 30 September 2002 in addition to those described above.

RECONCILIATION BETWEEN THE PARENT COMPANY'S EQUITY AND NET INCOME FOR THE PERIOD AND CONSOLIDATED EQUITY AND NET INCOME

	Equity at 31/12//2005	Changes in equity excl. net income	Net income (loss)	Equity at 30/09/2006
As per the Parent Company's separate financial statements	233,520	(64,257)	18,728	187,991
Effect of consolidating equity investments: - difference between carrying amount and share of equity	611,439	(18,337)	67,670	660,771
Elimination of intercompany profit in inventory	(184,028)	4,107	(8,047)	(187,968)
Tax effect	16,715	(190)	99	16,625
As per consolidated financial statements - attributable to the Group	677,646	(78,677)	78,451	677,419
Minority interests	8,587	(942)	434	8,079
As per consolidated financial statements - total	686,233	(79,619)	78,885	685,498

SIGNIFICANT EVENTS FOR THE THIRD QUARTER OF 2006

Bulgari (Austria) GmbH was established and registered on 15 July 2006. The company is wholly owned by Bulgari International Corporation N.V. and has an authorised share capital of Euro 35,000, of which Euro 17,500 is subscribed and paid in. The company will run the exclusive brand Bulgari shop in Vienna as well as any future shops in Austria.

On 21 July 2006, the procedure to wind up Bulgari Asia Ltd. was finalised. The company was entirely owned by Bulgari International Corporation N.V..

EVENTS SUBSEQUENT TO 30 SEPTEMBER 2006

There have been no significant events subsequent to 30 September 2006.

FORECAST FOR 2006

The first nine months of the year have confirmed that the economic recovery is continuing and that it is taking in Europe too, and alongside this there is an increase in the demand for luxury goods. In the light of this scenario, which needs to be viewed with that element of caution dictated by what has become a constant risk of economic and geo-political instability, and considering the activities that the Group will carry out in the final quarter, there are positive expectations for the end of this year with a rise over 2005 forecast in both sales and results.

B V L G A R I

**Interim consolidated financial statements
at 30 September 2006**

Bulgari Group

Consolidated Income Statement at 30 September 2006

€000	Note	III quarter 2006	III quarter 2005	Change %	30 September 2006	30 September 2005	Change %
Total net revenues		239,039	218,135	9.6%	686,813	607,317	13.1%
Cost of sales		(84,381)	(77,505)	8.9%	(245,675)	(216,068)	13.7%
Total contribution margin		154,658	140,630	10.0%	441,138	391,249	12.8%
		64.7%	64.5%		64.2%	64.4%	
Net operating expenses	3	(112,350)	(108,762)	3.3%	(346,106)	(320,855)	7.9%
Operating profit		42,308	31,868	32.8%	95,032	70,394	35.0%
		17.7%	14.6%		13.8%	11.6%	
- Financial income (expenses)		(2,616)	(1,856)		(6,886)	(4,677)	
- Utili (perdite) su cambi		796	(995)		6,413	(1,964)	
Total financial income (expenses)	4	(1,820)	(2,851)	-36.2%	(473)	(6,641)	-92.9%
Revaluation (devaluation) of financial activities		(91)	-		(91)	-	
Income before taxation		40,397	29,017	39.2%	94,468	63,753	48.2%
Current and deferred taxation	5	(6,008)	(2,608)	130.4%	(15,583)	(7,826)	99.1%
Net income of the period		34,389	26,408	30.2%	78,885	55,927	41.1%
of which:							
Income attributable to minority interests		(301)	(71)	323.7%	434	657	-33.9%
Net income of the period attributable to the Group		34,088	26,338	29.4%	78,451	55,270	41.9%
		14.3%	12.1%		11.4%	9.1%	
Earning per share (in euros)					0.26	0.19	
Number of shares on which the calculation is based					298,133,974	297,119,087	
Diluted earning per share (in euros)					0.26	0.18	
Number of shares on which the calculation is based					302,833,003	301,362,713	

Consolidated Balance Sheet at 30 September 2006

€000	Note	30 September 2006	31 December 2005
<u>ASSETS</u>			
Tangible fixed assets	6	107,200	98,066
Intangible assets	7	92,246	90,603
Financial investments	8,9	42,668	34,838
Total non-current assets		242,114	223,507
Other non-current assets	9,10,12	30,941	45,385
NON-CURRENT ASSETS		273,055	268,892
Non-current assets held for sale		-	-
Total inventory	11	558,304	505,058
Trade receivables		149,785	170,777
Other current assets	9,12	54,476	70,929
Cash and bank balances	13	33,715	26,685
CURRENT ASSETS		796,280	773,449
TOTAL ASSETS		1,069,335	1,042,341
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Total Shareholders' equity attributable to the Group		677,419	677,646
Total Shareholders' equity attributable to minority interests		8,079	8,587
TOTAL SHAREHOLDERS' EQUITY	14	685,498	686,233
Employees' leaving entitlement and other personnel provisions	18	14,849	14,307
Provisions for risks and charges	19	5,299	3,673
Other non-current liabilities	10,16,20	28,200	31,475
Non-current financial payables to banks	16	56,303	25,261
NON-CURRENT LIABILITIES		104,651	74,716
Non-current liabilities held for sale		-	-
Trade payables		108,072	168,239
Other current liabilities	16,20	58,104	50,112
Current financial payables to banks	16	113,010	63,041
CURRENT LIABILITIES		279,186	281,392
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,069,335	1,042,341

BULGARI GROUP
CONSOLIDATED CASH FLOW STATEMENT
€000

30 September 2006 **30 September 2005**

Cash flows from operating activities

Net income for the period	78,451	55,270
Depreciation, amortisation and impairment of fixed assets	28,360	25,990
<i>Cash flows from operating activities</i>	<i>106,811</i>	<i>81,260</i>
(Increase) Decrease in trade receivables in working capital	21,516	26,386
(Increase) Decrease of other receivables in working capital	(2,939)	27,814
(Increase) Decrease in inventory	(73,177)	(45,885)
Increase (Decrease) in trade payables	(59,000)	(59,576)
Increase (Decrease) in other payables	9,056	(39,724)
Exchange differences	19,931	(9,708)
Other changes, net	1,498	2,101
<i>Cash flows from changes in net working capital</i>	<i>(83,115)</i>	<i>(98,592)</i>
Other medium/long-term assets (including other non-current financial assets)	8,585	(4,881)
Other medium/long-term liabilities	(3,049)	(175)
(a) Cash flows from operating activities	29,232	(22,388)

Cash flows from investing activities

Purchase of companies (excluding cash/debt acquired)	(505)	(3,865)
Purchases of tangible fixed assets (net of disposals)	(33,679)	(18,893)
Purchase of intangible assets	(9,113)	(21,179)
Purchases of financial investments (excluding other non-current financial assets)	(399)	5,899
Other changes	3,755	(8,450)
Exchanges differences		
(b) Cash flows from investing activities	(39,941)	(46,488)

Cash flows from financing activities

Changes in shareholders' equity for increase in share capital	4,054	(2,965)
Changes in shareholders' equity relating to minority interests	(508)	855
Dividends paid	(74,529)	(65,422)
Other changes	(8,202)	(10,012)
<i>(c) Total changes in shareholders' equity</i>	<i>(79,185)</i>	<i>(77,544)</i>
Changes in medium/long-term financial payables	31,367	(35,231)
Changes in medium/long-term financial receivables	217	42
<i>(d) Total changes in medium/long-term financial assets</i>	<i>31,584</i>	<i>(35,189)</i>
(e) Cash flows from financing activities	(47,601)	(112,733)
(f) Difference in short-term net cash (short-term debt) (a)+(b)+(e)	(58,310)	(181,609)

<i>Net cash (short-term debt) at the beginning of the period</i>	<i>(49,919)</i>	<i>(13,009)</i>
Changes in short-term debt (f)	(58,310)	(181,609)
Changes in long-term debt (e)	(31,584)	35,189
<i>Net cash (short-term debt) at the end of the period</i>	<i>(139,813)</i>	<i>(159,429)</i>
of which: - cash and bank	33,715	19,581
- current financial payables	(118,575)	(160,369)
- current financial assets	3,307	5,682
- non-current financial payables	(59,141)	(24,938)
- non current financial receivables	881	615

Statement of Changes in Consolidated Shareholders' Equity for the nine months ended 30 September 2005

	Share capital	Share premium reserve	Legal reserve	Reserve for translation difference	Other reserves	Stock Option reserve	Hedging reserve	Retained earnings	Net income period	Shareholders' equity attrib. to Group	Shareholders' equity attrib. to minority int.	Total Shareholders' equity
Balance as at 31 December 2004	20,816	107,135	5,762	(7,273)	2,107	1,987	-	397,332	108,756	636,622	6,876	643,498
Treasury stock	(3,569)	-	-	-	-	-	-	-	-	(3,569)	-	(3,569)
Fair value of derivatives	-	-	-	-	-	-	2,297	-	-	2,297	-	2,297
Fair value of equity investments	-	-	-	-	-	-	-	(8,019)	-	(8,019)	-	(8,019)
Balance as at 1^o January 2005	17,247	107,135	5,762	(7,273)	2,107	1,987	2,297	389,313	108,756	627,331	6,876	634,207
Fair value of derivatives	-	-	-	-	-	-	(3,528)	-	-	(3,528)	-	(3,528)
Total gains and losses directly recognized to shareholders' equity	-	-	-	-	-	-	(3,528)	-	-	(3,528)	-	(3,528)
Net income of the period	-	-	-	-	-	-	-	-	55,270	55,270	657	55,927
Total gains and losses	-	-	-	-	-	-	(3,528)	-	55,270	51,742	657	52,399
Distribution of dividends	-	-	-	-	-	-	-	(65,422)	(65,422)	(65,422)	(664)	(66,086)
Allocation of 2004 net income	-	-	-	-	-	-	-	43,336	(43,336)	-	-	-
Treasury stock 2005	(440)	-	-	-	-	-	-	-	-	(440)	-	(440)
Capital increase due to exercise of stock options	44	3,290	-	-	-	-	-	-	-	3,334	-	3,334
Allocation to treasury stock reserve of value of shares at the period end	-	(440)	-	-	-	-	-	440	-	-	-	-
Fluctuations in foreign exchange rates	-	-	-	(3,509)	-	-	-	(1,390)	-	(4,899)	862	(4,037)
Stock Options	-	-	-	-	-	1,846	-	-	-	1,846	-	1,846
Balance as at 30 September 2005	16,851	109,985	5,762	(10,782)	2,107	3,833	(1,231)	431,699	55,270	613,495	7,730	621,225

Statement of Changes in Consolidated Shareholders' Equity for the nine months ended 30 September 2006

	Share capital	Share premium reserve	Legal reserve	Reserve for translation difference	Other reserves	Stock Option reseve	Hedging reserve	Retained earnings	Net income period	Shareholders' equity attrib. to Group	Shareholders' equity attrib. to minority int.	Total Shareholders' equity
Balance as at 31 December 2005	16,859	114,489	5,762	(11,149)	2,106	4,423	(28)	428,737	116,447	677,646	8,587	686,233
Fluctuations in foreign exchange rates	-	-	-	(13,449)	-	-	-	(728)	-	(14,177)	(942)	(15,119)
Reclassifications	-	-	-	11,443	-	-	-	(11,443)	-	-	-	-
Fair value of derivatives	-	-	-	-	-	-	(1,159)	-	-	(1,159)	-	(1,159)
Total gains and losses directly recognized to shareholders' equity	-	-	-	(2,006)	-	-	(1,159)	(12,171)	-	(15,336)	(942)	(16,278)
Net income of the period	-	-	-	-	-	-	-	-	78,451	78,451	434	78,885
Total gains and losses	-	-	-	(2,006)	-	-	(1,159)	(12,171)	78,451	63,115	(508)	62,607
Distribution of dividends	-	-	-	-	-	-	-	(74,529)	-	(74,529)	-	(74,529)
Allocation of 2005 net income	-	-	-	-	-	-	-	41,918	(41,918)	-	-	-
Treasury stock sale	4,009	-	-	-	1,808	-	-	-	-	5,817	-	5,817
Capital increase due to exercise of stock options	45	3,549	-	-	-	-	-	-	-	3,594	-	3,594
Allocation to treasury stock reserve of value of shares at the period end	-	-	-	-	-	-	-	-	-	-	-	-
Stock Options	-	-	-	-	-	1,776	-	-	-	1,776	-	1,776
Balance as at 30 September 2006	20,913	118,038	5,762	(13,155)	3,914	6,199	(1,187)	458,484	78,451	677,419	8,079	685,498

B V L G A R I

Bulgari S.p.A. and Subsidiaries

**Notes to the
Interim Consolidated Financial Statements**

Bulgari S.p.A. and Subsidiaries

Interim consolidated financial statements at 30 September 2006

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 interim consolidated financial statements at 30 September 2006 include the financial statements of the Parent Company and its subsidiaries and joint ventures (together referred to as the “Group”).

These quarterly consolidated financial statements were authorised for publication by the Board of Directors on 14 November 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 financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting*. These quarterly consolidated financial statements do not include all the disclosures required in the preparation of annual financial statements and should be read together with the consolidated financial statements for the year ended 31 December 2005.

(b) Basis of presentation

The quarterly 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 quarterly 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 quarterly consolidated financial statements are prepared as at the balance sheet date of the quarterly consolidated financial statements and are adjusted, where necessary, to align them to the accounting principles and policies adopted by the Parent Company.

(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 is lost to 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. In determining whether control exists, those instruments that have the potential, if exercised or converted, to give the Group voting rights are also considered. 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 is lost to the Group.

(iii) Intercompany operations

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

(d) Foreign currency

(i) Transactions in foreign currency

The financial statements of consolidated companies are prepared using the functional currency of the economic environment in which that company operates.

In those financial statements, all transactions denominated in a currency different from the functional currency are recorded at the exchange rate at the date of the transaction. Assets and liabilities denominated in a currency different from the functional currency are subsequently translated using the exchange rate at the balance sheet date of the period presented, with any exchange differences arising recognised in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies and recorded at historical cost are translated using the exchange rate at the date when the transaction was initially recognised.

(ii) Translation 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 the 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.

The rates of exchange between the euro and the currencies of those countries which are not members of the single currency are as follows:

30/09/2006

31/12/2005

30/09/2005

Currency	Income Statement	Balance Sheet	Income Statement	Balance Sheet	Income Statement	Balance Sheet
USD	1.2440	1.2660	1.2448	1.1797	1.2635	1.2042
YEN	144.1412	149.3400	136.8713	138.9000	136.0262	136.2500
CHF	1.5665	1.5881	1.5483	1.5551	1.5487	1.5561
GBP	0.6848	0.6777	0.6839	0.6853	0.6852	0.6819
SGD	1.9884	2.0076	2.0710	1.9628	2.0925	2.0353
HKD	9.6595	9.8640	9.6825	9.1474	9.8377	9.3412
AUD	1.6641	1.6992	1.6326	1.6109	1.6440	1.5828
MYR	4.5791	4.6684	4.7136	4.4584	4.7885	4.5389
DKK	7.4603	7.4576	7.4517	7.4605	7.4495	7.4624
TWD	40.3131	41.8770	39.9647	38.6620	40.0411	39.8610
KRW	1,194.1500	1,198.0200	1,274.3900	1,184.4200	1,288.5900	1,254.9600
CNY	9.9626	10.1564	10.2037	9.5204	-	-
THB	47.7191	47.5720	-	-	-	-
MOP	9.9493	10.1564	-	-	-	-

(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, and 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.

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 flow to the Group and if they can be reasonably estimated. All other costs are recognised in the income statement for the period in which they are incurred.

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 are determined under the method described in the following. Depreciation commences when the asset becomes available for use and ceases when it 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:

Asset category	Useful life (years)
Buildings	33
Plant and machinery	3 - 13
Industrial and commercial equipment	5 - 7
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.

(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 translated 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 (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 as part of the asset to which they relate when it is probable that future benefits will flow to the Group and when the cost can be reliably determined. All other subsequent costs are recognised in the income statement when 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 are 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:

Asset category	Useful life (years)
Development costs	Maximum 5
Industrial patents and intellectual property rights	Maximum 5
Concessions, trade marks and licences	Maximum 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 are 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 to 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, forward and option contracts are mostly 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 the trade 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 transaction costs (such as commissions and advisors' fees) are added. 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 bank balances 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 original effective interest method.

(1) Inventory

Inventory is 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 valued 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.

In order to estimate net realisable value, the value of obsolete and slow-moving goods is written down on the basis of an estimation of their future use or realisation by creating a special adjustment provision which reduces the value of inventory.

(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 reduction 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 so-called corridor method).

On first-time application of IFRS the Group decided to recognise all cumulative actuarial gains and losses at 1 January 2004, despite having opted 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 the fair value of the consideration reliably. Revenues are stated net of discounts, returns and commercial 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 on an accrual basis recognising the interest matured on the net value of the respective assets and liabilities using the effect 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 consolidation scope, in compliance with tax rates and tax laws that are enacted or substantively enacted 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 at 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 offset 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 other contingent liabilities, such as provisions for risks and contingencies.

(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 stock, 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 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 with the media, including production from which the BVLGARI brand is the overall beneficiary in general and therefore, as a result, from which all the Group’s activities benefit.

BULGARI GOUP- SEGMENT REPORTING SEPTEMBER 2006 vs 2005

	SEPT 2006	SEPT 2005	Change %		SEPT 2006	SEPT 2005	Change %
Net revenues by sector				Operating profit by sector			
<i>(Millions of euros)</i>				<i>(Millions of euros)</i>			
<i>Jewellery</i>	272.1	249.3	+9.1%	JWA Division	97.2	76.6	+27.0%
<i>Watches</i>	199.9	171.7	+16.4%	Perfume Division	15.6	12.9	+21.7%
<i>Accessories</i>	62.5	54.6	+14.6%	Other activities and elim.	(17.8)	(19.1)	-6.2%
<i>Other</i>	5.3	4.6	+13.5%	Total operating profit	95.0	70.4	+35.0%
JWA Division	539.8	480.2	+12.4%				
Perfume Division	131.6	115.1	+14.3%				
Other activities and elim.	15.4	12.0	+28.6%				
Total net revenues	686.8	607.3	+13.1%				

The operating profit of the JWA (Jewellery - Watches - Accessories) Division grew by 27% over the first nine months of 2005. Depreciation and amortisation for the period amounted to 19.6 million euros and therefore in line with the figure for the same period of the prior year, with an increase of 0.3%.

The operating profit of the Perfumes Division grew by 22% over the first nine months of 2005, principally as the result of the structural investments made to support the business, especially on the American market. The charge of 2.4 million euros for the depreciation and amortisation of the Perfumes Division was also in line with the figure for the same period of the prior year, with a decrease of 2.0%.

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

RECLASSIFIED BALANCE SHEET

(Millions of euros)	JWA DIVISION		PERFUME DIVISION		Not allocated & eliminat.		TOTAL GROUP	
	30 Sept 06	31 Dec 05	30 Sept 06	31 Dec 05	30 Sept 06	31 Dec 05	30 Sept 06	31 Dec 05
Trade receivables, net	117.8	119.1	50.4	65.9	(18.4)	(16.1)	149.8	169.0
Other receivables	43.5	42.8	11.0	11.7	(3.4)	(4.7)	51.2	49.8
Inventory	477.8	436.7	72.9	62.4	7.6	5.9	558.3	505.1
Trade payables	(107.3)	(144.6)	(31.4)	(51.8)	30.6	28.2	(108.1)	(168.2)
Other payables	(42.2)	(54.3)	(13.3)	(12.4)	2.9	24.6	(52.5)	(42.1)
Total working capital, net	489.6	399.7	89.6	75.9	19.5	37.9	598.6	513.5
Tangible and intangible fixed assets	129.5	119.4	8.5	9.4	61.4	59.8	199.4	188.7
Financial investments					42.7	34.8	42.7	34.8
Other long-term assets (liabilities)	0.5	11.3	(0.3)	(0.4)	(15.7)	(11.8)	(15.4)	(0.9)
NET INVESTED CAPITAL	619.6	530.4	97.8	84.9	107.9	120.8	825.3	736.2
Shareholders' equity							685.5	686.2
Short-term indebtedness							81.6	23.2
Long-term indebtedness							58.3	26.7
Total indebtedness							139.8	49.9
COVER							825.3	736.2

2. Acquisitions and formation of new companies

Bulgari (Austria) GmbH was established on 15 July 2006. The company has its registered office in Vienna, is wholly owned by Bulgari International Corporation N.V. and has an authorised share capital of Euro 35,000, of which Euro 17,500 is subscribed and paid in.

The company will run the exclusive brand Bulgari store in Vienna as well as any future shops in Austria.

3. Net operating expenses

<i>Thousands of euros</i>	Note	Q3 2006	Q3 2005	30/09/2006	30/09/2005
Personnel costs	18	37,524	36,722	115,584	106,672
Variable selling expenses		10,758	8,690	29,142	23,848
Other selling, general and administrative expenses		41,749	41,159	125,826	112,854
Advertising and promotion expenses		22,319	22,191	75,554	77,481
		<u>112,350</u>	<u>108,762</u>	<u>346,106</u>	<u>320,855</u>

Personnel costs relate to both selling and administrative functions.

Variable selling expenses

<i>Thousands of euros</i>	Note	Q3 2006	Q3 2005	30/09/2006	30/09/2005
Credit card commissions		1,117	1,072	3,205	2,973
Intermediaries' fees		1,789	1,518	4,416	3,943
Transport costs		3,248	2,326	8,964	6,633

Sales commissions	1,599	1,471	4,304	3,809
Other	3,005	2,303	8,253	6,490
	<u>10,758</u>	<u>8,690</u>	<u>29,142</u>	<u>23,848</u>

The increase in transport costs is related to the growth in the Group's activities, in particular in the American and Japanese markets, which are further away from the Group's production sites.

The change in "Other" mainly regards the increase in product warehousing costs and the rise in the commissions payable for the logistical handling of Bulgari perfumes, which in North America is outsourced to a partner.

Other selling, general and administrative expenses

<i>Thousands of euros</i>	Note	Q3 2006	Q3 2005	30/09/2006	30/09/2005
Rentals		13,950	11,124	40,110	31,561
Other operating expenses		6,083	8,590	22,837	24,695
Other general expenses, net		21,716	21,445	62,879	56,598
		<u>41,749</u>	<u>41,159</u>	<u>125,826</u>	<u>112,854</u>

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

"Other operating expenses" substantially relate to general expenses for 9,292 thousand euros (9,979 thousand euros for the first nine months of 2005), to provisions of 1,455 thousand euros (1,311 thousand euros for the first nine months of 2005), for the most part relating to bad debts and legal disputes, to utilities for 3,637 thousand euros (3,460 thousand euros for the first nine months of 2005), to operating lease instalments regarding mainly company vehicles and office machines for 2,809 thousand euros (3,242 thousand euros for the first nine months of 2005) and to maintenance expenses for 3,123 thousand euros (3,113 thousand euros for the first nine months of 2005).

"Other general expenses, net" include mainly travel expenses of 9,596 thousand euros (9,424 thousand euros for the first nine months of 2005), consultancy fees of 8,377 thousand euros (8,822 thousand euros for the first nine months of 2005), taxes other than income taxes of 3,743 thousand euros (4,545 thousand euros for the first nine months of 2005), including non-deductible taxes of 1,537 thousand euros relating to prior years, paid abroad on a final basis and not recoverable by Bulgari S.p.A., fees to members of company bodies of 4,238 thousand euros (3,552 thousand euros for the first nine months of 2005) and insurance costs of 2,527 thousand euros (3,102 thousand euros for the first nine months of 2005). This item also includes depreciation and amortisation of 28,300 thousand euros (25,815 thousand euros for the first nine months of 2005) which mostly relates to leasehold improvements, costs for taking over leases and computer hardware and software.

4. Financial income (expense)

Interest income – 1,743 thousand euros

<i>Thousands of euros</i>	Note	Q3 2006	Q3 2005	30/09/2006	30/09/2005
Bank interest income		226	230	521	507
Interest income from public authorities		42	87	147	290
Premium income on hedging activities		352	104	913	485
Other		39	4	162	13
		<u>659</u>	<u>425</u>	<u>1,743</u>	<u>1,295</u>

Interest expense – (7,444) thousand euros

<i>Thousands of euros</i>	Note	Q3 2006	Q3 2005	30/09/2006	30/09/2005
Bank interest expense		3	51	72	98
Loan interest expense		1,433	965	3,228	2,200
Premium expense on hedging activities		1,358	885	4,117	2,590
Other		16	8	27	23
		<u>2,810</u>	<u>1,909</u>	<u>7,444</u>	<u>4,911</u>

Other interest (expense) – (1,185) thousand euros

<i>Thousands of euros</i>	Note	Q3 2006	Q3 2005	30/09/2006	30/09/2005
Discounts and allowances on financial assets		125	170	485	587
Discounts and allowances on financial liabilities		(192)	(227)	(573)	(737)
Bank commissions and charges		(240)	(161)	(577)	(468)
Actuarial losses on employees' leaving entitlement		(113)	(105)	(337)	(315)
Other		(45)	(49)	(183)	(128)
		<u>(465)</u>	<u>(372)</u>	<u>(1,185)</u>	<u>(1,061)</u>

Exchange gains (losses) – 6,413 thousand euros

Thousands of euros	Nota	Q3 2006	Q3 2005	30/09/2006	30/09/2005
Exchange gains		15,454	6,146	53,339	30,654
Exchange losses		(14,658)	(7,141)	(46,926)	(32,618)
		<u>796</u>	<u>(995)</u>	<u>6,413</u>	<u>(1,964)</u>

5. Taxation

Thousands of euros	Note	Q3 2006	Q3 2005	30/09/2006	30/09/2005
Current taxation		3,299	3,322	12,942	8,512
Prior year taxation		2,614		293	-
Deferred taxation	10	95	(714)	2,348	(686)
		<u>6,008</u>	<u>2,608</u>	<u>15,583</u>	<u>7,826</u>

The Group's average tax rate is 16.5%. The increase in current taxation is mostly due to changes in legislation relating to the taxation of dividends made in Decree Law no. 223/06 as amended by Conversion Law no. 248/06.

6. Tangible fixed assets – 107,200 thousand euros

Description	Cost at 31/12/05	Amortiz. Fund 31/12/05	Net book value at 31/12/05	Purchases	Write-downs	Depreciation	Other changes, net	Cost at 30/09/06	Amortiz. Fund 30/09/06	Net book value at 30/09/06
Land and buildings	19,192	(5,703)	13,489	752	(28)	808	(97)	19,762	(6,454)	13,308
Plant and machinery	21,921	(15,561)	6,360	2,937	-	1,783	87	24,570	(16,969)	7,601
Equipment	16,185	(11,351)	4,834	607	-	1,191	(74)	16,527	(12,351)	4,176
Furniture and fittings	85,425	(60,981)	24,444	8,462	(48)	7,452	(383)	91,456	(66,433)	25,023
Motor vehicles	373	(344)	29	-	-	3	-	345	(319)	26
Aircraft	5,810	(1,894)	3,916	-	(1,300)	178	2	4,512	(2,072)	2,440
Leasehold improvements	115,360	(72,051)	43,309	9,510	(463)	8,934	(717)	119,465	(76,760)	42,705
Construction in progress and advance payments	1,685	-	1,685	11,475	-	-	(1,239)	11,921	-	11,921
TOTAL	265,951	(167,885)	98,066	33,743	(1,839)	20,349	(2,421)	288,558	(181,358)	107,200

The purchases of “Furniture, office machines and fittings” and “Leasehold improvements” during the quarter refer for the most part to investments made in connection with refurbishment or the opening of

new stores, including Chevy Chase (Washington - USA), the new stores in Milan (Italy) and those in Shanghai and Macau (China), Bangkok (Thailand) and London (United Kingdom). Purchases also include investments in hardware and window displays to be used in the third party distribution network in relation to the presentation of BVLGARI products in certain of the leading airports in the United States, Asia and Europe.

The increase in “Construction in progress and advance payments” relates principally to the expenditure incurred in the nine months ended 30 September 2006 for the opening of new stores or the renovation of existing stores. The most significant of these regards the refurbishment of the store on Fifth Avenue, New York (USA).

Write-downs consist mainly of the adjustment made to the carrying value of the aircraft to its net realisable value as determined by the market.

7. Other intangible assets – 50,870 thousand euros

The composition of other intangible assets and changes for the period are set out as follows:

Description	Cost at 31/12/05	Amortization Fund 31/12/05	Net book value at 31/12/05	Increases	Amorti- zation	Other changes, net	Cost at 30/09/06	Amortization Fund 30/09/06	Net book value at 30/09/06
Development costs	8,168	(6,228)	1,940	831	881	(27)	8,835	(6,972)	1,863
Industrial patents and intellect. property rights	46,247	(31,742)	14,505	5,361	3,972	2,209	53,488	(35,385)	18,103
Concessions, trade marks and licences	2,779	(2,042)	737	244	180	(11)	2,970	(2,180)	790
Intangible in progress	7,475	-	7,475	2,048	-	(7,361)	2,162	-	2,162
Key money and other	26,524	(3,190)	23,334	666	1,139	5,091	32,220	(4,268)	27,952
TOTAL	91,193	(43,202)	47,991	9,150	6,172	(99)	99,675	(48,805)	50,870

The increase in “Industrial patents and intellectual property rights” mostly regards the purchase of applications software licences to be used in running the various business processes.

“Intangible in progress” relates prevalently to additional investments made in the development of applications software regarding procedures that were still at the implementation stage at 30 September 2006.

8. Investments in other entities

This item consists principally of equity investments in the available-for-sale closed-end investment funds Opera Partecipations S.c.a. and Opera Partecipations 2 S.c.a., in which the Group holds respectively 11.75% and 22.19% of class A shares and 50% of non-voting class B shares.

Thousands of euros	Opera Partecipations S.c.a.	Opera Partecipations 2 S.c.a.	Total
At 31/12/2005	16,706	2,608	19,314
Increases	495	-	495
Decreases	(91)	-	(91)
At 30/09/2006	17,110	2,608	19,718

9. Other current and non-current financial assets

<i>Thousands of euros</i>	30/09/2006	31/12/2005
<i>Current financial assets</i>		
Current loans granted	3,307	21,112
	3,307	21,112
<i>Non-current financial assets</i>		
Guarantee deposits	16,615	9,140
Insurance funds	6,329	6,377
Other	6	7
Total Other non-current financial assets	22,950	15,524
Non-current loans granted	881	1,098
	23,831	16,622

Current loans granted include an amount of 2,008 thousand euros representing the portion not eliminated on consolidation of a loan made by Bulgari International Corporation N.V. to LB Diamonds & Jewelry Sarl, a company held as to 50% and consolidated using the proportionate method. This loan, amounting to 2,500 thousand US dollars, is repayable in December 2006 and bears interest at a floating rate of LIBOR + 1.125%.

In addition this item includes two loans to Cadrans Design S.A., a company held as to 50% and consolidated using the proportionate method: the first of 550 Swiss francs, granted by Bulgari Global Operations S.A., repayable in October 2006 and bearing interest at a fixed rate of 2.22%; and the second of 500 thousand euros, granted by Bulgari International Corporation N.V. and repayable in July 2007.

The change over 31 December 2005 is due to a more suitable classification of the loans granted by Bulgari Global Operations S.A. as cash and bank balances.

The principal balance included in guarantee deposits regards an amount of 11,688 thousand euros (4,724 thousand euros at 31 December 2005) paid by the subsidiary Bulgari Japan Ltd. as a deposit for the rental of the premises in Tokyo as a condition of a rental agreement entered into for a building in that city that is to be completely refurbished in order to house the Group, its activities and certain of its offices.

“Insurance funds” include a receivable recorded by Bulgari Japan Ltd. which has taken out life assurance and accident insurance policies for its employees. This receivable is recoverable in the event that there are no claims in connection with either of these two events before the end of the employee’s labour contract.

Non-current loans granted include an amount of 226 thousand euros representing the portion not eliminated on consolidation (of 35%) of long-term subordinated loans made to Bulgari Hotels and Resorts B.V. and an amount of 498 thousand euros relating to long-term subordinated loans made to Bulgari Hotels & Resorts Milano Srl, which is consolidated using the proportionate method. These loans are repayable in April 2027 and interest is charged on a quarterly basis at a rate of EURIBOR +3%.

This item additionally includes an amount of 157 thousand euros representing the portion not eliminated on consolidation (of 50%) of a long-term loan made to Cadrans Design S.A., a company consolidated using the proportionate method.

10. Deferred taxation

Details of deferred taxation are set out in the following table, with a description of the items which generate the principal temporary differences:

<i>(Thousands of euros)</i>	At 31/12/2005	Charge	Utilisation	Other changes	At 30/09/2006
Accumulated tax losses	3,264	-	(3,264)	-	-
Elimin. of intercompany profits	16,264	100	-	-	16,364
Fixed assets	2,563	230	-	-	2,793
Other accruals	4,536	1,550	(1,094)	(842)	4,150
Deferred tax assets	26,627	1,880	(4,358)	(842)	23,307
Accelerated depreciation	(3,312)	(893)	-	-	(4,205)
Undistributed profits	(13,003)	-	2,179	-	(10,824)
Tax prov. for obsolete inventory	(5,206)	(856)	-	-	(6,062)
Tax clean-up	(576)	-	-	-	(576)
Discounting TFR	(761)	(113)	-	-	(874)
Tax provision for bad debts	(1,592)	(111)	-	-	(1,703)
Other accruals	(826)	(105)	29	433	(469)
Deferred tax liabilities	(25,276)	(2,078)	2,208	433	(24,713)
Total deferred taxation	1,351	(198)	(2,150)	(409)	(1,406)

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

11. Inventory

Inventory is made up as follows:

<i>Thousands of euros</i>	30/09/2006		31/12/2005	
	Gross stock value	Provision for obsolescence	Net balance	Net balance
Raw materials	66,621	-	66,621	39,341
Work in progress and semi-finished goods	144,716	10,196	134,520	121,543
Finished goods and packaging	381,032	23,869	357,163	344,174
	<u>592,369</u>	<u>34,065</u>	<u>558,304</u>	<u>505,058</u>

The net balance has increased by 10.5% over that at 31 December 2005, which is less in percentage terms than the increase in turnover (14.1% at comparable exchange rates). This increase may be attributed to the net effect of the steps taken by the production and distribution companies in obtaining supplies of raw materials and in building up stocks of finished goods for the autumn and Christmas sales campaigns, when the seasonal effect in the market is traditionally at a higher level, and to the additional improvements achieved in supply chain management.

12. Other current and non-current assets

<i>Thousands of euros</i>	30/09/2006	31/12/2005
Other current assets:		
Other current tax credits	27,534	33,910
Prepayments and accrued income	10,954	7,546
Advances to suppliers	4,591	3,099
Due from social security organisations	1,635	3,328
Other	<u>6,455</u>	<u>1,934</u>
Total other current assets	<u>51,169</u>	<u>49,817</u>
Other non-current assets:		
Other non-current tax credits	6,581	14,014
Other	<u>172</u>	<u>3,646</u>
Total other non-current assets	<u>6,753</u>	<u>17,660</u>

Other current assets

“Other current tax credits”, due within 12 months, are mostly made up of credits for VAT, IRPEG and sales taxes.

“Prepayments and accrued income” are made up as follows:

<i>Thousands of euros</i>	30/09/2006	31/12/2005
Accrued income	33	73
Insurance	1,402	1,282
Instalments for the rental of premises	6,471	4,192
Other prepayments	3,048	1,999
Total prepayments	10,921	7,473
	<u>10,954</u>	<u>7,546</u>

In more detail, “Other prepayments” of 3,048 thousand euros (1,999 thousand euros at 31 December 2005), consist of advances of 1,779 thousand euros for promotion expenses, maintenance instalments of 314 thousand euros and rentals of 150 thousand euros.

“Advances to suppliers” of 4,591 thousand euros (3,099 thousand euros at 31 December 2005) consist mainly of advances made for promotion expenses, VAT to be paid to the customs authorities for imported goods, profession consultancy and agents’ commissions.

The increase in “Other” current assets to 6,455 thousand euros (from 1,934 thousand euros at 31 December 2005) refers principally to a non-interest-bearing loan of 1,743 thousand euros, stated net of a provision for losses granted by Bulgari South Asian Operations Pte Ltd., granted to finance the Bulgari brand stores in Beijing and Shanghai originally managed by third parties, which has been reclassified from “Other non-current assets” as it falls due within 12 months.

The item additionally includes balances relating to the exercising of stock option rights of 727 thousand euros (nil at 31 December 2005) and guarantee deposits recoverable with 12 months of 627 thousand euros (366 thousand euros at 31 December 2005).

Other non-current assets

“Other” non-current assets relate principally to other tax credits of 6,581 thousand euros (14,014 thousand euros at 31 December 2005) due after more than 12 months for VAT refunds requested by Bulgari S.p.A. (for 3,749 thousand euros) and by Bulgari Gioielli S.p.A. (for 2,218 thousand euros), including the accrued interest on the capital.

13. Cash and bank balances

This item may be analysed as follows:

<i>Thousands of euros</i>	30/09/2006	31/12/2005
Bank deposits	39,443	25,882
Cash and cheques	1,851	1,380
Overdrafts	(7,579)	(577)
	<u>33,715</u>	<u>26,685</u>

The interest rates applied by banks at 30 June 2006 on short-term deposits and current accounts, in which available funds are held in the various currencies, were on average approximately 1.50 %.

“Bank deposits” include the loans of 9 million Swiss francs and 7 million HK dollars granted by Bulgari Global Operations S.A. to ABN-Amro Bank, both due in October 2006 and bearing fixed-rate interest at respectively 1.59% and 4.05%.

14. Shareholders' equity

Share capital

Share capital amounts to 20,913 thousand euros and is fully subscribed and paid up.

An increase in capital took place during the year following the issue of 639,860 new ordinary shares as the effect of the exercising of options relating to the stock option plan reserved for certain employees, with the resulting increase in share capital.

As a consequence share capital at 30 September 2006 consists of 298,754,060 shares each of par value 0.07 euros, all fully subscribed and paid up.

In addition a total of 600,313 treasury shares were sold in the first half of 2006.

Share premium reserve

The share premium reserve at 30 September 2006 increased by 3,549 thousand euros over that at 31 December 2005.

This is the consequence of the above-mentioned increase in share capital connected with the exercising of the stock options.

Translation reserve

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

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.

Other reserves

The increase in other reserves arises from the gain realised on the sale of treasury shares.

15. Earnings per share

Basic earnings per share

The computation of basic earnings per share has been made by considering earnings attributable to ordinary shareholders of 78,451 thousand euros (55,270 thousand euros for the nine months ended 30 September 2005) and a weighted average number of 298,134 thousand shares outstanding during the period calculated in the following manner:

<i>Thousands of shares</i>	30/09/2006	30/09/2005
Ordinary shares at 1 January	298,114	297,373
Treasury shares	-	600
Issue of new shares	640	643
Ordinary shares at 30 September excluding treasury shares	298,754	297,416
Weighted average ordinary shares	<u>298,134</u>	<u>297,119</u>

Diluted earnings per share

The computation of diluted earnings per share has been made by considering earnings attributable to ordinary shareholders of 78,451 thousand euros (55,270 thousand euros for the nine months ended 30 September 2005) and a weighted average number of 302,833,003 shares outstanding during the period calculated in the following manner:

<i>Thousands of shares</i>	30/09/2006	30/09/2005
Weighted average ordinary shares	298,134	297,119
Dilutive effect of option rights	4,699	4,244
Weighted average ordinary shares (diluted)	<u>302,833</u>	<u>301,363</u>

16. Current and non-current financial payables

This note provides information on the contractual terms of loans made to the Group.

<i>Thousands of euros</i>	30/09/2006	31/12/2005
Current financial payables		
Financial payables to banks	113,010	63,041
Other current financial payables	5,565	7,999
	<u>118,575</u>	<u>71,040</u>
Non-current financial payables		
Financial payables to banks	56,303	25,261
Other non-current financial payables	2,838	2,513
	<u>59,141</u>	<u>27,774</u>

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

<i>Thousands of euros</i>	Balance at 30/09/2006	Interest rate
Bulgari S.p.A.	44,874	3.88%
Bulgari Japan Ltd	38,168	0.70%
Bulgari Corporation of America Inc.	7,899	5.74%
Crova S.p.A.	7,100	0.81%
Bulgari Korea Ltd.	4,340	5.44%
Prestige D’Or S.A.	3,516	2.25%
Bulgari (Taiwan) Ltd.	3,403	2.49%
LB Diamonds & Jewelry Sarl	1,686	6.55%
Bulgari Malaysia Sdn.	1,028	5.03%
Bulgari South Asian Operations Pte Ltd.	996	3.83%
	113,010	

The loans to Prestige d’Or S.A., current and non-current, relate in part to a mortgage secured on its property for 2,550 thousand Swiss francs.

Short-term credit lines at 30 September 2006 amount to approximately 490 million euros, while those relating to forward hedging operations amount to approximately 1,000 million euros, of which approximately 165 million were in use at 30 September 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 derivatives.

“Other current financial payables” consist principally of financial payables due within 12 months of 1,993 thousand euros, mainly relating a loan to LB Diamonds Jewelry Sarl, for 1,975 thousand euros, granted by LL International Holding B.V. at a variable interest rate of LIBOR + 1.125% and to payables of 3,572 thousand euros relating to agreements to hedge exchange rate risk, interest rate risk and commodity risk.

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

<i>Thousands of euros</i>	Balance at 30/09/2006	Repayment date	Interest rate	Amount in currency
Non-current financial payables to banks:				
Bulgari Japan Ltd.	35,155	2009-2011	1.46%	Yen 5,250,000,000
Bulgari Corporation of America Inc.	19,747	2007	6.05%	US\$ 25,000,000
Prestige D’Or S.A.	1,401	2008-2010	2.24%	Chf 2,250,000
	56,303			

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.

“Other non-current financial payables” are mostly made up of loans of 1,739 thousand euros granted by Luxury Hotels International B.V. to Bulgari Hotels and Resorts Milan S.r.l., due after more than five years and bearing interest at a variable rate of LIBOR + 3%.

17. Derivative financial instruments

The following table sets out the nominal value and fair value of derivatives at 30 September 2006, grouped by type and with a separation between current financial assets and current financial liabilities.

Thousands of euros	Nominal value		Fair value		Difference
	30/09/2006	31/12/2005	30/09/2006	31/12/2005	
Cash flow hedge derivatives					
- Currency	138,829	116,219	(111)	(2,355)	2,244
- Interest rates	7,899	8,477	277	312	(35)
Fair value hedge derivatives					
- Currency	151,647	155,845	(1,820)	(1,430)	(390)
CURRENT FINANCIAL ASSETS	298,375	280,541	(1,654)	(3,473)	1,819
Cash flow hedge derivatives					
- Commodities	19,158	12,736	(1,823)	798	(2,621)
Trading derivatives					
- Currency	(2,598)	1,532	(33)	(47)	14
CURRENT FINANCIAL LIABILITIES	16,560	14,268	(1,856)	751	(2,607)

Interest rate hedging

In order to limit its exposure to interest rate risk on debt, the Group ensures that a certain percentage of debt is taken out at fixed rates. This percentage is linked to its borrowing requirements, the average life of the debt and the reference market (country and currency). At 30 September 2006, the Group had entered into an interest rate swap arrangement, expressed in US dollars, with respect to which it pays interest at a fixed rate of 3.4% and receives interest at a floating rate of LIBOR six months (increased by the margin paid on the underlying loan) as a partial hedge of the loan granted to Bulgari Corporation of America Inc. described previously.

Currency hedging

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 the 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 from forecast sales and purchases for the following 12 months, 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 terms are less than 12 months.

Determination of fair value

Derivative contracts are measured at market value (marked to market) by 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.

18. Employee benefits

Personnel costs

Employee benefits may be summarised as follows:

<i>Thousands of euros</i>	Note	Q3 2006	Q3 2005	30/09/2006	30/09/2005
Wages and salaries		31,663	30,651	98,541	87,899
Social charges		7,401	6,666	21,754	19,869
Selling commissions		1,599	1,471	4,304	3,809
Charge for the employees' leaving entitlement		494	474	1,443	1,362
Accruals to other personnel provisions		122	123	460	724
Personnel search and training		664	1,359	2,381	3,534
Other costs		<u>2,256</u>	<u>2,205</u>	<u>6,937</u>	<u>6,651</u>
		<u>44,199</u>	<u>42,949</u>	<u>135,820</u>	<u>123,848</u>
Selling commissions		(1,599)	(1,471)	(4,304)	(3,809)
Charged to cost of sales		<u>(5,076)</u>	<u>(4,756)</u>	<u>(15,932)</u>	<u>(13,367)</u>
	3	<u><u>37,524</u></u>	<u><u>36,722</u></u>	<u><u>115,584</u></u>	<u><u>106,672</u></u>

Employees' leaving entitlement and other personnel provisions

<i>Thousands of euros</i>	30/09/2006	31/12/2005
Employees' leaving entitlement net of advances	11,185	10,692
Other personnel provisions	<u>3,664</u>	<u>3,615</u>
	<u><u>14,849</u></u>	<u><u>14,307</u></u>

“Other personnel provisions” includes amounts provided by Bulgari Japan Ltd. and Bulgari Korea Ltd., which are determined on the length of service and the employee's salary or wage at the date that he leaves the company.

Defined benefit plans

The obligation due for the Italian employees' leaving entitlement net of advances made, amounting to 11,185 thousand euros, 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 the obligation for the employees' leaving entitlement are as follows:

<i>Thousands of euros</i>	Note	Nine months ended 30/09/2006	Nine months to ended 30/09/2005
At 1 January		10,692	9,440
Costs recognised in the income statement (see below)		1,780	1,677
Payments made		<u>(1,287)</u>	<u>(1,184)</u>
At 30 September		<u><u>11,185</u></u>	<u><u>9,933</u></u>

The costs recognised in the income statement may be analysed as follows:

<i>Thousands of euros</i>	Note	Nine months ended 30/09/2006	Nine months ended 30/09/2005
Cost of services provided		1,443	1,362
Interest charge on discounting the employees' leaving entitlement		337	315
		<u><u>1,780</u></u>	<u><u>1,677</u></u>

The principal assumptions made in the actuarial estimate are 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.

Taking into consideration the fact that the existing plans have similar characteristics, the information provided below is presented in an aggregate manner.

The item "Other costs" includes the costs relating to all the stock options in place at 30 September 2006 which amount to 1,776 thousand euros. This cost has been determined at a fair value which ranges between 1.31 and 1.96 euros per share using the method described in "Significant accounting principles and policies".

The parameters used in the determination of this cost, that is the determination of the fair value of the options at the grant date, are as follows:

- Dividend yield: from 2.5% to 3.2%
- Stock price volatility: from 31% to 44%
- Risk free interest rate: from 2.6 % to 3.95%
- Average expected option waiting period: 3.16 years

Stock options relating to plans previously approved by shareholders have been exercised in 2006 for a total number of 639,860 shares, with a consequent increase in share capital of approximately 45 thousand euros.

In compliance with the resolution passed by shareholders in a general meeting of 28 April 2005, and on the basis of a resolution of the Board of Directors taken in a meeting held on 27 March 2006, 300,000 options were assigned to the Managing Director on 30 June 2006, which may be exercised from July 2007, and a further 300,000 options which may be exercised from July 2008, all at a price of 8.58 euros.

In addition, options were assigned to certain members of management on the same date as follows: 319,250 options which may be exercised from July 2007, 319,250 options which may be exercised from July 2008, 177,750 options which may be exercised from July 2009 and 177,750 options which may be exercised from July 2010, all at a price of 8.58 euros.

Information relating to changes taking place in stock option plans during the first nine months of 2006 is set out in the following table:

<i>Euros</i>	2006			2005		
	Number of options	Average exercise price	Market price (*)	Number of options	Average exercise price	Market price (*)
(1) Rights at 1/1	7,683,810	7.32	9.43	6,810,410	6.78	9.09
(2) New rights assigned in the period	1,594,000	8.58	8.87	1,670,500	8.61	8.61
(3) (Rights exercised in the period)	(639,860)	5.68	9.51	(642,600)	5.19	9.25
(4) (Rights expired in the period)	(434,000)	11.19	9.51	(50,000)	7.97	9.25
(5) Rights at 30/09	8,203,950	7.49	10.04	7,788,310	7.29	9.36
(6) Of which: exercisable at 30/09	5,047,200	7.04		4,582,060	7.13	

NOTE: (5) = (1)+(2)+(3)+(4)

(*) Market price represents the annual average for the number of options at points (3) and (4) and the exact number for points (1), (2) and (5).

The following table provides an analysis of the exercise price band and residual life of the agreement, subdivided between the Managing Director and other employees:

Price band	Residual life of the agreement					
	< 2 years			> 2 years		
	Man. Dir.	Others	Total	Man. Dir.	Others	Total
<=2.0	-	-	-	-	-	-

> 2.0 <5.0	300,000	38,250	338,250	900,000	717,750	1,617,750	1,956,000
> 5.0	752,000	599,025	1,351,025	1,800,000	3,096,925	4,896,925	6,247,950
Total	1,052,000	637,275	1,689,275	2,700,000	3,814,675	6,514,675	8,203,950

Price band	Of which exercisable at 30/09/06		
	Man. Dir.	Others	Total
<=2.0	-	-	-
> 2.0 < 5.0	1,200,000	523,500	1,723,500
> 5.0	1,652,000	1,671,700	3,323,700
Total	2,852,000	2,195,200	5,047,200

19. Provisions for risks and charges

Changes in this item for the nine months ended 30 September 2006 were as follows:

<i>Thousands of euros</i>	Tax provisions	Other provisions	Total
At 31 December 2005	750	2,923	3,673
Accruals	1,212	633	1,845
Utilisation	-	(378)	(378)
Other changes	156	3	159
At 30 September 2006	2,118	3,181	5,299

“Tax provisions” consist mainly of the following items:

- 1,502 thousand euros mostly relating to a provision made by Bulgari Corporation of America Inc. for 2005/2006 property taxes;
- 514 thousand euros regarding the Parent Company, accrued in connection with tax assessments based on adjustments made by the authorities to the 1988 and 1989 tax returns, for which appeals are pending; in particular, the disputes relating to 1988 and 1989 are pending before the Supreme Court (*Corte Suprema di Cassazione*).

The item “Other provisions” includes an amount of 386 thousand euros accrued in previous years principally relating to the risk of having to pay penalties for the cancellation of purchase orders. The remainder relates to provisions made in connection with legal disputes.

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

20. Other current and non-current liabilities

<i>Thousands of euros</i>	30/09/2006	31/12/2005
Current liabilities:		
Due to personnel	19,790	15,689
Due to public authorities	5,381	7,144
Due to social security authorities	3,501	4,085
Due to shareholders	239	238
Other payables	4,893	2,611
Total	<u>33,804</u>	<u>29,767</u>
Deferred income	552	76
Accrued expenses for loan interest	648	134
Other accrued expenses	5,293	3,815
Total accrued expenses and deferred income	<u>6,493</u>	<u>4,025</u>
Total other current liabilities	<u><u>40,297</u></u>	<u><u>33,792</u></u>
Non-current liabilities:		
Other non-current payables	560	3,609
Advances	89	77
Total other non-current liabilities	<u><u>649</u></u>	<u><u>3,686</u></u>

Other current liabilities

The increase in balances due to personnel is attributable to the rise in the average number of Group employees.

The amounts payable to public authorities relate mainly to VAT payable.

“Other payables” of 4,893 thousand euros include an amount of 1,164 thousand euros of fees due to the members of the Board of Directors. The increase in this item is due to the transfer to current liabilities of the contractual debt arising from the acquisition by Bulgari International Corporation (BIC) N.V of Daniel Roth et Gérald Genta Haute Horlogerie S.A. from The Hour Glass Ltd.; this balance is due for repayment in July 2007 and bears variable interest at a rate of EUROLIBOR plus 2%. This payable was classified in “Other non-current liabilities” until the end of last year.

“Other accrued expenses” mostly relate to accruals for lease and rental instalments.

Other non-current liabilities

“Other non-current liabilities” relate to the long-term portion of the contractual liability incurred by Daniel Roth et Gérald Genta Haute Horlogerie S.A. on the purchase of part of the distribution operations previously carried out by companies outside the Group, which bears interest at 2% and which is payable in equal annual instalments until 2010.

21. Significant related party transactions

Financial and commercial operations

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

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

<i>Thousands of euros</i>	30/09/2006			
	Receivables	Payables	Revenues	Costs
Bulgari S.p.A.	106,853	(29,415)	51,286	(15,508)
Subsidiaries	750,118	(822,845)	611,731	(662,943)
Joint ventures	5,390	(10,101)	16,504	(1,070)
	<u>862,361</u>	<u>(862,361)</u>	<u>679,521</u>	<u>(679,521)</u>

22. Net financial position

<i>Thousands of euros</i>	30/09/2006	31/12/2005
Cash	1,851	1,380
Other liquid funds	31,864	25,305
Total liquid funds	33,715	26,685
Current financial receivables	3,307	21,112
Current bank payables	(112,884)	(62,591)
Current portion of non-current debt	(126)	(450)
Other current financial payables	(5,565)	(7,999)
Current financial debt	(118,575)	(71,040)
Current financial debt, net	(81,553)	(23,243)
Non-current financial receivables	881	1,098
Non-current bank payables	(56,303)	(25,261)
Other non-current payables	(2,838)	(2,513)
Non-current financial debt	(59,141)	(27,774)
Non-current financial debt, net	(58,260)	(26,676)
NET FINANCIAL DEBT	(139,813)	(49,919)

23. List of companies included in the consolidation scope

List of companies consolidated on a line-by-line basis

Company	% holding 30/09/2006	% holding 31/12/2005	Currency	Share 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
Bulgari Corporation of America Inc.	100.00	100.00	Us\$	24,350,000	New York	Sales to retailers 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.S.	100.00	100.00	Euro	225,000	Paris	Retail sales
Bulgari Montecarlo S.A.M.	100.00	100.00	Euro	800,000	Montecarlo	Retail sales
Bulgari (Deutschland) GmbH	100.00	100.00	Euro	2,556,459	Munich	Retail sales
Bulgari Japan Ltd.	80.00	80.00	Yen	400,000,000	Tokyo	Retail sales
Bulgari Espana S.A. Unipersonal	100.00	100.00	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
Bulgari Asia Ltd. (1)	-	100.00	HK\$	12,126,809	Hong Kong	Sub-holding
Bulgari South Asian Operations Pte Ltd.	100.00	100.00	Sg\$	1,000,000	Singapore	Retail sales
Bulgari (UK) Ltd.	100.00	100.00	Lgs	28,100,000	London	Retail sales
Bulgari Belgium S.A.	100.00	100.00	Euro	1,000,000	Bruxelles	Retail sales
Bulgari Australia Pty. Ltd.	100.00	100.00	Aud	6,200,000	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 Asia Pacific 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	Production of high jewellery
Bulgari (Luxembourg) S.A.	100.00	100.00	Euro	100,000	Luxembourg	Holding company for the Bvlgari Hotels and Resorts project
Bulgari Saint Barth S.a.S.	100.00	100.00	Euro	700,000	Saint Barthelemy	Retail sales
Bulgari Retail USA S.r.l.	100.00	100.00	Euro	50,000	Rome	Retail sales 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
Prestige d'Or S.A.	51.00	51.00	Swfr	100,000	Saignelégier	Production of watch accessories
Bulgari Accessori S.r.l.	100.00	100.00	Euro	50,000	Bagno a Ripoli (Fi)	Production of leather accessories
Bulgari Reinsurance Company Ltd.	100.00	100.00	Euro	635,000	Dublin	Insurance company
Bulgari Austria GmbH	100.00	-	Euro	17,500	Vienna	Retail sales
Bulgari Holdings (Thailand) Ltd. (2)	100.00	-	Bat	100,000	Bangkok	Sub-holding
Bulgari (Thailand) Ltd.	99.5	-	Bat	4,000,000	Bangkok	Retail sales
Bulgari Commercial (Shanghai) Co. Ltd.	100.00	-	Cny	21,113,089	Shanghai	Retail sales

List of companies consolidated on a proportionate basis

Company	% holding 30/09/2006	% holding 31/12/2005	Currency	Share Capital	Head Office	Business
LB Diamonds & Jewelry Sarl.	50.00	50.00	Swfr	1,250,000	Neuchatel	Jewellery production
Opera Management S.A.	50.00	50.00	Euro	120,000	Luxembourg	Management of equity interests
Opera Sgr S.p.A.	50.00	-	Euro	1,100,000	Milan	Management of equity interests
Bulgari Hotels & Resorts B.V. (3)	65.00	65.00	Euro	18,000	Amsterdam	Company in joint venture with the Marriott Group
Bulgari Hotels and Resorts Milano S.r.l. (4)	65.00	65.00	Euro	100,000	Rome	Company involved in the Bvlgari Hotels and Resorts project
Cadran Design S.A.	50.00	50.00	Swfr	100,000	La Chaux de Fonds	Production of watch products

(1) Company being wound up in 2005

(2) Company fully consolidated through the 100% holding of class A shares equal to 49,000 Bat.

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

(4) Company owned indirectly through Bulgari Hotels & Resorts B.V. as to 61.75% (95% * 65%, holding of Bulgari Hotels & Resorts B.V. in Bulgari Hotels and Resorts Milano S.r.l.) and directly through Bulgari SpA as to 3.25%.

**Table of companies entering the consolidation
during the period ended 30 September 2006 compared
with 31 December 2005**

Companies entering the consolidation	Head office	Business
Bulgari Austria Gmbh	Vienna	Retail sales
Bulgari Holdings (Thailand) Ltd.	Bangkok	Sub-holding
Bulgari (Thailand) Ltd.	Bangkok	Retail sales
Bulgari Commercial (Shanghai) Co. Ltd.	Shanghai	Retail sales
Opera Sgr S.p.A.	Milan	Management of equity interests

24. 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.	Opera SGR S.p.A.	LB Diamonds & Jewelry Sarl.	Cadrans Design S.A.	Bulgari Hotels & Resorts B.V.	Bulgari Hotels & Resorts Milano S.r.l.
<i>% interest</i>	50%	50%	50%	50%	65%	65%
<i>Local currency</i>	euro	euro	chf	chf	euro	euro
Current assets	4.4	2.9	36.4	2.3	0.1	5.3
Non-current assets	0.3	0.2	-	2.3	6.4	3.5
Current liabilities	3.4	1.5	22.4	0.7	0.2	5.2
Non-current liabilities	-	0.2	-	3.6	1.8	3.2
Revenues	5.0	2.3	31.9	5.0	-	12.9
Costs	4.3	2.0	29.4	4.2	0.1	13.5

* Amounts are expressed at 100%.