

**B V L G A R I**

**Bulgari S.p.A. and Subsidiaries  
(Bulgari Group)**

**Interim management statements  
at 31 March 2009**

**(Translation from the Italian original which remains the definitive version)**

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(Bulgari Group)**

**Interim Report of Directors  
on the Group's operations  
at 31 March 2009**

# Bulgari Group

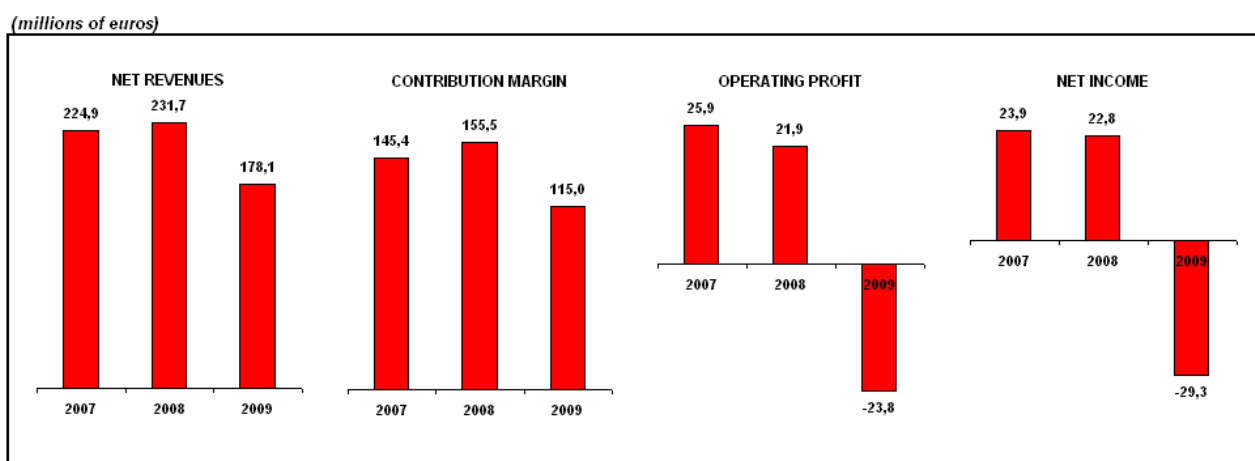
## Interim Report of Directors on the Group's operations at 31 March 2009

### Introduction

The Bulgari group has prepared its first quarter report at 31 March 2009 in accordance with IAS 34 Interim Financial Reporting.

Corresponding figures from the annual consolidated financial statements at 31 December 2008 and the interim consolidated financial statements at 31 March 2008, prepared in accordance with the same standards, are also presented.

### KEY FINANCIAL RATIOS



### NET REVENUES

The economic crisis, which had already hit the many countries in which the Group operates in 2008, adversely affected the 2009 first quarter turnover. Revenues for the quarter came to € 178.1 million, down 23.1% at current exchange rates (-30.6% at comparable exchange rates) compared to the same period of the previous year. However, directly operated store sales improved considerably compared to the third party channel, whose policy was to contain orders and focus on decreasing stocks in the three months.

### REVENUES BY PRODUCT CATEGORY

TABLE 1: This table shows 2009 Q1 revenues, a breakdown by product category compared to total revenues and the difference on the same period of 2008 and the whole of 2008, using current rates and comparable exchange rates.

<i>Millions of euros</i>	I Quarter 2009				I Quarter 2008				Total 2008			
	absolute value	%	Δ % vs PVY		absolute value	%	Δ % vs PVY		absolute value	%	Δ % vs PVY	
			curr. exchr.rate	comp. exchr.rate			curr. exchr.rate	comp. exchr.rate			curr. exchr.rate	comp. exchr.rate
Jewellery	79,7	45%	-15	-23	94,1	41%	+0	+4	448,3	42%	-2	-1
Watches	42,1	24%	-30	-38	60,2	26%	+3	+7	263,7	24%	-11	-11
Perfums and Cosmetics	35,1	20%	-26	-31	47,1	20%	+10	+16	248,9	23%	+12	+14
Accessories	14,2	8%	-34	-45	21,4	9%	+2	+5	82,9	8%	-1	-4
Hotel and Restaurants	3,8	2%	-20	-	4,8	2%	+58	-	17,4	2%	+29	-
Royalties and Other	3,2	1%	-24	-	4,1	2%	-25	-	14,2	1%	-17	-
<b>TOTAL NET REVENUES</b>	<b>178,1</b>	<b>100%</b>	<b>-23</b>	<b>-31</b>	<b>231,7</b>	<b>100%</b>	<b>+3</b>	<b>+7</b>	<b>1.075,4</b>	<b>100%</b>	<b>-1</b>	<b>-1</b>

As already shown, the extension of the international financial market crisis and its fallout on demand for goods and services led to a downturn in sales for all product categories: the Jewels segment dropped 22.6%, Watches by 37.6%, Accessories by 44.7% and Fragrances by 31.4%.

However, Accessories sales continued to be fairly stable in the specialist Bulgari stores while the Fragrances segment increased its market share thanks to the rise in consumption by end customers.

## REVENUES BY GEOGRAPHICAL SEGMENT

TABLE 2: This table shows 2009 Q1 revenues by geographical segment, determined on the basis of the outlet market, as a percentage of total revenues and the difference compared to the same period of 2008 and the whole of 2008 at current and comparable exchange rates.

<i>Millions of euros</i>	I Quarter 2009				I Quarter 2008				Total 2008			
	absolute value	%	Δ % vs PVY		absolute value	%	Δ % vs PVY		absolute value	%	Δ % vs PVY	
			curr. exchr.rate	comp. exchr.rate			curr. exchr.rate	comp. exchr.rate			curr. exchr.rate	comp. exchr.rate
Europe	64,6	36%	-26	-	86,7	37%	+3	-	421,7	39%	-1	-
<i>of which Italy</i>	21,6	12%	-16	-	25,6	11%	-15	-	125,6	12%	-11	-
America	19,3	11%	-36	-44	30,4	13%	-9	+2	154,4	14%	-12	-7
Asia	82,8	46%	-17	-30	99,5	43%	+6	+11	436,0	41%	+2	-1
<i>of which Japan</i>	39,7	22%	-19	-38	49,0	21%	+1	+2	229,2	22%	-1	-8
<i>of which rest of Asia</i>	43,1	24%	-15	-22	50,5	22%	+12	+23	206,8	19%	+5	+8
Middle East	6,6	4%	-40	-	10,9	5%	+11	-	46,1	4%	+14	-
Other	4,8	3%	+17	-	4,2	2%	+11	-	17,2	2%	-2	-
<b>TOTAL NET REVENUES</b>	<b>178,1</b>	<b>100%</b>	<b>-23</b>	<b>-31</b>	<b>231,7</b>	<b>100%</b>	<b>+3</b>	<b>+7</b>	<b>1.075,4</b>	<b>100%</b>	<b>-1</b>	<b>-1</b>

All the geographical segments saw a large reduction in sales, significantly affected by the reduction in orders from the third party channel but pulled up by the positive performance of the directly operated stores in some countries.

European sales dropped 25.5% with a downturn in the Italian market of 15.7%. Sales by the directly operated Italian stores remained stable while they grew in France, the UK and Switzerland.

Sales in the US decreased (-44.3%) as they did in Japan (-37.6%), due to the continued difficult local market. The rest of Asia (-22.3% compared to +22.8% for the same period of 2008) showed a very well performance in directly owned stores, especially in South Korea and Australia where recorded two-digit growth. Sales in the Middle East/Other fell by 24.1% in the three months at current exchange rates.

## **OPERATING LOSS**

The quarter's contribution margin went from € 155.5 million in 2008 to € 115 million in the first quarter of 2009, down as a percentage of revenues (67.1% in the first quarter of 2008 compared to 64.6% this quarter). This forecast decrease is mainly due to the non-re-occurrence of the positive effects of the gold hedges that the Group had benefitted from in the first quarter of 2008.

Operating expenses, excluding those for advertising and promotions, grew by 6.8% from € 107.6 million to € 115.0 million compared to the same period of 2008. Using constant exchange rates, operating expenses actually decreased by 0.5% thanks to the Group's scrupulous cost containment measures rolled out in 2008, the effects of which will mostly be seen this year.

Advertising and promotion costs incurred for the BVLGARI trademark came to € 23.7 million, equal to 13.3% of net revenues, up on the 2007 figure of 11.2%.

Despite cost containment, the reduction in revenues led to an operating loss of € 21.9 million for the quarter, down € 23.8 million on the 2008 first quarter profit.

## **LOSS FOR THE QUARTER**

The result for the quarter is a loss of € 29.3 million compared to a profit of € 22.8 million for the first quarter of 2008. This has been significantly affected by the losses arising from the Group's exchange rate hedges. Although financial expense, despite the rise in debt, is only slightly higher than last year, the net exchange rate effect is a loss of € 4.1 million compared to a gain of € 5.5 million in the same period of 2008.

## CONSOLIDATED INCOME STATEMENT

TABLE 3: This reclassified income statement gives a breakdown of the cost components of the operating loss, unlike the mandatory format included in the interim consolidated financial statements at 31 March 2009. The latter schedule includes the caption "Other non-operating income (expense)" which is the net balance of other financial income and expense, as detailed subsequently in the notes, to which reference should be made.

<i>Millions of euros</i>	I Q 2009	I Q 2008
<b>NET REVENUES</b>	<b>178,1</b>	<b>231,7</b>
<b>NET CONTRIBUTION MARGIN</b>	<b>115,0</b>	<b>155,5</b>
	<b>64,6%</b>	<b>67,1%</b>
Variable selling expenses	(8,4)	(10,3)
Personnel costs	(51,0)	(46,3)
Other incomes and expenses	(39,5)	(38,5)
Advertising and promotion expenses	(23,7)	(26,0)
Depreciation, amortisation and impairment	(16,1)	(12,5)
<b>TOTAL OPERATING EXPENSES</b>	<b>(138,8)</b>	<b>(133,7)</b>
<b>OPERATING PROFIT</b>	<b>(23,8)</b>	<b>21,9</b>
Other non-operating incomes (expenses)	(8,4)	1,7
<b>INCOME BEFORE TAXATION AND MINORITY INTERESTS</b>	<b>(32,2)</b>	<b>23,6</b>
Current and deferred taxation	2,9	(1,0)
<b>INCOME BEFORE MINORITY INTERESTS</b>	<b>(29,3)</b>	<b>22,6</b>
	<b>-16,4%</b>	<b>9,8%</b>
Income attributable to minority interests	(0,0)	0,2
<b>NET INCOME ATTRIBUTABLE TO THE GROUP</b>	<b>(29,3)</b>	<b>22,8</b>
	<b>-16,5%</b>	<b>9,9%</b>

## CONSOLIDATED CASH FLOW STATEMENT

TABLE 4: This table shows the reclassified consolidated cash flow statement with the activities that generated or used liquidity. The entire schedule is given in the interim consolidated financial statements.

	<u>2009</u>	<u>2008</u>
<b>Net cash (indebteness) at beginning of the year</b>	<b>(303.558)</b>	<b>(140.931)</b>
<i>Cash flow from operating activities</i>	<i>(6.121)</i>	<i>41.665</i>
<i>Cash flows from changes in net working capital</i>	<i>(4.587)</i>	<i>(92.168)</i>
<i>Cash flows from investing activities and other asset/liabilities</i>	<i>(20.954)</i>	<i>(21.954)</i>
<i>Total changes in shareholders' equity</i>	<i>(3.708)</i>	<i>28.581</i>
<b>Net cash (indebteness) at the end of the year</b>	<b>(338.928)</b>	<b>(184.807)</b>

The Group has introduced stringent net working capital controls which have countered the negative effects of its operating loss. Such controls will be continued over the next few months.

Although to a lesser degree than in 2008, the Group continued to invest in property, plant and equipment and intangible assets, spending € 13.2 million compared to € 16 million in the first quarter of 2008.

Investments in property, plant and equipment, most of which are ongoing, amounted to € 10.4 million.

New sales outlets were mainly opened by the third party channel. New directly owned stores include that in Busan, Korea, where the Group is encountering great success despite the crisis. Ongoing investments of particular note include the San Francisco store which is slated to open in early 2010. At 31 March 2009, the Group's stores numbered 268, 167 of which are directly owned.

Investments in property, plant and equipment include those in computer hardware, mainly made by the Parent, and in buildings and plant for work carried out by the Group's production companies.

Investments in intangible assets totalled € 2.8 million and mainly related to the cost of purchasing application software licences to manage the Group's different business activities, mainly by the Parent and certain production companies. The Group also made other investments to develop new watch models and fragrances for launch on the market, as well as dermatological tests (for the fragrances).

Reference should be made to the section on the key events of the period for information on investments made to set up newcos or acquire companies from third parties.

## FINANCIAL POSITION

TABLE 5: The interim consolidated balance sheet has been reclassified to draw attention to the Group's net invested capital and how it is funded by equity and debt. Compared to the mandatory format included in the interim consolidated financial statements at 31 March 2009, which uses a more conventional presentation by separating net assets and net liabilities and equity, all the non-financial liability captions are classified in the above format as a decrease in invested capital while cash and cash equivalents are reclassified as "Coverage" to decrease debt.

<i>Millions of euro</i>	<u>31 Mar 2009</u>	<u>31 Dic 2008</u>
Net trade receivables	137,4	181,9
Trade payables	(153,9)	(165,1)
Inventory	753,1	729,9
Other receivables (payables)	3,7	(1,1)
<b>Total net working capital</b>	<b>740,3</b>	<b>745,6</b>
<b>Property, plant and equipments and intangible assets</b>	<b>331,6</b>	<b>329,3</b>
<b>Investments and other financial assets</b>	<b>49,0</b>	<b>50,4</b>
<b>Other long-term assets (liabilities)</b>	<b>10,0</b>	<b>3,3</b>
<b>INVESTED CAPITAL</b>	<b>1.130,9</b>	<b>1.128,6</b>
<b>Shareholders' equity</b>	<b>792,0</b>	<b>825,0</b>
Short-term indebtedness	257,3	219,4
Long-term indebtedness	81,6	84,2
<b>Total indebtedness</b>	<b>338,9</b>	<b>303,6</b>
<b>HEDGE FUNDS</b>	<b>1.130,9</b>	<b>1.128,6</b>
Gearing	42,8%	36,8%

At 31 March 2009, the Group's net financial debt was € 338.9 million compared to € 303.6 million and € 184.8 million at 31 December and 31 March 2008, respectively. Equity, including minority interests, at 31 March 2009 came to € 792.0 million compared to € 825.0 million and € 829.9 million at 31 December and 31 March 2008, respectively. The gearing ratio (debt/equity including minority interests), even if higher than previous years, keeps within clear levels of solidity (43%).

## KEY EVENTS OF THE QUARTER

On 5 March 2009, Bulgari International Corporation (BIC) N.V. acquired the other 50% of Cadrans Design S.A. for CHF 6,000 thousand (€ 4,100 thousand) for equity acquired of € 797 thousand (CHF 1,100 thousand). The transaction created goodwill of € 3,359 thousand.

### ***Intragroup and related party transactions***

Bulgari S.p.A., which has its registered office at Via Lungotevere Marzio 11, Rome, is the Parent and has a share capital of € 21.0 million.

It owns the BVLGARI trademark and its core business activities are as follows:

- acquisition of equity investments and granting of financing to group companies;
- commercial exploitation of the BVLGARI name and trademark;
- technical, financial and administrative coordination of the group companies;
- invention, design and creation of articles of jewellery, gold jewellery, watches, fragrances, cosmetics, 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 its subsidiaries that produce and distribute BVLGARI brand products.

The Parent also carries out commercial transactions, again governed by specific agreements, with its subsidiaries providing them with technical, legal, tax, administrative, commercial, financial and IT services.

It also performs financial activities, involving the corporate treasury management, on behalf of the group companies.

Transactions among group companies, related to the sale of products, the provision of services and granting of loans, are carried out at market conditions given their nature and take place in accordance with the companies' and Group's interests. The group-level procedure regulating related party transactions was approved by the board of directors on 7 March 2007.

No atypical or unusual transactions or significant non-recurring transactions, as defined by Consob (Italian Commission for Listed Companies and the Stock Exchange) in its communication DEM/6064203 of 28 July 2006, were carried out during the period.

As required by Consob's communication DEM/6064293 of 28 July 2007, details of transactions of a commercial and financial nature carried out by Bulgari S.p.A. and the other group companies and their effects are provided in the notes to the interim consolidated financial statements.

### ***Research and development***

The Bulgari Group carries out research and development activities to invent, create and develop new products for all its lines, ie, Jewels, Watches, Accessories, Fragrances and Cosmetics.

Research and development expenditure recognised in profit or loss during the period amounts to € 473 thousand. Capitalised development expenditure, whose ability to generate future economic benefits has been verified, amounts to € 3,977 thousand, net of amortisation and depreciation.

### ***Other information***

At 31 March 2009, Bulgari S.p.A. did not hold any treasury shares.

## **SUBSEQUENT EVENTS**

No significant events have taken place since 31 March 2009.

## **OUTLOOK**

Continuation of the crisis situation in the international markets has inevitably affected the Group's sales in this quarter. As already described, the Group had already introduced efficient strategies in 2008 to contain costs and investments and to rationalise expenditure. These strategies are already producing results in line with forecasts. Therefore, the Group will continue to strictly monitor costs, contain investments and carefully manage stocks in order to improve efficiency and generate larger cash flows with the related positive effect on debt.

The Group is determined to face this year with the necessary rigour and resolution, without compromising the quality of its products and customer service, while capitalising on the prestige of its brand, which has continued to evolve over the 125 years of its life, despite similar difficult situations in the past, to become one of the key players in the international luxury market. The Group will celebrate its 125 years this year with an important exhibition presenting BVLGARI's contribution to the history of jewellery and developments in style and taste. Other high level events will take place around the world throughout the year. These projects and the new product launches will further strengthen the brand's image as a constant symbol of creativity, quality and prestige in the luxury world.

Bulgari S.p.A.  
Chairman of the Board of Directors  
Paolo Bulgari  
(signed on the original)

**B V L G A R I**

**Bulgari S.p.A. and Subsidiaries  
(Bulgari Group)**

**Interim consolidated financial statements**

**B V L G A R I**

**Bulgari S.p.A. and Subsidiaries  
(Bulgari Group)**

**Interim consolidated financial statements at 31 March  
2009**

**Bulgari Group****Consolidated income statement for the three months ended 31 March 2009**

€/000

	Note	March 2009		March 2008	
			<i>of which versus related parties:</i>		<i>of which versus related parties:</i>
<b>Total net revenues</b>	<b>2</b>	<b>178.081</b>	<b>25</b>	<b>231.657</b>	<b>40</b>
Cost of sales		(63.100)		(76.121)	
<b>Total contribution margin</b>		<b>114.981</b>		<b>155.536</b>	
		<b>64,6%</b>		<b>67,1%</b>	
Net operating expenses	<b>3</b>	(138.764)	(11)	(133.674)	(32)
<b>Operating profit</b>		<b>(23.783)</b>		<b>21.862</b>	
		<b>-13,4%</b>		<b>9,4%</b>	
- Financial gains (losses)		(4.329)	(13)	(3.783)	(48)
- Foreign exchange gain (losses)		(4.089)		5.511	
Total financial gains (losses)	<b>4</b>	(8.418)		1.728	
<b>Net result before taxes</b>		<b>(32.201)</b>		<b>23.590</b>	
Current and deferred taxes	<b>5</b>	2.915		(986)	
<b>Net result</b>		<b>(29.286)</b>		<b>22.604</b>	
of which:					
Minority interest profit		37		(219)	
<b>Group Share of Net result</b>		<b>(29.323)</b>		<b>22.823</b>	
		<b>-16,5%</b>		<b>9,9%</b>	
<b>Earning per share (in Euros)</b>	<b>13</b>	<b>-0,10</b>		<b>0,08</b>	
Number of shares on which the calculation is based		300.629.810		299.493.560	
<b>Diluted earning per share (in Euros)</b>	<b>13</b>	<b>-0,10</b>		<b>0,08</b>	
Number of shares on which the calculation is based		299.939.699		303.039.930	

## Statement of comprehensive income

€/000

	I <sup>o</sup> Q 2009	I <sup>o</sup> Q 2008
<b>Profit and loss for the period (A)</b>	<b>(29.286)</b>	<b>22.604</b>
Gain/(Losses) on cash flow hedges	12.042	(3.819)
Gain/(Losses) on exchange differences on translating foreign operations	(16.101)	32.519
<b>Total Other comprehensive income, net of tax (B)</b>	<b>(4.059)</b>	<b>28.700</b>
<b>Total comprehensive income (A) + (B)</b>	<b>(33.345)</b>	<b>51.304</b>
Owners of the parent	(33.430)	51.475
Non-controlling interests	85	(171)

**Bulgari Group**  
**Consolidated balance sheet as at 31 March 2009**

€/000

	Note	31 March 2009		31 december 2008	
		<i>of which versus related parties:</i>		<i>of which versus related parties:</i>	
Property, plant and equipment	6	200.457		201.280	
Intangible assets	7	131.075		128.055	
Investments and other non current financial activities	8	49.023		50.370	
Other non current assets	9	47.751	750	43.803	1.301
<b>NON CURRENT ASSETS</b>		<b>428.306</b>		<b>423.508</b>	
<b>NON CURRENT ASSETS HELD FOR SALES</b>		-		-	
Inventories		753.060		729.856	
Receivables		137.420	57	181.892	68
Other current assets	10	68.287	10	74.138	37
Cash and cash equivalent	11	3.457		19.880	
<b>CURRENT ASSETS</b>		<b>962.224</b>		<b>1.005.766</b>	
<b>TOTAL ASSETS</b>		<b>1.390.530</b>		<b>1.429.274</b>	
Shareholders' equity for the Group		790.924		824.041	
Net equity of minority Shareholders		1.028		943	
<b>Total Shareholders' equity</b>	<b>12</b>	<b>791.952</b>		<b>824.984</b>	
Plants for employees benefits	18	16.784		16.146	
Provisions for risk and charges	19	7.120		8.819	
Other non current liabilities	9,14	16.171		17.261	
Non current financial bank debts	16	79.282		82.438	
<b>NON CURRENT LIABILITIES</b>		<b>119.357</b>		<b>124.664</b>	
<b>NON CURRENT LIABILITIES HELD FOR SALES</b>		-		-	
Trade payables		153.884	10	165.080	94
Other current liabilities	15	67.446	8	76.478	32
Current bank financial debts	16	257.891		238.068	
<b>CURRENT LIABILITIES</b>		<b>479.221</b>		<b>479.626</b>	
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1.390.530</b>		<b>1.429.274</b>	

# Bulgari Group

## Consolidated cash flow statement

€/000

	31 March 2009	31 March 2008
<b>Cash flows from operating activities</b>		
Profit after tax	(29.323)	22.823
Depreciation, amortization and impairment of fixed assets	16.358	12.647
Interest and income taxes	6.844	6.195
<i>Cash flows from operating activities</i>	<i>(6.121)</i>	<i>41.665</i>
(Increase) Decrease in receivables in working capital	38.408	42.021
(Increase) Decrease in inventory	(30.237)	(82.135)
Increase (Decrease) in payables	(907)	(32.032)
Exchange differences	7.878	(16.424)
Income taxes paid	(5.083)	(2.128)
Interest paid	(12.629)	(2.226)
Other changes, net	(2.017)	756
<i>Cash flows from changes in net working capital</i>	<i>(4.587)</i>	<i>(92.168)</i>
Other medium/long-term assets	(4.499)	(2.551)
Other medium/long-term liabilities	(248)	(27)
<b>(a) Cash flows from operating activities</b>	<b>(15.455)</b>	<b>(53.081)</b>
<b>Cash flows from investing activities</b>		
Purchase of companies (excluding cash/debt acquired)	(5.434)	-
Purchases of property, plant and equipment (net of disposals)	(10.378)	(12.701)
Purchase of intangible assets	(2.868)	(3.255)
Reimbursement of investments in other company (excluding other non-current financial assets)	-	(1.543)
Other changes	568	(571)
Other non-current financial assets	328	(1.387)
Interest received	1.577	81
<b>(b) Cash flows from investing activities</b>	<b>(16.207)</b>	<b>(19.376)</b>
<b>Cash flows from financing activities</b>		
Changes in shareholders' equity relating to minority interests	85	(172)
Other changes	(3.793)	28.753
<i>(c) Total changes in shareholders' equity</i>	<i>(3.708)</i>	<i>28.581</i>
Changes in medium/long-term financial payables	(3.132)	2.987
Changes in medium/long-term financial receivables	552	(60)
<i>(d) Total changes in medium/long-term financial assets</i>	<i>(2.580)</i>	<i>2.927</i>
<b>(e) Cash flows from financing activities</b>	<b>(6.288)</b>	<b>31.508</b>
<b>(f) Difference in short-term net cash (indebtness) (a)+(b)+(e)</b>	<b>(37.950)</b>	<b>(40.949)</b>
<i>Net cash (indebtness) at the beginning of the year</i>	<i>(303.558)</i>	<i>(140.931)</i>
Changes in short-term debt (f)	(37.950)	(40.949)
Changes in long-term debt (e)	2.580	(2.927)
<i>Net cash (indebtness) at the end of the year</i>	<i>(338.928)</i>	<i>(184.807)</i>
of which: - cash and bank	3.457	572
- current financial payables	(268.395)	(143.588)
of which: hedging instruments	7.540	15.629
- current financial assets	7.596	18.118
of which: hedging instruments	(10.504)	(7)
- non-current financial payables	(82.336)	(61.337)
- non-current financial receivables	750	1.428

## Statement of changes in consolidated equity as at 31 March 2009

€/000

	Note	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
<b>Balance as at 31 December 2008</b>		21.044	90.234	5.762	30.192	2.802	11.520	(16.782)	596.404	82.865	824.041	943	824.984
Fluctuations in foreign exchange rates		-	-	-	(16.149)	-	-	-	-	-	(16.149)	48	(16.101)
Fair value of derivatives		-	-	-	-	-	-	12.042	-	-	12.042	-	12.042
<b>Total gains and losses directly recognized to shareholders' equity</b>		-	-	-	(16.149)	-	-	12.042	-	-	(4.107)	48	(4.059)
Net income of the year		-	-	-	-	-	-	-	-	(29.323)	(29.323)	37	(29.286)
<b>Total gains and losses</b>		-	-	-	-	-	-	-	-	(29.323)	(29.323)	37	(29.286)
Dividends paid													
Allocation of 2008 net income			-	-	-	-	-	-	-	82.865	(82.865)	-	-
Stock Options		-	-	-	-	-	313	-	-	-	313	-	313
<b>Balance as at 31 March 2009</b>	12	21.044	90.234	5.762	14.043	2.802	11.833	(4.740)	679.269	(29.323)	790.924	1.028	791.952

## Statement of changes in consolidated equity as at 31 March 2008

€/000

	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
<b>Balance as at 31 December 2007</b>	<b>20.965</b>	<b>120.614</b>	<b>5.762</b>	<b>(49.091)</b>	<b>4.490</b>	<b>9.142</b>	<b>5.213</b>	<b>505.844</b>	<b>150.918</b>	<b>773.857</b>	<b>4.605</b>	<b>778.462</b>
Fluctuations in foreign exchange rates	-	-	-	32.471	-	-	-	-	-	32.471	47	32.518
Reclassification	-	-	-	-	-	-	-	(475)	-	(475)	-	(475)
Fair value of derivatives	-	-	-	-	-	-	(3.819)	-	-	(3.819)	-	(3.819)
<b>Total gains and losses directly recognized to shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32.471</b>	<b>-</b>	<b>-</b>	<b>(3.819)</b>	<b>(475)</b>	<b>-</b>	<b>28.177</b>	<b>47</b>	<b>28.224</b>
Net income of the year	-	-	-	-	-	-	-	-	22.823	22.823	(219)	22.604
<b>Total gains and losses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22.823</b>	<b>22.823</b>	<b>(219)</b>	<b>22.604</b>
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of 2007 net income	-	-	-	-	-	-	-	150.918	(150.918)	-	-	-
Stock Options	-	-	-	-	-	576	-	-	-	576	-	576
<b>Balance as at 31 March 2008</b>	<b>20.965</b>	<b>120.614</b>	<b>5.762</b>	<b>(16.620)</b>	<b>4.490</b>	<b>9.718</b>	<b>1.394</b>	<b>656.287</b>	<b>22.823</b>	<b>825.433</b>	<b>4.433</b>	<b>829.866</b>

**B V L G A R I**

**Bulgari S.p.A. and Subsidiaries  
(Bulgari Group)**

**Notes to the interim consolidated financial  
statements at 31 March 2009**

**Bulgari Group**  
**2009 First Quarter Report at 31 March 2009**

**SIGNIFICANT ACCOUNTING POLICIES**

Bulgari S.p.A. (the “Parent”) is an Italian-based company with its registered office at Via Lungotevere Marzio 11, Rome. The interim consolidated financial statements at 31 March 2009 include the Parent, its subsidiaries and the Group’s interest in joint controlled entities (the “Group”). The financial statements prepared by the directors of the individual group companies have been used for consolidation purposes.

The Parent’s directors authorised publication of these interim consolidated financial statements on 12 May 2009.

**(a) Statement of compliance**

The Bulgari Group prepares annual consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), endorsed by the European Commission (hereafter, the “IFRS”), and with the provisions issued implementing article 9 of Legislative decree no. 38/2005.

It has applied the same accounting policies adopted to prepare the consolidated financial statements at 31 December 2008 to prepare this report, drawn up in accordance with *IAS 34 - Interim financial reporting*, except for that specified in the section on the IFRS, amendments and interpretations applicable for annual periods beginning on or after 1 January 2009.

Certain measurement processes, specifically the more complex ones, such as that to determine impairment losses on non-current assets, are usually only carried out in a complete manner during preparation of annual financial statements, when all the necessary information is available. However, if there are indicators of impairment, the related tests are performed immediately.

Similarly, the actuarial valuations performed to determine employee defined benefit plans are carried out during preparation of annual financial statements.

Therefore, this unaudited interim report may not include all the information required of annual financial statements and should be read in conjunction with the consolidated financial statements at 31 December 2008.

**(b) IFRS, amendments and interpretations applicable for annual periods beginning on or after 1 January 2009**

- *revised IAS 1 – Presentation of financial statements*  
The revised *IAS 1 - Presentation of financial statements* requires that all income components such as income and expense (defined as “changes generated by transactions with non-owners”) be presented either in a single statement which shows the changes of the period (statement of comprehensive income) or in two separate statements (income statement and statement of comprehensive income).

**(c) IFRS, amendments and interpretations applicable for annual periods beginning on or after 1 January 2009 that have not had any accounting effect**

- *Revised IAS 23 – Borrowing costs*

- Amendment to IFRS 2 – Vesting conditions and cancellations
- Improvement to IAS 19 – Employee benefits
- Improvement to IAS 38 – Intangible assets
- Improvement to IAS 31 – Investments in joint ventures
- Improvement to IAS 36 – Impairment of assets
- IFRIC 13 – Customer loyalty programmes

**d) IFRS, amendments and interpretations that are not yet applicable**

- In November 2008, the IFRIC published *IFRIC 17 – Distributions of non-cash assets to owners* which clarifies that a dividend payable should be recognised when the dividend is appropriately authorised and that an entity should measure the dividend payable at the fair value of the net assets to be distributed. The difference between the dividend paid and the carrying amount of the net assets distributed is recognised in profit or loss. The interpretation is applicable prospectively from 1 January 2010. At the date of this report, the relevant EU bodies had not yet completed the endorsement process.
- In July 2008, the IASB issued an amendment to *IAS 39 – Financial instruments: recognition and measurement* to be applied retrospectively from 1 January 2010. The amendment clarifies the application of the standard to define the eligible hedged portion in particular situations. At the date of this report, the relevant EU bodies had not yet completed the endorsement process.
- In January 2008, the IASB published a revised *IFRS 3 – Business combinations and an amendment to IAS 27 – Consolidated and separate financial statements*. The main changes to IFRS 3 relate to the elimination of the requirement to measure at fair value every asset and liability of a subsidiary at each step of an acquisition (step acquisitions). Goodwill will be measured in these cases as the difference at acquisition date between the fair value of the investment before the acquisition, the consideration transferred and the net assets acquired. Moreover, if the entity does not acquire 100% of the investment, non-controlling interests may be recognised either at fair value or using the method already provided for by IFRS 3. The revised standard also provides for the recognition of all acquisition-related costs as expenses and that the contingent consideration must be recognised and measured at fair value at the acquisition date. The amendment to IAS 27 sets out that changes in a parent’s ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions with a balancing entry in equity. When a parent transfers control of a subsidiary but continues to hold an investment therein, it shall measure the investment at fair value and any gains or losses arising from the loss of control are recognised in profit or loss. Finally, the amendment to IAS 27 requires that all losses attributable to minority interests be recognised in equity attributable to minority interests, even when this exceeds their investment in the subsidiary. The new rules are applicable on a prospective basis from 1 January 2010. At the date of this report, the relevant EU bodies had not yet completed the endorsement process.

**e) Translation of foreign currency financial statements**

The rates of exchange between the Euro and the other currencies are as follows:

	31/03/2009		31/12/2008		31/03/2008	
Currency	Income statement	Balance sheet	Income statement	Balance sheet	Income statement	Balance sheet

USD	1.3029	1.3308	1.4708	1.3917	1.4976	1.5812
YEN	122.0440	131.1700	152.4541	126.1400	157.7987	157.3700
CHF	1.4977	1.5152	1.5874	1.4850	1.6013	1.5738
GBP	0.9088	0.9308	0.7963	0.9525	0.7570	0.7958
SGD	1.9709	2.0234	2.0762	2.0040	2.1107	2.1819
HKD	10.1016	10.3140	11.4542	10.7858	11.6737	12.3075
AUD	1.9648	1.9216	1.7416	2.0274	1.6533	1.7334
MYR	4.7259	4.8514	4.8839	4.8048	4.8325	5.0575
DKK	7.4514	7.4482	7.4560	7.4506	7.4534	7.4568
TWD	44.2992	45.1521	46.2482	46.2084	47.2844	48.0170
KRW	1,847.5859	1,840.6300	1,606.0872	1,839.1300	1,430.8415	1,566.9700
CNY	8.9066	9,0942	10.2236	9.4956	10.7268	11.0874
THB	46.0377	47.2230	48.4754	48.2850	46.4606	49.7840
MOP	10.4126	10.6283	11.7660	11.0846	11.9409	12.6704
PAB	1.3029	1.3308	1.4708	1.3917	-	-
QAR	4.7468	4.8489	5.4028	5.0567	-	-
KWD	0.3782	0.3886	0.3948	0.3838	-	-

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## 1. Acquisitions/incorporations and disposals of entities

On 5 March 2009, Bulgari International Corporation (BIC) N.V. acquired the other 50% of Cadrans Design S.A. for CHF 6,000 thousand (€ 4,100 thousand) for equity acquired of CHF 1,185 thousand (€ 797 thousand) using its liquidity. The equity acquired included total assets of CHF 3,624 thousand (€ 2,441 thousand) and total liabilities of CHF 2,439 thousand (€ 1,644 thousand). The transaction generated goodwill of € 3,359 thousand. The subsidiary has been consolidated on a line-by-line basis rather than the previously-used proportionate method.

## 2. Revenues

<i>Thousands of Euros</i>	Q1 2009	Q1 2008
Net sales	174,950	227,549
Royalties	2,634	3,713
Other revenues	497	395
	<u>178,081</u>	<u>231,657</u>

Reference should be made to note 21 “Segment reporting” and the directors’ report for an analysis of revenues by type of product and geographical segment.

## 3. Net operating expenses

<i>Thousands of Euros</i>	Note	Q1 2009	Q1 2008
Personnel costs	<b>18</b>	51,008	46,275
Variable selling expenses		8,414	10,339
Other selling, general and administrative expenses		55,598	51,063
Advertising and promotion expenses		23,744	25,997
		<u>138,764</u>	<u>133,674</u>

Personnel expense relates to both the sales and administrative functions.

### *Variable selling expenses*

<i>Thousands of Euros</i>	Note	Q1 2009	Q1 2008
Credit card commissions		1,074	1,294
Intermediaries’ fees		1,520	1,792
Transportation costs		2,387	3,201
Sales commissions	<b>18</b>	1,473	1,541
Other		1,960	2,511
		<u>8,414</u>	<u>10,339</u>

*Other selling, general and administrative expenses*

<i>Thousands of Euros</i>	<b>Q1 2009</b>	<b>Q1 2008</b>
Rents	20,829	18,105
Other operating expenses	8,541	8,624
Other general expenses, net	26,228	24,334
	<u>55,598</u>	<u>51,063</u>

**4. Financial income (expense)**

*Interest income*

<i>Thousands of Euros</i>	<b>Q1 2009</b>	<b>Q1 2008</b>
Bank interest income	15	84
Interest income from public authorities	107	60
Premiums on hedging transactions	1,310	1,015
Other	15	52
	<u>1,447</u>	<u>1,211</u>

*Interest expense*

<i>Thousands of Euros</i>	<b>Q1 2009</b>	<b>Q1 2008</b>
Bank interest expense	(82)	(17)
Loan interest expense	(2,219)	(1,823)
Discounts on hedging transactions	(3,118)	(2,722)
Other	(18)	(11)
	<u>(5,437)</u>	<u>(4,573)</u>

*Other financial income (expense)*

<i>Thousands of Euros</i>	<b>Note</b>	<b>Q1 2009</b>	<b>Q1 2008</b>
Financial discounts and allowance income		90	85
Financial discounts and allowance expense		(53)	(164)
Bank commissions and charges		(195)	(173)
Actuarial losses on post-employment benefits	<b>18</b>	(127)	(123)
Other		(54)	(46)
		<u>(339)</u>	<u>(421)</u>

**5. Income tax**

<i>Thousands of Euros</i>	<b>Note</b>	<b>Q1 2009</b>	<b>Q1 2008</b>
Current taxes		2,855	2,833
Prior year taxes		44	57
Deferred taxes	<b>9</b>	(5,814)	(1,904)
		<u>(2,915)</u>	<u>986</u>

## 6. Property, plant and equipment

Property, plant and equipment and changes for the period are as follows:

	<b>Historical cost at 31 December 2008</b>	<b>Accumulated depreciation</b>	<b>Balance at 31 December 2008</b>	<b>Purchases</b>	<b>Deprec- iation</b>	<b>Other changes, net</b>	<b>Historical cost at 31 March 2009</b>	<b>Acc. deprec- iation</b>	<b>Balance at 31 March 2009</b>
Land and buildings	27,060	(9,685)	<b>17,375</b>	193	(536)	873	28,133	(10,228)	<b>17,905</b>
Plant and machinery	43,179	(24,400)	<b>18,779</b>	604	(1,068)	146	44,073	(25,612)	<b>18,461</b>
Industrial and commercial equipment	23,555	(16,527)	<b>7,028</b>	389	(592)	(24)	23,715	(16,914)	<b>6,801</b>
Furniture, office equipment and fittings	148,372	(94,539)	<b>53,833</b>	1,974	(4,739)	242	148,931	(97,621)	<b>51,310</b>
Motor vehicles	268	(266)	<b>2</b>	0	(1)	1	265	(263)	<b>2</b>
Leasehold improvements	171,652	(85,012)	<b>86,640</b>	895	(4,902)	(183)	169,779	(87,329)	<b>82,450</b>
Bulgari Museum	11,640	-	<b>11,640</b>	55	-	(259)	11,436	-	<b>11,436</b>
Assets in progress and advance payments	5,983	-	<b>5,983</b>	6,268	-	(159)	12,092	-	<b>12,092</b>
<b>TOTAL</b>	<b>431,709</b>	<b>(230,429)</b>	<b>201,280</b>	<b>10,378</b>	<b>(11,838)</b>	<b>637</b>	<b>438,424</b>	<b>(237,967)</b>	<b>200,457</b>

The increases during the period for “Furniture, office equipment and fittings” and “Leasehold improvements” mainly relate to investments made to renovate or open new stores, including Kashiwa Takashimaya (Japan), Short Hills (USA) and Busan Shinsegae Centum (Korea).

They also include investments in hardware and window displays to be used by the third-party distribution network to present BVLGARI products.

The rise in “Assets under construction and payments on account” is due to investments incurred to renovate or open new shops, including San Francisco Union Square and Scottsdale (USA), Taipei Bellavita (Taiwan), Macau One Central MGM (China) and Cologne (Germany), investments for the new offices in Via del Tritone, Rome and display cases under construction for the distribution of BVLGARI products.

No information had been received from the group companies at 31 March 2009 about the existence of any idle assets or of any fully depreciated assets still in use and having a significant carrying amount.

At 31 March 2009, there were no charges on property, plant and equipment at period end securing any of the Group’s liabilities.

## 7. Intangible assets

<i>Thousands of Euros</i>	<b>31/03/2009</b>	<b>31/12/2008</b>
Goodwill	50,173	46,248
Other intangible assets	80,902	81,807
	<b>131,075</b>	<b>128,055</b>

Other intangible assets and changes for the period are as follows:

	<b>Historical cost at 31 December 2008</b>	<b>Acc. amortis- ation</b>	<b>Balance at 31 December 2008</b>	<b>Increase</b>	<b>Amortis- ation</b>	<b>Other changes, net</b>	<b>Historical cost at 31 March 2009</b>	<b>Acc. amortis- ation</b>	<b>Balance at 31 March 2009</b>
Development costs	15,169	(10,787)	<b>4,382</b>	137	(448)	(94)	14,999	(11,022)	<b>3,977</b>
Industrial patents and intellectual property rights	89,377	(53,851)	<b>35,526</b>	1,988	(2,711)	792	91,916	(56,321)	<b>35,595</b>
Concessions, trademarks and licences	183	(76)	<b>107</b>	62	(17)	(1)	244	(93)	<b>151</b>
Assets in progress and advance payments	12,296	-	<b>12,296</b>	681	-	(952)	12,025	-	<b>12,025</b>
Expend. for taking over premises and other	36,606	(7,110)	<b>29,496</b>	-	(421)	79	36,731	(7,577)	<b>29,154</b>
<b>TOTAL</b>	<b>153,631</b>	<b>(71,824)</b>	<b>81,807</b>	<b>2,868</b>	<b>(3,597)</b>	<b>(176)</b>	<b>155,915</b>	<b>(75,013)</b>	<b>80,902</b>

The increase in “Industrial patents and intellectual property rights” mainly relates to the cost of purchasing software.

## 8. Investments and other non-current financial assets

<i>Thousands of Euros</i>	<b>31/03/2009</b>	<b>31/12/2008</b>
Investments in other companies	12,692	12,692
Other non-current financial assets	36,331	37,678
	<b>49,023</b>	<b>50,370</b>

*Other non-current financial assets*

<i>Thousands of Euros</i>	<b>31/03/2009</b>	<b>31/12/2008</b>
<b><i>Other non-current financial assets</i></b>		
Guarantee deposits	36,325	37,672
Other	6	6
	<u><b>36,331</b></u>	<u><b>37,678</b></u>

The largest guarantee deposit of € 23,567 thousand (31 December 2008: € 24,343 thousand) relates to deposits for the rent of stores and premises, mainly in Japan. The decrease in this caption is principally due to the Yen's depreciation against the Euro.

**9. Other non-current assets**

<i>Thousands of Euros</i>	<b>31/03/2009</b>	<b>31/12/2008</b>
Non-current financial receivables	750	1,301
Other non-current assets	16,637	16,540
Deferred tax assets	<u>30,364</u>	<u>25,962</u>
	<u><b>47,751</b></u>	<u><b>43,803</b></u>

*Non-current financial receivables*

The non-current financial receivables are all due from related parties and include € 329 thousand representing the portion not eliminated on consolidation (35%) of long-term subordinated loans granted to Bulgari Hotels and Resorts B.V. and € 421 thousand to Bulgari Hotels & Resorts Milano S.r.l., which are both consolidated using the proportionate method. These loans are due in April 2027 and bear interest at the three-month Euribor rate +3%. The decrease on 31 December 2008 is due to the acquisition of the other 50% of Cadrans Design S.A., which led to its consolidation on a line-by-line basis and the related elimination of the entire caption.

*Other non-current assets*

<i>Thousands of Euros</i>	<b>31/03/2009</b>	<b>31/12/2008</b>
<b>Other non-current assets:</b>		
Other non-current tax assets	16,359	16,258
Other	278	282
	<u><b>16,637</b></u>	<u><b>16,540</b></u>

## Deferred taxes

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

<i>(Thousands of Euros)</i>	<b>Balance at 31/12/2008</b>	Increase	Decrease	Other changes	<b>Balance at 31/03/2009</b>
Elimination of intragroup profits	15,586	435	(223)	(260)	15,538
Non-current assets	2,974	31	-	(106)	2,899
Other accruals	7,402	4,985	(221)	(239)	11,927
<b>Deferred tax assets</b>	<b>25,962</b>	<b>5,451</b>	<b>(444)</b>	<b>(605)</b>	<b>30,364</b>
Accelerated					
amortisation/depreciation	(1,168)	-	-	4	(1,164)
Undistributed profits	(2,475)	-	893	-	(1,582)
Provision for inventories	(7,690)	(308)	-	166	(7,832)
Provisions for employee benefits	(330)	-	-	-	(330)
Provision for bad debts	(663)	-	88	11	(564)
Other accruals	(243)	-	134	(53)	(162)
<b>Deferred tax liabilities</b>	<b>(12,569)</b>	<b>(308)</b>	<b>1,115</b>	<b>128</b>	<b>(11,634)</b>
<b>Total deferred tax assets (liabilities)</b>	<b>13,393</b>	<b>5,143</b>	<b>671</b>	<b>(477)</b>	<b>18,730</b>

## 10. Other current assets

<i>Thousands of Euros</i>	<b>31/03/2009</b>	<b>31/12/2008</b>
Current financial assets	7,596	19,636
Other current assets	60,691	54,502
	<u>68,287</u>	<u>74,138</u>

*Current financial assets* include the effect of the exchange rate and gold hedges (€ 7,540 thousand compared to € 19,580 thousand at 31 December 2008).

*Other current assets* comprise receivables due from public authorities of € 32,781 thousand (31 December 2008: € 32,984 thousand).

## 11. Cash and cash equivalents

Cash and cash equivalents, of which no amounts have any restrictions on use, are made up as follows:

<i>Thousands of Euros</i>	<b>31/03/2009</b>	<b>31/12/2008</b>
Bank deposits	17,930	24,600

Cash and cheques	944	1,555
Current account overdrafts	(15,417)	(6,275)
	<u>3,457</u>	<u>19,880</u>

The average interest rate paid by the banks at 31 March 2009 on short-term deposits and current accounts, in which available funds are held in different currencies, was approximately 0.5%.

The carrying amount of cash and cash equivalents equals their fair value at the balance sheet date.

## 12. Equity

There were no significant changes in the equity captions during the quarter.

## 13. Earnings (loss) per share

### *Basic earnings (loss) per share*

The calculation of basic earnings (loss) per share is based on loss distributable to ordinary shareholders of € 29,323 thousand (profit of € 22,823 thousand at 31 March 2008) and a weighted average number of outstanding shares during the period of 300,630 thousand, calculated as follows:

<i>Thousands of shares</i>	<b>31/03/2009</b>	<b>31/03/2008</b>
Ordinary shares at 1 January	300,630	299,494
Treasury shares sold during the period	-	-
Issue of new shares	-	-
Ordinary shares at 31 March excluding treasury shares	300,630	299,494
Weighted average ordinary shares	<u><b>300,630</b></u>	<u><b>299,494</b></u>

### *Diluted earnings (loss) per share*

The calculation of diluted earnings (loss) per share is based on loss distributable to ordinary shareholders of € 29,323 thousand (profit of € 22,823 thousand at 31 March 2008) and a weighted average number of outstanding shares during the period of 299,940 thousand.

<i>Thousands of shares</i>	<b>31/03/2009</b>	<b>31/03/2008</b>
Weighted average ordinary shares	300,630	299,494
Dilutive effect of options	(690)	3,546
Weighted average ordinary shares (diluted)	<u><b>299,940</b></u>	<u><b>303,040</b></u>

#### 14. Other non-current liabilities

<i>Thousands of Euros</i>	<b>Note</b>	<b>31/03/2009</b>	<b>31/12/2008</b>
Other non-current liabilities		1,483	1,662
Other non-current financial payables		3,054	3,030
Deferred taxes	<b>9</b>	11,634	12,569
		<u>16,171</u>	<u>17,261</u>

#### *Other non-current liabilities*

<i>Thousands of Euros</i>	<b>31/03/2009</b>	<b>31/12/2008</b>
<b>Non-current liabilities:</b>		
Other non-current payables	1,467	1,646
Deposits	<u>16</u>	<u>16</u>
	<u>1,483</u>	<u>1,662</u>

#### *Other non-current financial payables*

#### **Other non-current financial payables** (*Thousands of Euros*)

	<b>Balance at 31/12/2008</b>	<b>Due date</b>	<b>Interest rate</b>	<b>Amount in foreign currency</b>
Bulgari Hotels & Resorts Milano S.r.l.	1,753	2027	Euribor + 3%	1,753,361 Euro
Bulgari Hotels & Resorts B.V.	1,133	2027	Euribor + 3%	1,132,797 Euro
H. Finger AG	168	2011	9.28%	255,016 CHF
	<u>3,054</u>			

#### 15. Other current liabilities

<i>Thousands of Euros</i>	<b>31/03/2009</b>	<b>31/12/2008</b>
Current financial payables	10,504	20,839
Other current liabilities	56,942	55,639
	<u>67,446</u>	<u>76,478</u>

#### *Current financial payables*

“Other current financial payables” of € 10,504 thousand entirely consist of payables for currency, gold, interest rate and commodity hedges.

## 16. Bank loans and borrowings

<i>Thousands of Euros</i>	<b>31/03/2009</b>	<b>31/12/2008</b>
Bank overdrafts and current loans and borrowings	257,891	238,068
Non-current bank loans and borrowings	79,282	82,438

A breakdown of the bank overdrafts and current loans and borrowings by company is set out below:

<i>Thousands of Euros</i>	<b>Balance at 31/03/2009</b>	<b>Interest rate</b>	<b>Balance at 31/12/2008</b>	<b>Interest rate</b>
Bulgari S.p.A	130,000	2.40%	83,030	4.98%
Bulgari Japan Ltd	53,061	0.92%	75,947	1.15%
Bulgari Global Operations S.A.	40,026	2.47%	45,926	3.10%
Bulgari Commercial (Shanghai) Co. Ltd.	8,247	7.10%	7,898	7.10%
Bulgari Asia Pacific Ltd.	5,672	1.82%	3,570	2.27%
Bulgari (Taiwan) Ltd.	4,835	2.24%	3,729	2.98%
Bulgari (Thailand)	4,066	4.05%	3,976	3.44%
Bulgari Malaysia Sdn.	3,422	3.65%	3,455	4.91%
Prestige d'Or S.A.	3,367	1.91%	3,435	2.40%
Bulgari South Asian Operations Pte Ltd	2,472	3.18%	2,495	3.18%
Cadrans Design S.A.	1,518	0.96%	682	1.04%
Bulgari Korea Ltd.	1,205	3.31%	2,367	6.24%
	257,891		238,068	

The following table provides details of “Non-current bank loans and borrowings” with separate indication of the expiry date, the interest rate and the original balance in foreign currency.

## Non-current bank loans and borrowings

(Thousands of Euros)

Balance at 31/03/2009	Expiry date	Interest rate	Amount in foreign currency
<i>Bulgari Japan Ltd.</i>			
15,247	2010	1.34%	2,000,000,000 Yen
11,436	2011	1.85%	1,500,000,000 Yen
11,436	2011	1.90%	1,500,000,000 Yen
11,436	2012	1.42%	1,500,000,000 Yen
11,436	2013	1.48%	1,500,000,000 Yen
7,623	2013	1.47%	1,000,000,000 Yen
3,812	2012	1.56%	500,000,000 Yen
3,812	2013	1.85%	500,000,000 Yen
1,143	2011	1.44%	150,000,000 Yen
763	2010	0.79%	100,000,000 Yen
<u>78,144</u>			<u>10,250,000,000 Yen</u>
<i>Prestige d'Or S.A.</i>			
594	2010	2.50%	900,000 CHF
396	2010	3.40%	600,000 CHF
74	2012	3.05%	112,500 CHF
74	2012	3.05%	112,500 CHF
<u>1,138</u>			<u>1,725,000 CHF</u>
<u><u>79,282</u></u>			

At 31 March 2009, the Group, and in certain cases, the Parent as guarantor, had medium-term or committed bilateral bank loans which had financial covenants typically agreed at international level, such as: (i) negative pledge clauses, whereby any present or future pledge on assets of the issuer and/or Bulgari S.p.A. are extended at the same seniority level; (ii) *pari passu* clauses, whereby future or current loans with a greater repayment seniority are extended at the same level; (iii) periodic reporting requirements; (iv) cross default clauses, which entail the immediate settlement of obligations in the case of material default by other financial instruments issued by the Group; and (v) other clauses usually included in these types of contracts.

## 17. Derivative financial instruments

The following table sets out the nominal amount and fair value of outstanding derivatives at 31 March 2009, grouped by type.

Thousands of Euros	Nominal amount		Fair value		Change
	31/03/2009	31/12/2008	31/03/2009	31/12/2008	

<b>Cash flow hedges</b>					
- Exchange rate	176,036	176,389	(7,521)	(16,387)	8,866
- Commodities	29,690	38,402	887	(2,046)	2,933
<b>Fair value hedges</b>					
- Exchange rate	270,974	341,527	3,752	16,650	(12,898)
- Commodities	1,331	1,198	17	(16)	33
<b>Trading derivatives (*)</b>					
- Exchange rate	9,221	22,523	(2,017)	(1,113)	(904)
- Commodities	-	9,209	-	(459)	459
<b>TOTAL</b>	<b>487,252</b>	<b>589,248</b>	<b>(4,882)</b>	<b>(3,371)</b>	<b>(1,511)</b>
<b>CURRENT FINANCIAL ASSETS</b>	<b>301,995</b>	<b>341,527</b>	<b>4,656</b>	<b>16,650</b>	<b>(11,994)</b>
<b>CURRENT FINANCIAL LIABILITIES</b>	<b>185,257</b>	<b>247,721</b>	<b>(9,538)</b>	<b>(20,021)</b>	<b>10,483</b>

(\*) Although these transactions have been entered into for hedging purposes, they do not always qualify for hedge accounting under the adopted accounting standards, as discussed in the section "Significant accounting policies" and, accordingly, they are reclassified as "trading".

#### *Exchange rate and commodity hedges*

The Group is exposed to the risk of fluctuations in the rates of exchange with its 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 arising from trade receivables and payables and from the estimated net cash flows in foreign currencies from forecast sales and purchases for the following 15 months, as determined from the annual budget and quarterly revisions, is held at an acceptable level by entering into derivative contracts (principally forward contracts and also option contracts). At 31 March 2009, the outstanding derivative contracts had terms of less than 15 months and the related gains and losses will be realised before June 2009.

#### *Interest rate hedges*

In order to limit its exposure to interest rate fluctuations, the Group uses hedging instruments whereby part of its fixed rate debt is converted to floating rate debt. This percentage is based on its financial requirements, average term and the reference market (country-currency). At 31 March 2008, the Group did not have any interest rate hedges.

#### *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 financial information providers. Fair value models also use these quotations as references.

## **18. Employee benefits**

### *Personnel expense*

Personnel expense may be analysed as follows:

<i>Thousands of Euros</i>	<b>Note</b>	<b>31/03/2009</b>	<b>31/03/2008</b>
Wages and salaries		44,086	39,613
Social security contributions		9,761	8,624
Sales commissions		1,473	1,541
Accrual for employee benefits		1,625	1,112
Recruitment and training		327	836
Other costs		2,524	2,967
		<u>59,796</u>	<u>54,693</u>
Sales commissions		(1,473)	(1,541)
Transfer to cost of sales		(7,315)	(6,877)
	<b>3</b>	<u>51,008</u>	<u>46,275</u>

#### *Employee benefit plans*

These plans amounted to € 16,784 thousand and include pension plans and other post-employment benefit plans.

#### *Share-based payments*

The caption “Other costs” includes the cost of the existing stock option plans at period end (€ 757 thousand).

There were no changes in the stock option plans during the period compared to December 2008.

## **19. Provisions for risks and charges**

Changes in this caption at 31 March 2009 were as follows:

<i>Thousands of Euros</i>	Balance at 31/12/2008	Accrual	Utilisation	Other changes	Balance at 31/03/2009
Provisions for taxation	2,096	31	(352)	55	1,830
Provision for product warranties	1,590	-	-	(32)	1,558
Provision for termination benefits	1,665	-	(345)	-	1,320
Provisions for litigation and other	3,468	166	(647)	(575)	2,412
Total	<u>8,819</u>	<u>197</u>	<u>(1,344)</u>	<u>(552)</u>	<u>7,120</u>

The decrease in the provisions for taxation is mainly due to utilisation by the American branch of Bulgari Retail USA S.r.l. for sales taxes due in the state of New York.

The decrease in the caption “Provisions for litigation and other” is mainly due to utilisation of a provision set up for penalty risks.

The accruals are taken to other general, commercial and administrative expenses in the income statement.

## **20. Segment reporting**

The Bulgari Group carries out its business principally through two separate divisions, the JWA (Jewels - Watches - Accessories) Division and the Fragrances Division. This distinction is driven by product, market and differing distribution strategy factors. The Group is administered and controlled by a central structure (Corporate structure), which also sets its strategic guidelines and is mostly based at the Parent.

The results of the Divisions also include royalty fees charged by the Parent for the use of the BVLGARI brand which it owns. These fees are then eliminated in the line “Other activities and eliminations”, as are all other transactions among the divisions within the Group.

The line “Other activities and eliminations” also includes all the unallocated revenues and cost managed by the central corporate structure, the activities relating to the hotels, still of little overall significance, and all the advertising activities carried out with the media, including their production, from which the BVLGARI brand is the overall beneficiary and from which consequently the whole of the Group’s business has an advantage.

	I Q 2009	I Q 2008	Change %		I Q 2009	I Q 2008
<b>Net revenues by sector</b>				<b>Operating profit by sector</b>		
(Millions of euro)				(Millions of euro)		
<i>Jewellery</i>	79,8	94,4	-15,5%			
<i>Watches</i>	41,9	60,2	-30,4%			
<i>Accessories</i>	14,2	21,4	-33,6%			
<i>Other</i>	1,8	1,7	+2,0%			
JWA Division	137,7	177,7	-22,5%	JWA Division	(11,2)	28,3
Perfume and Cosmetics Division	34,9	47,0	-25,8%	Perfume and Cosmetics Division	(1,3)	4,1
Other activities and eliminations	5,5	7,0	-20,4%	Other activities and eliminations	(11,3)	(10,5)
<b>Total net revenues</b>	<b>178,1</b>	<b>231,7</b>	<b>-23,1%</b>	<b>Tot. risultato operativo</b>	<b>(23,8)</b>	<b>21,9</b>

The JWA Division reported an operating loss for the period of € 11.2 million compared to an operating profit of € 28.3 million for the first quarter of 2008. This is mainly due to the downturn in turnover, which was only partly offset by the measures introduced to contain costs.

The Fragrances Division also made an operating loss, € 1.3 million against a profit of € 4.1 million for the first quarter of 2008, principally as a result of the reduction in turnover. However, this Division’s flexible structure allowed it to almost entirely cover the loss caused by the downturn in turnover.

Revenues by geographical segment is presented in the directors’ report, to which reference should be made.

	JWA DIVISION		PERFUME AND COSMETICS DIVISION		Not allocated and elim.		TOTAL GROUP	
	31 Mar 09	31 Dic 08	31 Mar 09	31 Dic 08	31 Mar 09	31 Dic 08	31 Mar 09	31 Dic 08
<i>Millions of euro</i>								
Net trade receivables	142,8	141,1	49,9	70,7	(55,3)	(29,9)	137,4	181,9
Other receivables	51,6	48,9	3,7	2,3	5,4	3,3	60,7	54,5
Inventory	648,3	635,3	104,1	93,3	0,7	1,3	753,1	729,9
Trade payables	(141,8)	(151,3)	(53,2)	(59,1)	41,1	45,3	(153,9)	(165,1)
Other payables	(47,4)	(44,7)	(6,8)	(6,9)	(2,8)	(4,0)	(57,0)	(55,6)
<b>Total net working capital</b>	<b>653,5</b>	<b>629,3</b>	<b>97,7</b>	<b>100,3</b>	<b>(10,9)</b>	<b>16,0</b>	<b>740,3</b>	<b>745,6</b>
<b>Property, plant and equipments and intangible assets</b>	<b>205,3</b>	<b>207,0</b>	<b>13,8</b>	<b>14,3</b>	<b>112,5</b>	<b>108,0</b>	<b>331,6</b>	<b>329,3</b>
<b>Investments and other financial assets</b>					<b>49,0</b>	<b>50,4</b>	<b>49,0</b>	<b>50,4</b>
<b>Other long-term assets (liabilities)</b>	<b>1,5</b>	<b>(0,7)</b>	<b>(0,5)</b>	<b>(0,3)</b>	<b>9,0</b>	<b>4,3</b>	<b>10,0</b>	<b>3,3</b>
<b>INVESTED CAPITAL</b>	<b>860,3</b>	<b>835,6</b>	<b>111,0</b>	<b>114,3</b>	<b>159,6</b>	<b>178,7</b>	<b>1.130,9</b>	<b>1.128,6</b>
<b>Shareholders' equity</b>							<b>792,0</b>	<b>825,0</b>
Short-term indebtedness							257,3	219,4
Long-term indebtedness							81,6	84,2
<b>Total indebtedness</b>							<b>338,9</b>	<b>303,6</b>
<b>HEDGE FUNDS</b>							<b>1.130,9</b>	<b>1.128,6</b>

## 21. Related party transactions

Disclosures of related party transactions as required by the Consob Communication of 28 July 2006 and their percentage impact on the total consolidated figures are provided below.

### *Financial and commercial transactions*

Transactions and balances between Bulgari S.p.A. and other group companies having a financial and commercial nature have been eliminated in the preparation of the interim consolidated financial statements.

	<b>Payables</b>			
	Bulgari S.p.A.	Subsidiaries	Joint ventures	<b>Total</b>
<b>Receivables</b>				
Bulgari S.p.A.	-	115,613	2,390	<b>118,003</b>
Subsidiaries	38,131	1,383,895	-	<b>1,422,026</b>
Joint ventures	37	16	-	<b>53</b>
<b>Total</b>	<b>38,168</b>	<b>1,499,524</b>	<b>2,390</b>	<b>1,540,082</b>

	<b>Costs</b>			<b>Total</b>
	Bulgari S.p.A.	Subsidiaries	Joint ventures	
<b>Revenues</b>				
Bulgari S.p.A.	-	14,364	91	<b>14,455</b>
Subsidiaries	6,003	256,455	-	<b>262,458</b>
Joint ventures	17	-	-	<b>17</b>
<b>Total</b>	<b>6,020</b>	<b>270,819</b>	<b>91</b>	<b>276,930</b>

The portion of transactions and balances of a financial and commercial nature not eliminated in the consolidation process is as follows:

*Thousands of Euros*

	Total consolidated	Related parties	%
Other non-current assets	47,751	750	1.57
Trade receivables	137,420	57	0.04
Other current assets	68,287	10	0.01
Trade payables	153,884	10	0.01
Other current liabilities	67,446	8	0.01

*Thousands of Euros*

	Total consolidated	Related parties	%
Net revenues	178,081	25	0.01
Net operating expenses	138,764	11	0.01
Net financial expense	(4,329)	(13)	0.30

## 22. Guarantees, commitments and risks

The Group is party to civil and administrative proceedings and to legal actions in connection with carrying out its normal activities. During the period, the Rome tax office (Unit 1) notified Bulgari International Corporation (BIC) N.V. and Bulgari S.p.A. of an assessment into the alleged tax domicile of the subsidiary Bulgari International Corporation (BIC) N.V.. On the basis of information currently available and the opinions received from the renowned lawyers engaged to assist the Group, the likelihood that these proceedings or legal actions will negatively affect its interim consolidated financial statements is considered to be remote.

In April 2009, the Rome tax office (Lazio Regional Unit) informed Bulgari Retail USA S.r.l. of a preliminary assessment report aimed at demonstrating the structure's alleged tax evasion. The company believes that the inspectors' assessment is absolutely without grounds and reiterated its correct interpretation of the current legislation.

### 23. Net financial position

Pursuant to Consob communication no. 6064293 of 28 July 2006 and in accordance with the CESR Recommendation of 10 February 2005 “*Recommendations for the consistent application of the European Commission’s Regulation on Prospectuses*”, the Group’s net financial position at 31 March 2009 is as follows:

<i>Thousands of Euros</i>	<b>31/03/2009</b>	<b>31/12/2008</b>
Cash	944	1,555
Other cash equivalents	2,513	18,325
<b>Cash and cash equivalents</b>	<b>3,457</b>	<b>19,880</b>
<b>Current financial receivables</b>	<b>7,596</b>	<b>19,636</b>
Bank overdrafts and current loans and borrowings	(256,234)	(236,348)
Current portion of non-current financial debt	(1,657)	(1,720)
Other current financial liabilities	(10,504)	(20,839)
<b>Current financial debt</b>	<b>(268,395)</b>	<b>(258,907)</b>
<b>Net current financial debt</b>	<b>(257,342)</b>	<b>(219,391)</b>
<b>Non-current financial receivables</b>	<b>750</b>	<b>1,301</b>
Non-current bank loans and borrowings	(79,282)	(82,438)
Other non-current payables	(3,054)	(3,030)
<b>Non-current financial debt</b>	<b>(82,336)</b>	<b>(85,468)</b>
<b>Net non-current financial debt</b>	<b>(81,586)</b>	<b>(84,167)</b>
<b>NET FINANCIAL DEBT</b>	<b>(338,928)</b>	<b>(303,558)</b>

## 24. List of consolidated companies

Company	% holding 31/03/2009	% holding 31/12/2008	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 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.	100,00	100,00	Yen	4.000.000.000	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 South Asian Operations Pte Ltd.	100,00	100,00	Sg\$	6.000.000	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	14.200.000	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	6.000.000	Neuchatel	Services
Daniel Roth et Gerald 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	310.000.000	Taipei	Retail sales
Bulgari Korea Ltd.	100,00	100,00	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 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
Bulgari Manifattura 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
Freestige d'Or S.A.	100,00	100,00	Swfr	100.000	Saignelégier	Production of watches 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	100,00	Euro	17.500	Wien	Retail sales
Bulgari Holdings (Thailand) Ltd. (1)	100,00	100,00	Bat	100.000	Bangkok	Sub-holding
Bulgari (Thailand) Ltd.	99,50	99,50	Bat	64.000.000	Bangkok	Retail sales
Bulgari Commercial (Shanghai) Co. Ltd.	100,00	100,00	Us\$	17.000.000	Shanghai	Retail sales
Bulgari Holding Europe B.V.	100,00	100,00	Euro	18.000	Amsterdam	Sub-holding
Bulgari Hotels and Resorts Japan Ltd.	100,00	100,00	Yen	1.237.500.000	Tokyo	Company involved in the Bulgari Hotels and Resorts project
Bulgari Parfums Iberia S.L.	100,00	100,00	Euro	10.000	Barcelona	Perfume distribution
Bulgari Panama Inc.	100,00	100,00	Us\$	10.000	Panama City	Retail sales
H. Finger AG	100,00	100,00	SwFr	400.000	Lengnau bei Biel (Canton of Bern)	Production of watches accessories
Bulgari Ireland Ltd.	100,00	100,00	Euro	1	Dublin	Logistical support and distribution
Bulgari Qatar Lcc	49,00	49,00	Qar	200.000	Doha	Retail sales
Bulgari Kuwait Wll	49,00	49,00	Kwd	100.000	Kuwait City	Retail sales
Cadrens Design S.A.	100,00	-	Swfr	100.000	La Chaux de Fonds	Production of watches

**List of companies consolidated on a proportionate basis**

Company	% holding 31/03/2009	% holding 31/12/2008	Currency	Share capital	Head office	Business
Bulgari Hotels & Resorts B.V. (2)	65,00	65,00	Euro	18.000	Amsterdam	Company in joint venture with the <i>Marriott</i> Group
Bulgari Hotels and Resorts Milano S.r.l. (3)	65,00	65,00	Euro	100.000	Roma	Company involved in the <i>Bulgari Hotels and Resorts</i> project
Cadrens Design S.A.	-	50,00	Swfr	100.000	La Chaux de Fonds	Jewellery production

(1) Company fully consolidated due to the ownership of 100% of class A shares equal to 49,000 Bat.

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

(3) Company owned indirectly through Bulgari Hotels & Resorts B.V. at 61.75% (95% \* 65%, holding of Bulgari Hotels & Resorts B.V. in Bulgari Hotels and Resorts Milano S.r.l.) and directly through Bulgari S.p.A. as at 3.25%.

## 25. Disclosures about companies consolidated on a proportionate basis

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>	Bulgari Hotels & Resorts B.V.	Bulgari Hotels & Resorts Milano S.r.l.
<i>% held</i>	65%	65%
<i>local currency</i>	Euro	Euro
Current assets	0.1	6.0
Non-current assets	7.1	2.1
Current liabilities	0.2	5.3
Non-current liabilities	2.7	20.9
Revenues	-	3.6
Costs	0.1	4.1

\* Amounts are stated at 100%.

## 26. Significant non-recurring transactions

The Group has not been a party to any significant non-recurring transactions during the first three months of 2009 as defined in the Consob communication of 28 July 2006.

## 27. Atypical and/or unusual transactions

The Group has not been a party to any atypical and/or unusual transactions during the first three months of 2009 as defined in the Consob communication of 28 July 2006.

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Pursuant to article 154-bis.2 of the Consolidated Finance Act, Flavia Spena, as manager in charge of financial reporting, states that the financial information in this interim quarterly report is consistent with the documents, accounting ledgers and entries.

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Bulgari S.p.A.  
CEO  
Francesco Trapani

CFO and Manager in charge of financial  
reporting  
Flavia Spena