

Board of Directors' report on the proposal to amend resolutions taken by the Company extraordinary meetings on stock options

Extraordinary Shareholder's Meeting – 2nd and 3rd item on the Agenda Shareholders' Meeting of 24 April 2007

Dear Shareholders,

the Board of Directors of the Company, held last March 7th, 2007, resolved on the proposal to extend the final term to subscribe the relevant share capital increases resolved by:

(I) THE EXTRAORDINARY SHAREHOLDERS MEETINGS OF THE COMPANY HELD RESPECTIVELY ON APRIL 10TH, 1996 AND APRIL 29TH, 2003 WITH REGARDS TO THE STOCK OPTIONS PLANS RESERVED TO EMPLOYEES OF THE COMPANY AND OF THE GROUP,

(II) THE EXTRAORDINARY SHAREHOLDERS MEETINGS OF THE COMPANY HELD RESPECTIVELY ON APRIL 30TH, 1998, THEREAFTER AMENDED, ON APRIL 29TH, 2002 AND APRIL 28TH, 2005 WITH DUE REGARDS TO THE STOCK OPTION PLANS RESERVED TO THE COMPANY'S CEO.

The board of directors is proposing you to extend the final terms foreseen to subscribe the relevant share capital increases; such amendments are deemed opportune due to the fact that a number of options are still available pursuant the provisions set forth into the rules which govern the single stock option plan.

As a consequence of such extension said options would be exercisable for a longer period of time in line to what has already been resolved by the extraordinary shareholders meeting of April 27th, 2001 which has approved a first extension at the original term resolved by the shareholders meeting of the Company on April 27th, 2001 with regards to the stock option plans reserved to the employees of the Company and of the Group.

Thus, either with reference to the stock options plans reserved to the employees of the company and of the Group and to the stock option plans reserved the Company's CEO, the directors are proposing you the following:

1. to amend the text of the extraordinary shareholders minutes of the Company held on April 10th, 1996 and April 29th, 2003 with regards to the last term granted to employees of the Company and of the Group to subscribe stock options, extending such terms to December 31st, 2018 (originally fixed respectively at June 30th, 2012 and June 30th 2013);
2. to amend the text of the extraordinary shareholders minutes of the Company held on April 30th, 1998 on April 29th, 2002 and on April 28th, 2005 with regards to last term granted to the Company's CEO to subscribe stock options, extending such terms respectively to December 31st, 2013 (originally indicated in June 30th, 2008), December 31st, 2016 (originally indicated in December 31st, 2011) and December 31st, 2019 (originally indicated in December 31st, 2014)

All other terms and conditions of said extraordinary shareholders minutes remain unvaried and unchanged.

Roma, 7 marzo 2007

Per il Consiglio di Amministrazione

Il Presidente

(Paolo Bulgari)