

BOARD OF DIRECTORS REPORT ON APPOINTMENT OF AUDIT COMPANY FOR THE AUDIT OF BULGARI S.p.A. AND CONSOLIDATED BULGARI GROUP FINANCIAL STATEMENTS AND LIMITED AUDIT OF THE HALF-YEARLY REPORT FOR THE PERIOD 2006-2011.

Point 3 of the Order of the Day, Shareholders Meeting, 27 April 2006

Shareholders,

given the expiry of the three-year mandate conferred upon KPMG S.p.A. by resolution of the shareholders meeting of 24 November 2003, it is now necessary to confer appointment for the audit of company and consolidated financial statements and the consolidated half-yearly report for the period 2006-2011.

In this respect, we have received professional service proposals from KPMG S.p.A. and another two leading audit companies in relation to the audit of Bulgari S.p.A. and consolidated Bulgari Group financial statements, together with limited audit of the consolidated half-yearly report and verification of company accounts regularity for the period 2006-2011. We have therefore examined said proposals and consider that the KPMG S.p.A. proposal, given the advantage of continuity and proven professional experience and knowledge of Company and Group structures, is preferable.

It is important that we inform you, however, that Communication DEM/6025868-6025869-6025871 of 23 March 2006 issued by Consob has provided clarification with reference to initial application of art.159, section 4 of Italian Leg.Decree 58, 24 February 1998 (Amalgamated Financial Law), as introduced by art.18 of Italian Law 262 of 28 December 2005, in relation to the terms and duration of audit company appointments with regard to those current as at the effective date of Italian Law 262/2005, considered that said law has not imposed transitional measures.

In particular, CONSOB has clarified that, in the presence of an agreement between issuer and audit company, it is possible to extend current appointments in order to fulfil three to six-year mandates provided that, also if said extension is applied, the maximum period of twelve financial periods is observed, also considering tasks already performed by the same audit company without solution of continuity as expressed by the aforementioned regulations.

Further to the CONSOB clarification, KPMG S.p.A. has expressed consent to extension of the three-year appointment in relation to audit of Bulgari S.p.A. and consolidated Group financial statements, already conferred on 24 November 2003, therefore extending the mandate to the 2006, 2007 and 2008 financial periods including integration of related payments in line with the bid submitted on 24 February 2006 and circulated to members of the Board of Auditors.

In compliance with article 159 of Italian Amalgamated Financial Law 58/1998, we submitted for advance screening of the Board of Auditors (i) the professional services proposal relating to audit of the Bulgari S.p.A. and consolidated Bulgari Group financial statements together with limited audit of the consolidated half-yearly report for the period 2006-2011, and (ii) the proposed extension of the current mandate to the 2006, 2007 and 2008 financial periods, with the subsequent request to integrate payments in consideration of changes in the Group structure and the adoption of IAS/IFRS international accounting principles.

The Board of Auditors has expressed favourable opinion on both proposals.

For completion of the above mentioned tasks, KPMG S.p.A. has submitted a bid distinguished by financial period, with fees due as follows:

Task	annual fee
Bulgari S.p.A. financial statements, verification of company accounts regularity and correct identification of management operations in accounting records;	€ 36,000
Consolidated Group financial statements	€ 50,000
Consolidated group half-yearly report	€ 28,500
TOTAL PER ANNUM	€ 114,500

Said annual fees were confirmed by KPMG S.p.A. as also applicable should the current mandate be extended, by integration with fees indicated in the letter of appointment of 10 October 2003 as follows:

	Financial statements	Consolidated financial statements	Half-yearly report	TOTAL
Letter of appointment 10 October 2003	€ 32,500	€ 29,000	€ 11,000	
Integration related to Group modification	€ -	€ 3,900	€ 3,900	
Integration for adoption of IAS/IFRS	€ 2,300	€ 14,700	€ 11,200	
Integration for the introduction of Italian Law 262/2005	€ 1,200	2,400	€ 2,400	
TOTAL	€ 36,000	€ 50,000	€ 28,500	€114,500

The above amounts – determined in accordance with criteria set by CONSOB in Communication 96003556 of 18 April 1996 – do not include sustained expenses or similar, the monitoring contribution required by CONSOB, VAT and other adjustments due to exceptional and/or unexpected circumstances (for which the audit company will formulate an integration to their proposal).

The audit plan indicated in the proposal may be subject to variation due to Regulations due to be issued by CONSOB further to the recent introduction of Italian Law 262 of 28 December 2005 on the subject of Provisions for Asset Protection and Financial Market Discipline. Any variation as required will be subject to proposal integration. Furthermore, if following the issue of the Department of Justice decree as required under the same legal provision, a number of Group companies would be based in countries that do not guarantee company transparency and would therefore be subject to separate audit by KPMG, with the proposal integrated accordingly.

For the purpose of completeness and respect for the provisions of doc.2 of the Audit Principles established by the National Council of Chartered and General Accountants, in the audit proposal for 2006-2011 and the letter of integration with the current audit mandate, KPMG S.p.A. has provided indications with regard to (i) financial statement audit fees for foreign subsidiaries of the Bulgari Group, estimated in the operating currency of each country and calculated on the basis of tasks to be performed by foreign correspondents of Italian staff, and (ii) financial statement audit fees for Italian subsidiaries and verification of their accounts regularity as from 2006.

The fees for tasks relating to the certification and audit of foreign and Italian subsidiary financial statements, as indicated in the attachments to the KPMG S.p.A. proposal, i.e. in the letter of integration,

will be subject to approval by the various company bodies concerned so as to guarantee observance of current legal requirements in group Principal Auditor terms.

In the light of CONSOB clarifications, it would appear preferable to proceed to extension of the existing KPMG S.p.A. mandate.

In this respect, should you agree with the above recommendations, we invite you to adopt the following Resolution:

1. to extend the mandate conferred upon KPMG S.p.A. on 24 November 2003 and therefore resolve extension to the 2006, 2007 and 2008 financial periods, with particular reference to:
 - a) audit of Bulgari S.p.A. and consolidated Bulgari Group financial statements;
 - b) during the financial period, verification of accounts regularity and the correct identification of management operations in Bulgari S.p.A. accounting records;
 - c) limited audit of the Bulgari Group consolidated half-yearly report;
2. to establish the sum payable to KPMG S.p.A. for the above mentioned tasks following the integration of fees as indicated in the previous bid, as follows:

Task	Annual fee
Bulgari S.p.A. financial statements, verification of company accounts regularity and correct identification of management operations in accounting records;	€ 36,000
Consolidate Group financial statements	€ 50,000
Consolidated group half-yearly statements	€ 28,500
TOTAL PER ANNUM	€ 114,500

Said sum is calculated in accordance with criteria established by CONSOB Communication 96003556 of 18 April 1996, and is subject to variations referred to therein should “exceptional and/or unexpected circumstances arise”.

Rome, 27 March 2006
For the Board of Directors
Chairman
(Paolo Bulgari)