

**Report of the Board of Directors**  
**illustrating the proposal of separate increase of share capital through payment**  
**pursuant to Art. 2441 para. 5 of the Italian Civil Code**

**Extraordinary Part – 1<sup>st</sup> point on the agenda**

**General Meeting of 18/4/2008**

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Shareholders,

At the meeting of 29 February 2008, the Board of Directors decided to call upon you to approve the Company's share capital increase by the issue of a maximum of No. 1,800,000 ordinary shares, with the exclusion of the shareholders' right of option pursuant to Art. 2441, para. 5, with the same being reserved to the Chief Executive Officer Mr. Francesco Trapani.

The exclusion of the right of option is justified by the corporate interest of providing incentives, through the mechanism of stock options, to the Chief Executive Officer as the principal person with operational responsibility for the Company, as already done in the past and considering that the stock option plan approved in the resolution of 2005 and subsequently amended, has been implemented with the granting of all the options provided for therein.

Due to the same reasons supporting the approval of the previous plan, also taking into account the major corporate results achieved, this type of incentive should also be maintained for the 3-year period 2008-2010, likewise considering that the use of stock options is a widespread market practice, especially as a valid tool for retention of the most deserving members of top management.

The shares to be issued therefore form part of a stock option plan, the implementation of which shall be assigned to the Board of Directors with right of delegation to the Chairman according to the proposal in the terms set forth below and submitted for approval by the Meeting.

The deadline for subscription shall be 31 December 2017 since the Board intends to

(i) reserve the right to grant subscription rights (options) up to the year 2010 and to (ii) ensure the vesting of the options once a certain period has elapsed from their granting, and that the options may be exercised for a sufficiently long period after such vesting.

The issue price of the shares shall be determined by the Board of Directors of the Company, with right of delegation to the Chairman, at the time of granting of the subscription rights, at a price per share, inclusive of premium and nominal value, equivalent to the arithmetic mean of the official prices recorded by Bulgari shares on the Electronic Share Market (Mercato Telematico Azionario), organised and managed by Borsa Italiana S.p.A. in the month previous to the date of granting (with previous month being defined as the period from the date of granting of the options to the same day of the previous month, and recalling that in this period, for purposes of arithmetic calculation, the only days taken into account shall be those on which the Stock Exchange is open and on which ordinary shares of Bulgari S.p.A. have actually been traded). The issue price may not in any case be lower than the one determined, in accordance with the provisions of para. 6 of Article 2441 of the Italian Civil Code, on the basis of the value of the net assets of the Company resulting from the last financial statements approved before the date of granting of the subscription rights, also taking into account the trends in the share price over the last half.

The Board of Directors believes that reference to the mean value of stock market prices in the month previous to the date of granting of the options, expressing the value of the Company on the basis of the capitalisation of the shares traded on the market, represents an adequate criterion for determining the issue price.

The Board likewise believes that the minimum limit established with regard to the value of the net assets shown in the last financial statements approved before the granting of the subscription rights, also taking into account the prices recorded in the last half, in any case allows us to verify that the price determined on the basis of the criterion stated above, in the period when it is intended to undertake the granting of the subscription rights, is in accordance with the principles set forth in Art. 2441, para. 6 of the Italian Civil Code.

The date of enjoyment of the shares issued shall be 1 January of the financial year in which the subscription takes place.

The Board of Directors, which may delegate the Chairman for this purpose, shall therefore be entitled and not obliged to attribute the subscription rights and may set forth any other condition for granting, including, without limitation, the time for subscription within the maximum time limit of 31 December 2017, the corresponding amounts, the period starting from the granting beyond which the options may be exercised, the disposal of options not yet exercised or which may not be exercised in case of termination, for any reason, of the relationship between the Chief Executive Officer and the Company, the changes in case of changes in social security, tax or other legislation relevant for the implementation of the stock option plan.

The following resolution is therefore submitted to the General Meeting for approval:

*“The share capital is hereby increased by payment, in separate form, by the issue of a maximum no. 1,800,000 (one million eight hundred thousand) shares with a nominal value of Euro 0.07 each. The capital increase is reserved, pursuant to Article 2441, para. 5 of the Italian Civil Code, to the Chief Executive Officer Mr. Francesco Trapani, to whom the Board of Directors, which may delegate the Chairman for this purpose, may grant in one or more lots the relative*

*subscription rights within the maximum limit of 31.12.2010.*

*The capital increase may be subscribed on the basis of the options granted in this way up to the maximum of 31.12.2017, and should it not be entirely subscribed by that date, the capital increase shall be set at the lower amount resulting from the subscriptions which have taken place.*

*The issue price of the shares shall be determined by the Board of Directors of the Company, with right of delegation to the Chairman, at the time of granting of the subscription rights, at a price per share, inclusive of premium and nominal value, equivalent to the arithmetic mean of the official prices recorded by Bulgari shares on the Electronic Share Market (Mercato Telematico Azionario), organised and managed by Borsa Italiana S.p.A. in the month previous to the date of granting (with previous month being defined as the period from the date of granting of the options to the same day of the previous month, and recalling that in this period, for purposes of arithmetic calculation, the only days taken into account shall be those on which the Stock Exchange is open and on which ordinary shares of Bulgari S.p.A. have actually been traded). The issue price may not in any case be lower than the one determined, in accordance with the provisions of para. 6 of Article 2441 of the Italian Civil Code, on the basis of the value of the net assets of the Company resulting from the last financial statements approved before the date of granting of the subscription rights, also taking into account the trends in the share price over the last half.*

*The date of enjoyment of the shares issued shall be 1 January of the financial year in which the subscription takes place; these shares have the same rights as ordinary shares already issued.*

*The Board of Directors, with right of delegation to the Chairman, shall be endowed with all powers for the implementation of this resolution, including, without limitation, the right to determine the time of granting of the subscription rights within the maximum time*

*limit set forth above, to determine the amount of subscription rights to be granted, also in several lots, the period starting from the granting beyond which the options may be exercised, the disposal of the subscription rights not yet exercised or which may not be exercised in case of termination, for any reason, of the relationship between the Chief Executive Officer and the Company, the changes in case of changes in social security, tax or other legislation relevant for the implementation of the stock option plan.*

Rome, 29 February 2008  
For the Board of Directors  
The Chairman  
Mr Paolo Bulgari