

## **REPORT OF THE BOARD OF DIRECTORS ON THE PROPOSAL TO PURCHASE AND SELL THE COMPANY'S OWN SHARES**

Ordinary Shareholders' Meeting of 16 April 2009

2<sup>nd</sup> item on the agenda

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Shareholders,

The Board of Directors believes it appropriate to convene you and to present for your approval a new proposal to purchase and sell the Company's own ordinary shares to replace that currently in force, which will accordingly be revoked at the date of the shareholders' resolution.

Purchase and sale transactions of the Company's own shares, which require the authorisation of shareholders in general meeting, can be carried out from time (i) to assist in stabilising movements in the price of the share and to facilitate its liquidity on the stock market, or (ii) to establish a portfolio of own shares that may be used in relation to the issue of convertible debentures or debentures with warrants, or (iii) to enable a reduction in share capital to be carried out through their cancellation.

Within the limits set forth by the Shareholders meeting last April 18<sup>th</sup>, 2008 the Company, during the whole 2008, (i) did not purchase ordinary shares and (ii) sold n. 800,000 ordinary shares at an average medium price of Euro 7,9328.

At 31 December 2008 the Company did not hold ordinary shares in its portfolio.

Consistent with the provisions of article 2357 of the civil code, under which "the Company may not purchase its own shares other than within the limits of the distributable profits and reserves stated in the most recent financial statements approved by shareholders", the Board requests you to authorise the purchase and sale of the Company's own ordinary shares, as appropriate also through the use of put and call options, these being derivative financial instruments, up to a maximum of 30.000.000 own shares.

The purchase price will be in the range between Euro 1,5 and Euro 10 for each ordinary share.

The minimum and maximum prices have been determined under the assumption that there may be variations, either increases or decreases, in the price of the ordinary share.

The transaction will be carried out within the ceiling of the distributable profits and reserves stated in the most recent financial statements approved by shareholders, as required by article 2357 of the civil code, and in particular through the use of the share premium reserve.

The authorisation to purchase will have a duration of eighteen months from the date of the shareholders' resolution and purchases will have to be carried out in conformity with the prevailing legislative regulations.

Purchase transactions will be made on the market, in order that all shareholders receive an equal treatment, in accordance with article 132 of legislative decree no. 58 of 24 February 1998.

If the purchase operation is being performed in order to reduce share capital through the cancellation of the shares acquired, then it is stated as of now that any difference between the nominal value of the shares and their purchase price will be compensated by the use of the SHARE PREMIUM ACCOUNT.

The means of carrying out a reduction and cancellation of the Company's own shares held in portfolio and the terms and conditions for the conversion of debentures or the exercising of warrants to subscribe to the own shares, will be discussed at an extraordinary shareholders' meeting called with the specific

objective of taking decisions on such operations.

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The following resolutions regarding the above matters are placed before the Ordinary Shareholders' Meeting for its approval:

1. In accordance with the second paragraph of article 2357 of the civil code, to authorise the Chairman of the Board of Directors and the Managing Director, singly, to proceed with the purchase of own shares, in the 18 month period following the date of the shareholders' resolution, up to an overall amount not exceeding 30,000,000 shares, at an unit purchase price in the range between a minimum of Euro 1,5 and a maximum of Euro 10, and within the limits of the distributable profits and reserves available,; the purchase must be made on the Stock Exchange in accordance with article 132 of the consolidated law T.U. 58/1998 and under the procedures and within the hours of business provided in article 4.1.2 of the Regulations of the Markets Organised and Administered by Borsa Italiana S.p.A..
2. To authorise in a similar manner the sale of put options and the purchase of call options having as their object the Company's own shares, as a particular means of purchase of such shares; such transactions must therefore be consistent as to number, duration and price (meaning the sum of the exercise price plus any premium) with the above-mentioned authorisation to purchase, with the express expectation that said put and call options will be placed solely with qualified operators as per article 31, paragraph 2, of Consob Regulation no. 11522 of 1 July 1998 and that the Company will execute such put options through a cash settlement.
3. In accordance with article 2357 ter of the civil code, to authorise the Chairman of

the Board of Directors and the Managing Director, singly, to sell own shares held in portfolio at a unit price not, however, less than Euro 1,5; the sale must be made on the Stock Exchange, also at the blocks, or in a different manner if so authorized by the Board of Directors.

4. To authorize in a like manner the sale of previously acquired call options or call options whose object is the Company's shares, as a particular means of selling own shares held in portfolio and purchased at a prior date; such transactions must therefore be consistent as to number, duration and price (meaning the sum of the exercise price plus any premium) with the above-mentioned authorisation to sell, with the express expectation that said call options will be sold exclusively to qualified operators as per article 31, paragraph 2, of Consob Regulation no. 11522 of 1 July 1998 and that the Company will execute such call options through a cash settlement.
5. Finally, to authorize the purchase of put and call options having the same characteristics as those sold, for a quantity not exceeding that of the put options and, respectively, the call options sold but, at that date, not yet exercised.

Rome, 11 March 2009  
For the Board of Directors  
The Chairman  
Paolo Bulgari