

Illustrative report of the Board of Directors of Bulgari S.p.A. (the “Company”) for the ordinary and extraordinary shareholders’ meetings called in first and second call on 21 and 22 July 2009 respectively to discuss and adopt a resolution on the proposal to amend the Company’s bylaws as follows: (i) at article 6, relating to introducing the possibility of increasing share capital with the exclusion of pre-emption rights pursuant to article 2441, paragraph 4, second sentence, of the Italian civil code, (ii) at article 6, in respect of the proposal to delegate the Board of Directors with powers pursuant to article 2443 of the Italian civil code to increase share capital by up to a maximum of 10% pursuant to article 2441, paragraph 4, second sentence, of the Italian civil code, (iii) at article 6, in respect of the proposal to delegate the Board of Directors with powers pursuant to article 2443 of the Italian civil code to increase share capital in divisible form by way of cash consideration, (iv) at article 8, relating to the proposal to delegate powers pursuant to article 2420 ter of the Italian civil code, and (v) at article 16, relating to the granting of responsibilities to the Board of Directors pursuant to article 2365 of the Italian civil code.

Point IV on the agenda of the extraordinary part of the meeting

Shareholders,

You have been convened to discuss and adopt a resolution on a proposal to make amendments to certain provisions contained in articles 6, 8 and 16 of the Company’s bylaws as follows:

- (i) at article 6, relating to introducing the possibility of increasing share capital with the exclusion of pre-emption rights pursuant to article 2441, paragraph 4, second sentence, of the Italian civil code;
- (ii) at article 6, in respect of the proposal to delegate the Board of Directors with powers pursuant to article 2443 of the Italian civil code to increase share capital in divisible form by way of cash consideration by up to a maximum of 10% with the exclusion of pre-emption rights pursuant to article 2441, paragraph 4, second sentence, of the Italian civil code;
- (iii) at article 6, in respect of the proposal to delegate the Board of Directors with powers pursuant to article 2443 of the Italian civil code to increase share capital in divisible form by way of cash consideration;
- (iv) at article 8, relating to the proposal to delegate the Board of Directors with powers to issue convertible bonds pursuant to article 2420 ter of the Italian civil code;
- (v) at article 16, relating to the granting of responsibilities to the Board of Directors pursuant to article 2365 of the Italian civil code regarding a merger in the cases provided by articles 2505 and 2505 bis of the Italian civil code and a capital reduction in the case of the withdrawal of a shareholder.

The proposals to amend the bylaws set out in this report do not entitle shareholders to exercise withdrawal rights.

This purpose of this report, prepared by the Company’s Board of Directors pursuant to article 72, paragraph 1, of the Regulations approved by Consob in Resolution no. 11971 of 14 May 1999 (as subsequently amended) and format 3 as per Annex 3A of those regulations, is to illustrate the subject proposals and explain the reasoning behind them.

More specifically:

- The amendments to the bylaws at (i), (ii), (iii) and (iv) will enable the Board of Directors to act on the Company's equity and financial structure by exercising delegated powers to increase the share capital of Bulgari S.p.A. on one or more occasions by issuing new shares and/or convertible bonds. In this respect the Board would like to point out that the amendments to the bylaws and the granting of powers will enable any future urgent needs of the Company to be satisfied effectively, as the increasing variability and volatility of the financial markets, namely investments, both inside and outside the Bulgari Group, may require funding and/or investment decisions to be taken with extremely short notice. In this context the time required to call an extraordinary shareholders' meeting, which is the competent corporate body for approving transactions involving share capital, may on occasions not be reconcilable with the timing imposed by the operations under consideration.
The amendment proposed at point (i), namely the introduction into the bylaws of the possibility of increasing share capital with the exclusion of pre-emption rights pursuant to article 2441, paragraph 4, second sentence of the Italian civil code, has become possible for listed companies following the reform of corporate law.
- The proposal at point (v), namely to grant the Board powers to adopt resolutions regarding mergers in the cases provided by articles 2505 and 2505 bis of the Italian civil code in addition to those for which it is already competent, namely relating to the merger into the Company of wholly owned companies or companies held as to 90% and to the reduction of share capital in the case of the withdrawal of a shareholder, has become possible following measures included in the reform of corporate law aimed at enabling companies to work more straightforwardly. In fact the proposal in this case relates specifically to the matter of adding a provision to the bylaws which enables procedures to be simplified.

The following proposal is therefore submitted to the extraordinary meeting of shareholders for approval:

(a) To amend article 6 of the Company's bylaws to provide for the following:

- that in case of an increase in share capital by way of payment, pre-emption rights may be excluded pursuant to article 2441, paragraph 4, second sentence, of the Italian civil code for up to a maximum of 10% of pre-existing share capital, on condition that the issue price corresponds to the market value of the shares and that this is confirmed in a specific report issued by the auditors;
- that pursuant to article 2443 of the Italian civil code the Board of Directors shall have the right to increase share capital, by way of cash consideration, on one or more occasions, with the exclusion of pre-emption rights pursuant to article 2441, paragraph 4, second sentence, of the Italian civil code, for up to five years from the date of the resolution adopted by shareholders granting the Board such powers, up to a maximum of 10% of pre-existing share capital and in compliance with the terms and conditions of law;
- that pursuant to article 2443 of the Italian civil code the Board of Directors shall have the right to increase share capital in divisible form by way of cash consideration, on one or more occasions, for up to five years from the date of the resolution adopted by shareholders granting the Board such powers, by issuing up to 50,000,000 (fifty million) ordinary shares, offered in pre-emption, having the same features as those in circulation, with the widest powers to establish from time to time the means, terms, conditions and price of issue of the new shares, including any premium, within the limits indicated above.

- (b) To amend article 8 of the Company's bylaws in order to grant the directors with powers pursuant to article 2420 ter of the Italian civil code (i) to issue, for up to five years from the date of the resolution adopted by shareholders granting such powers, on one or more occasions, registered or bearer convertible bonds up to a maximum amount, including the amount of the Company's bonds outstanding at the date of issue, of double the sum of the Company's share capital, legal reserve and available reserves as stated in the most recent approved set of financial statements or up to the maximum provided by the law applicable from time to time; (ii) to determine the price, number, features, type, means of placing and regulations of the bonds, and the bond conversion ratio; (iii) to adopt resolutions to increase capital by the amount that may be required to convert the bonds.
- (c) To amend article 16 of the Company's bylaws in order to grant the directors with powers pursuant to article 2365 of the Italian civil code to adopt resolutions regarding mergers in the cases provided by articles 2505 and 2505 bis of the Italian civil code and the reduction of capital in the case of the withdrawal of a shareholder.

In respect of the above you are therefore invited to approve the proposed amendments to the bylaws of Bulgari S.p.A. as described and to instruct the Company's Board of Directors, and on the Board's behalf the Chairman and the Managing Director, also severally, to carry out all the steps and formalities required to implement this resolution and to introduce in such any changes which may be required for entry in the Companies' Register.

The following resolution is therefore submitted to the extraordinary meeting of shareholders for approval:

"The extraordinary meeting of the shareholders of Bulgari S.p.A, having heard the report of the Board of Directors,

Resolves

- I. To amend article 6 of the bylaws as follows:

Article 6 – Present text

- 01. The share capital is Euro 21,044,086.70 (twenty one million forty four thousand and eighty six/70), represented by 300,629,810 (three hundred million six hundred and twenty nine thousand eight hundred and ten) ordinary shares with a face value of Euro 0.07 (zero point zero seven) each.
- 02. The shares are de-materialised and are issued into the centralised management system pursuant to the relevant applicable legal provisions.
- 03. Share capital may be increased, with a deliberation of the Shareholders' Meeting, also through the allotment of assets in kind and/or credits and also with the issue of new shares having different rights from those of the shares already issued.

Article 6 – New text

- 01. The Company's share capital amounts to Euro 21,044,086.70 (twenty one million forty four thousand and eighty six/70), represented by 300,629,810 (three hundred million six hundred and twenty nine thousand eight hundred and ten) ordinary shares with a nominal value of Euro 0.07 (nought point nought seven) each.
- 02. The shares are dematerialised and are issued into the centralised management system pursuant to the relevant applicable legal provisions.

03. Share capital may be increased, through a resolution adopted by the Shareholders' Meeting, including by way of a contribution in kind and/or receivables and also through the issue of new shares having different rights from those of the shares already issued.
04. In case of an increase in share capital pre-emption rights may be excluded up to a maximum of ten per cent of the pre-existing share capital on condition that the issue price corresponds to the market value of the shares and that this is confirmed in a specific report issued by the auditors.
05. Pursuant to article 2443 of the Italian civil code the directors may increase share capital in divisible form by way of cash consideration, on one or more occasions, with the exclusion of pre-emption rights pursuant to article 2441, paragraph 4, second sentence, of the Italian civil code, for up to five years of the date from the resolution adopted by shareholders granting such powers to the directors.
06. Pursuant to article 2443 of the Italian civil code the directors may increase share capital in divisible form by way of cash consideration, on one or more occasions, for up to five years from the date of the resolution adopted by shareholders granting such powers to the directors, by issuing up to 50,000,000 (fifty million) ordinary shares, offered in pre-emption, having the same features as those in circulation, with the widest powers to establish from time to time the means, terms, conditions and price of issue of the new shares, including any premium, as well as the date of rights to enjoyment, within the limits indicated above.

II. To amend article 8 of the bylaws as follows:

Article 8 – Present text

01. The Company can issue registered bonds and/or bearer bonds, also convertible into own shares and/or into shares or stakes in third-party companies, with observance of applicable *pro-tempore* legal provisions.
02. The functional responsibility for issuing obligations is assumed by the Board of Directors or the Shareholders Meeting pursuant to the provisions of articles 2410 and 2420 bis of the Italian Civil Code.
03. The issue of bonds non-convertible into shares guaranteed by mortgage on corporate real estate is reserved to the Shareholders' Meeting.
04. The proxy pursuant to article 2420 ter of the Italian Civil Code is allowed to the Board of Directors with the limits indicated in such a provision.

Article 8 – New text

01. The Company may issue registered and/or bearer bonds, including those convertible into treasury shares and/or shares or equity investments in third party companies, in accordance with the applicable *pro-tempore* provisions of law.
02. The Board of Directors or the Shareholders' Meeting has the functional responsibility for issuing bonds in accordance with articles 2410 and 2420 bis of the Italian civil code.
03. The issuing of bonds which are not convertible into shares and which are secured by a mortgage on corporate real estate is reserved to the Shareholders' Meeting.
04. The Board of Directors may be delegated the powers provided by article 2420 ter of the Italian civil code within the limits indicated in that article.
05. Pursuant to article 2420 ter of the Italian civil code the directors may (i) issue for up to five years from the date of the resolution adopted by shareholders granting them such powers, on one or more occasions, registered or bearer convertible bonds up to a maximum amount, including the amount of the Company's bonds outstanding at the date of issue, of double the sum of the Company's share capital, legal reserve and available reserves as stated in the most recent approved set of financial statements or to up the maximum provided by the law

applicable from time to time; **(ii)** determine the price, number, features, type, means of placing and regulations of the bonds, and the bond conversion ratio; **(iii)** adopt resolutions to increase capital by the amount that may be required to convert the bonds.

III. To amend article 16 of the bylaws as follows:

Article 16, paragraph 2 – Present text

02. In addition to that indicated in article 3, paragraph 2, the Board of Directors is qualified to deliberate about the adjustment of the corporate Articles of Association to the provisions pursuant to art.2365 of the Italian Civil Code.

Article 16, paragraph 2 – New text

02. In addition to the matters indicated at article 3, paragraph 2 of these articles of association, **the Board of Directors also has the powers, pursuant to article 2365 of the Italian civil code, to adopt resolutions regarding mergers in the cases provided by articles 2505 and 2505 bis of the Italian civil code, to reduce capital in the case of the withdrawal of a shareholder and to amend the articles of association as a consequence of changes in laws and regulations.**

IV. To instruct the Board of Directors to amend articles 6, 8 and 16 of the Company's bylaws in accordance with any increases in share capital which may be made.

V. To instruct the Company's Board of Directors, and on the Board's behalf the Chairman and the Managing Director, also severally, to carry out all the steps and formalities required to implement this resolution and to introduce in such any changes which may be required for entry in the Companies' Register".

On behalf of the Board of Directors
The Chairman
Paolo Bulgari

Rome, 16 June 2009