

The below is a transcript of remarks made by Mr. AC Gounaris, Chairman of the Board of Directors of Folli Follie Commercial Manufacturing and Technical S.A. (“**FF Group**”) during a conference call which took place on 24 July 2019 and was open to all stakeholders. The statements made therein represent the views of the Board of Directors of FF Group and should not be used as the basis of any investment decision by any persons.

The transcript includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this announcement, including, without limitation, those regarding our intentions, beliefs or current expectations concerning, among other things, FF Group's future financial condition and performance, results of operations and liquidity, and our strategy, plans, objectives and targets. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that actual outcomes may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this announcement. In addition, even if the actual outcomes are consistent with the forward-looking statements contained in this announcement, those outcomes may not be indicative of results or developments in subsequent periods. Readers should not place undue reliance on forward-looking statements.

The transcript refers to the Restructuring Proposal Announcement and Term Sheet, each of which can be found on FF Group's website at (<http://www.ffgroup.com/investors/>). The terms discussed in the below transcript and in the Restructuring Proposal Announcement and Term Sheet will be addressed in greater detail and may be modified or superseded in future communications of FF Group, including the Consent Solicitation Statements to be delivered to creditors at the launch of FF Group's consent process relating to the Restructuring Proposal.

## **TRANSCRIPT OF STAKEHOLDER CALL**

### **Call Sequencing**

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1. Good afternoon and thank you for joining this call of FF Group's stakeholders. I am AC Gounaris, the Chairman of the Board of Directors of FF Group. We are joined today on this call by the Company's financial and legal advisors.
2. The purpose of this call is to provide stakeholders, especially our unsecured debt holders, with an overview of the Group's current position and to explain in further detail our proposed plan for the financial and corporate restructuring of the Group. We firmly believe that this restructuring proposal treats our stakeholders fairly and provides the stakeholders with a better return than would otherwise be achieved through an orderly wind-down or bankruptcy of the Group, as explained later and also places the Group on a more stable financial platform from which it has a

realistic opportunity to succeed in implementing an effective turnaround of the Group's performance.

3. We would also like to give a brief update on certain recent events affecting the Group's current position.

Firstly, as noted in the Company's announcement dated 15 July 2019, the Company has until recently been engaged in complex and prolonged discussions with an ad hoc committee of the unsecured creditors. These discussions were held with the objective of reaching an agreement on the terms of the restructuring which would be supported by the ad hoc group. Whilst the Group thought that such a position had been reached in February this year, unfortunately some of the conditions to the implementation of such transaction were not capable of being met effectively and the agreed proposal was therefore withdrawn. However, in order to avoid a bankruptcy of the Group, which the Company believes would be highly detrimental to the return provided to the Group's unsecured creditors, the Company has developed the proposal that we published on 15 July and which we are discussing with you today.

Secondly, as many of you will be aware, PwC, the Group's auditors, with the assistance of the Group's management and audit, has completed its audit of the Group's 2017 annual consolidated financial statements. We view the completion of this audit and the upcoming management audit by PwC as important steps in the Group's continued process of improving our corporate governance and internal controls functions to allow the Group to grow sustainably and, working with our stakeholders, return to profitability. As noted in our 15 July announcement, PwC have disagreed with the going concern basis upon which these accounts were prepared and have instead stated that if the financial statements had been prepared based on a liquidation value of the assets and liabilities, this would have a significant impact on the financial status and results of the Group. The Group believes that preparing the results on liquidation basis would have been incorrect and was not an option because (a) as yet, we still believe there is a reasonable prospect of reaching an agreement with all unsecured creditors, the latest attempt of which is the current proposal and (b) we have always acted on the belief that the Group is on a path to successful approval of its rehabilitation plan, a prerequisite of which is securing the going concern basis of the emerging entity. We therefore consider preparing accounts on a liquidation basis to be premature.

Please note that the annual reports for 2017 have been published both in Greek and English and are available on the Athens Exchange website as well as our site. With regards to the 2018 accounts, every effort will be exerted in order to have them ready within 2 months from the appointment of the auditors during September's General Meeting.

4. One of the principal aims of the restructuring involves a corporate reorganization that will reshape the Group by transferring core business assets and operations to a new operations company (or "**OpsCo**") and transferring non-core and real assets to a new asset holding company that does not form part of the Group (the "**AssetsCo**"). OpsCo will be wholly owned by Folli Follie Commercial Manufacturing and Technical S.A. and AssetsCo will be wholly owned by the Group's existing creditors. The Company believes that if the proposal we released to the market on 15 July is accepted, through these structural changes, the closure of non-performing stores and business lines, the ring-fencing of the performing assets and the implementation of a successful and proactive costs management programme, we believe we can deliver the desired turnaround and ability to continue to trade on a going concern basis, whilst also maximising the return to creditors and providing the Group with a sustainable capital structure.
5. In summary, under this plan the Company is seeking to transfer the value in some of the Group's performing and more valuable assets to the existing unsecured creditors in part compensation for the cancellation of their existing claims against the Group. In addition, creditors will also benefit from new debt to be issued from OpsCo to AssetsCo. To provide further clarity, we will be discussing the four following issues:

- a. Corporate Reorganization and Asset Transfer,
- b. New Cashless Note / Guarantee,
- c. Debt to Equity Swap, and
- d. Description of the Greek Rehabilitation Process.

a. **On Corporate Reorganization and Asset Transfer**

The Group will form two new entities, which we expect to incorporate in Greece: **OpsCo** and **AssetsCo**.

**OpsCo** will act as the home for the new, healthy business for the Group and will allow us to run the Group's operations clean and free of legacy liabilities.

The new company will focus on stabilizing the current performing operations of the Group, capitalizing on our extensive expertise of the retail market. These operations include the retail fashion business, discount stores and the IP portfolio of the Group.

Today the valuation of OpsCo includes the value of inventories in Greece and free cash flow. However, going forward, the OpsCo will be a viable and sustainable operation, especially after the restructuring effort of our businesses in the UK and Asia.

We intend to transfer all non-core and real assets to **AssetsCo**, which will provide a solid asset recourse base to our existing unsecured creditors. As at [today's date], we estimate that the market value of these assets are as of today, approximately **€ 96,5 million** including all properties owned by the Group in Greece and abroad minus **€ 6,5 million** of incompetencies leading to an end market value on approximately **€ 90 million**. Thus, total estimated recovery proceeds for creditors will be approximately 28 c including the sale proceeds of assets at market value, contracted rent and repayment of the new Note. We will provide an independent valuation and recovery analysis in connection with the Consent Solicitation.

Conversely, under an insolvency outcome, creditors' recovery from assets is estimated at less than 10c due to the significant negative impact that the valuation of assets subject to AML freezing orders, unwinding expenses and the extended timeframe for liquidations will have on the level of end proceeds to note holders.

It should be noted that under a liquidation scenario, recovery could take as long as 5-7 years due in part to the notorious delays observed in the Greek judicial system, thus eroding values on an NPV basis. Furthermore, total recovery is reduced by liquidation expenses, including taxes, personnel and legal costs. It is expected that the aforementioned 10 cent recovery under this scenario could be as low as 7 cents by the time of full closure. Again, independent evidence of likely recovery in a liquidation will be provided as part of the Consent Solicitation.

b. **On New Cashless Note/Guarantee**

As part consideration for the issuance of the AssetsCo shares to the existing creditors in exchange for the release of their claims, the proposal envisages that the existing creditors will also, through their shareholding in AssetsCo, indirectly benefit from the issuance of the new €20 million PIYC bond. The new PIYC bond will be issued by OpsCo to AssetsCo and will have an interest rate of 9% whether such interest is cash paid or PIK. The PIYC bond will mature 5 years from issuance, will be subject to market standard covenants and will be callable at par from 2 years from the issue date. This PIYC bond

will also benefit from a guarantee by Folli Follie Commercial Manufacturing and Technical S.A., being the sole shareholder of OpsCo. Cash interest payments will be upstreamed to the AssetsCo Shareholders by means of a dividend and therefore constitute additional value being made available to the existing creditors to the tune of an additional 2,3c or 2c for the medium term scenario described above.

The loan amount of €20 million and the €10 million of interest payable over the 5-year maturity will be provided by OpsCo to AssetsCo to ensure that the notes can be serviced and to maximise the returns of the note holders based on the company's maximum expected ability to repay and compensate them for any turnaround upside to be generated during the period. Further recourse is granted to OpsCo's assets for the benefit of AssetsCo

It should be noted that contrary to the previous term sheet which provided for a conditional funding of €41 million to be invested by the note holders, the PIYC nature of the bond in the current proposal eliminates the requirement to provide additional liquidity, thus further improving the risk and financing characteristics of the proposal. The new proposition and business plan eliminates the need for the cash injection, which under the previous plan was used to subsidize loss making operations for a certain period of time and their eventual restructuring in addition to restoring the Group's reputation in the different operating regions abroad. The current proposition is based on the dramatic scaling back of these operations and focus in cash generating businesses in Greece. Additionally significant savings shall be realized by the rationalization of overhead expenses and reduction of taxes, which under the previous plan represented a significant cost burden to the Company.

Regarding the Dufry shares, they are currently under arbitration. It should be noted that, as is the case with all assets remaining with OpsCo, the Dufry shares will be part of the corporate guarantee to be provided by the company in favor of the note. Also, the assets remaining with the OpsCo are to be utilized for funding the turnaround of the company and hence the repayment of the new Note.

**c. On Debt to Equity Swap**

As part of the implementation process following the Greek Courts ratifying the Restructuring Agreement, which will set out the mechanics for implementation of the Restructuring, the Group will launch an exchange process whereby bondholders will transfer their existing unsecured bonds via the Clearing Systems to an account designated by the Group and in return will receive their allocation of the AssetsCo Shares. The Lenders of the Schuldschein and other unsecured creditors eligible to participate will, upon cancellation of the relevant debt, also receive AssetsCo Shares. We propose that the AssetsCo Shares will be allocated *pro rata* to each entitled Creditor's holdings of debt. To the extent that any entitled Creditor does not come forward during the initial exchange offer period, their allocation of AssetsCo Shares will be placed on trust for 12 months, during which time such Creditor can carry out the exchange and cancellation of debt in order to receive their allocation of the shares. Any unclaimed shares at the end of the 12 months trust period will be sold and any unclaimed proceeds will be transferred back to AssetsCo to ultimately form part of the value available to the holders of the AssetsCo Shares.

The terms of the governance surrounding the AssetsCo Shares have been broadly set out in the proposal and will be refined further ahead of the issuance of the Consent Solicitation Statement. We would note that we have not specified the relative value of different categories of debt based upon their claims of structural seniority. We are happy to facilitate a discussion among different creditor classes in order to reach an equitable resolution regarding the allocation of AssetsCo Shares should the *pro rata* entitlement not be commercially acceptable.

In considering previous proposals, the 2019 term sheet would have required an injection of new monies up to €62 million following which certain rightful stakeholders would have been eliminated. The current offer requires no such cash injection while still allowing the noteholders to retain more than 80% of the company in liquid assets while in parallel their interest in AssetsCo is ringfenced from OpsCo liabilities, leaving the existing shareholders with significant downside risk. It is therefore the view of the Company that this new proposition places creditors in an improved position relative to previous proposals.

We believe that the structure provided, with the note being assigned to AssetsCo instead of directly to existing creditors is more practical and efficient as it eliminates the need for more complex exchange mechanics and will allow current creditors to exercise 100% of their economic and control rights through a single instrument. However, such structure may be amended to the extent that creditors believe that secured bonds will provide them with additional protections.

**d. On Description of the Greek rehabilitation process**

While these are the commercial outlines of our proposal, it is subject to a successful approval by Greek courts under a rehabilitation process. According to the provisions of the 6<sup>th</sup> Chapter of the Greek Bankruptcy Code, the basic milestones of the Greek Rehabilitation Process comprise of 5 phases. Phases 1 through 3 are expected to be concluded within 2 -3 months and Phases 4 and 5 within 4 - 6 months. As discussed previously, this is therefore significantly quicker than a bankruptcy process.

1. **Phase 1** includes the drafting and negotiating of the Rehabilitation Agreement between the Company and the required majority of its creditors, i.e. creditors representing at least 60% of the Company's liabilities, including creditors representing at least 40% of the Company's secured liabilities- [which is not relevant in our process as there are no secured liabilities remaining].. During this process, the General Meeting of the Shareholders shall approve the Company's financial statements, which must be filed with the Court along with the application for the ratification of the executed Rehabilitation Agreement. The other accompanying documents are the recent balance sheet of the Company, the business plan and the expert report. The expert report shall be prepared by a chartered accountant and will verify the satisfaction of the legal requirements for the ratification of the Rehabilitation Agreement. The consent solicitation process relating to the Euronoteholders and the holders of the CHF bonds will take place in parallel with the finalization of the Rehabilitation Agreement.
2. **Phase 2** includes the execution of the final Rehabilitation Agreement and related documents, as well as the preparation of the application for ratification of the Rehabilitation Agreement. The necessary shareholder consents and resolutions may be obtained at this stage or at the time between filing and ratification of the Rehabilitation Agreement.
3. **Phase 3** comprises of the filing of the application (along with the accompanying documentation) with the Court. The hearing is expected to be set within 2 months from filing.
4. **Phase 4** comprises of the hearing of the application, during which a request for prompt delivery of the judgement shall be submitted.
5. **Phase 5** includes the issuance of the Court's judgement, ratifying of the Rehabilitation Agreement. This judgement is published in the General Commercial Registry and the Court Publications Bulletin. Third parties may challenge the judgement within a 30-day deadline, starting from said publication.

6. That was an overview of the restructuring plan and commercial terms of our proposal, as well as a basic description of the Greek Rehabilitation Process, which will be explained in much greater detail during the Consent Solicitation Process along with our detailed business and restructuring plan.
7. In order to carry out this plan, we will need the consent of our Creditors to the proposed terms. While the precise processes by which bondholders will need to provide consents and execute the Rehabilitation Agreement, will be detailed in the Consent Solicitation Statements which will be sent out in early September. The process will generally be as follows:
  - Following the opening of the Consent Solicitation, bondholders will have at least a 21-day period in which to consent to the plan. They will do so by instructing their accounts to block their holdings of the Notes in the relevant Clearing System. They may also need to instruct their account banks to provide additional documentation proving their holdings.
  - Our tabulation agent will count the votes cast and at each meeting of the bondholders will attend and vote all of the votes in favour of the plan at the meeting.
  - Provided that the necessary quorum and voting thresholds have been met (for both the Eurobonds and Swissbonds, 2/3rds of Notes must vote and 2/3rds of those Notes voting must be in favour), the resolutions in favour of the plan will be passed and binding on behalf of all holders of that bond.
  - We will also be discussing the consent process directly with the Schuldschein lenders.

On this basis, from the initiation of the consent solicitation process, we can expect that it will take no less than 4 months and potentially as many as 7 to complete the restructuring. We will therefore be working as quickly as possible to engage with you in order to set our plan in motion as soon as possible.

Again, all of these details will be covered in the Consent Solicitation Statements but please do not hesitate to reach out to our IR team with any questions you may have on this in the meantime.

8. Finally, we have received some questions prior to the call that we have tried to group and take into account during this call. Some of the questions received yesterday have not been covered given the limited time available. The majority of these questions will be addressed separately in the next days and weeks, either following execution of Non-Disclosure Agreements (where commercially sensitive information or MNPI has been requested) or through subsequent announcements and the launching of the Consent Solicitation Statements. We would respectfully request that, in order to allow us to continue to try and effect the turnaround of this group, future questions are channelled through our advisors.
9. On behalf of FF Group we want to thank you for participating in this call and for your ongoing support. We believe that we have a positive vision for the direction of Folli Follie and that our new plan, with your help, will enable us to achieve an outcome that will treat all stakeholders fairly and give the Company a viable future.

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