



Folli Follie

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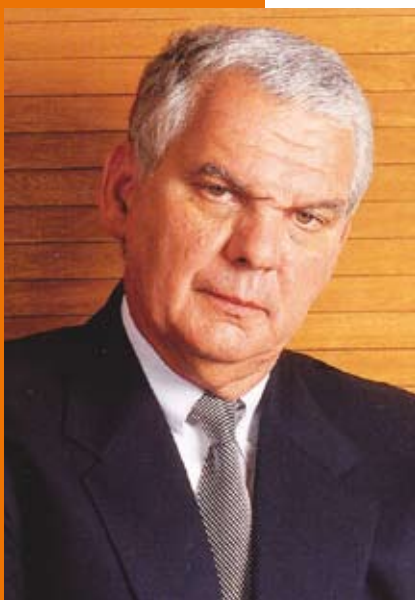
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CHAIRMAN'S MESSAGE



Dear shareholders,

The year 2006 has been an eventful and exciting year for the Folli Follie group of companies. Looking back to the previous business year, we feel proud of our achievements and are confident about the future development. We changed the face of our group by gaining full control of Hellenic Duty Free Shops, we continued our successful expansion of Folli Follie by proceeding with our strategy in entering new markets. We obtained the retail license for mainland China and started a joint venture in establishing a new business line for the Chinese market with "Folli Follie Baby".

In spring 2006, we introduced a new management strategy for Hellenic Duty Free Shops.

With the acquisition of Links of London by H.D.F.S, we delivered on one of our major strategic goals.

Continuous growth

Since May 2006 the company Hellenic Duty Free Shops is fully consolidated in the financial statements. Due to the consolidation, comparisons on a quarterly or yearly basis cannot be made. Consolidated Sales for the business year 2006 compared to same period last year increased by 117,4% and reached € 484,4 million. Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) increased by 79,5% reaching € 121,2 million. Finally, Net Profit after Taxes amounted to € 81,7 million, representing an increase of 44,3%. Net earnings after taxes and minorities reached € 65,2 million, increasing by 17,7%.

In 2006 the company continued strengthening its sales network by entering new markets, adding new point of sales in the existing markets and continuing with the worldwide renovation program. The success experienced especially in Asia acted as a positive stimulus and inspiration to use the strong brand awareness in entering a new business line like "Folli Follie Baby" at first for the Chinese market. The obtainment of the Chinese retail license can also be regarded as an important corporate milestone by enforcing the company's presence in the most dynamic economy worldwide.

Continuous investment in strengthening Folli Follie's brand awareness

The enhancement and protection of the brand is one of the key priorities of the group. Brand awareness is created through worldwide marketing and PR activities as well as through the presence in international airports and airlines. The company's activities in the travel retail sector during recent years have substantially contributed to the enhancement of the Folli Follie brand name and its products to the global consumer.

Yet for another year the company experiences another successful year, rendering value to its shareholders and to all who show preference to the Folli Follie brand. For 2007, the company aims to strengthen its presence in its existing markets where particular prominence will be given to the Asian countries. The company will also continue to invest in the rapidly expanding Chinese market, which has shown a special interest in Folli Follie.

Finally, I would like to thank the shareholders for their loyalty, our customers for their belief in our product and the company's personnel worldwide for their commitment towards the materialization of our goals.

Dimitrios Koutsolioutsos
Chairman of the Board of Directors

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

The year that past, has been one of the most important and eventful years in Folli Follie's development.

During the period between May – July 2006, the Folli Follie Group increased its participation in the company Hellenic Duty Free Shops by raising its stake from previously 24,68% to 52,28%.

At the end of July 2006, the new Folli Follie Group acquired the British jewellery, watches and luxury items brand LINKS OF LONDON Ltd. Specifically, the company "HELLENIC DISTRIBUTIONS S.A.", fully owned by the company "HELLENIC DUTY FREE SHOPS" and a member of the FOLLI FOLLIE Group, acquired the total number of shares (100%) of the British company.

With regard to the financial results, it should be noted that the figures issued by the Folli Follie Group are not comparable to previous releases, as Hellenic Duty Free Shops have been fully consolidated since May 2006.

During the last quarter of year 2006, the Group obtained the Retail License for the Chinese market. This event can be regarded as a milestone in the Group's corporate history. As a consequence the financial data of the Group for the last quarter of the current fiscal year include the results of the Chinese Market.

Consolidated Sales for the period January 1st, to December 31st 2006 compared to same period last year increased by 117,4% and reached € 484,4 million vs. € 222,8 million.

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) reaching € 121,2 million from € 67,5 million, an increase of 79,5% and Earnings Before Taxes was € 106,0 million compared to € 70,0 million (+51,4%).

Finally, Net Profit after Taxes amounted to € 81,7 million from € 56,6 million, representing an increase of 44,3%. Net earnings after taxes and minorities reached € 65,2 million, increasing by 17,7% compared to € 55,4 million the year before.

The profits per share reached 1,98 € from 1,68 € increasing by 17,8%.

With regard to Folli Follie S.A. stand alone figures (based on DFS equity method), sales amount to € 247,8 million from € 222,8 million, which represents an increase of 11,2% in comparison to the same period in 2005.

At the same time Profit after Taxes increased by 16% reaching € 65,7 million compared to € 56,6 million in 2005. Net earnings after taxes and minorities reached € 65,7 million, increasing by 18,6% compared to € 55,4 million the year before.

In an analysis of Folli Follie's total sales on a stand-alone basis and by looking at each region, Japan accounted for 21%, the rest of Asia 43%, Europe 21% and Travel Retail operations reached 15%.

According to the sales per product category, jewellery account for 61% of sales, watches account for 33% and accessories account for 6%.

Nowadays the group is active in 24 countries worldwide, with more than 330 points of sales.

In its efforts to continue its stable growth, to smoothly manage any potential risks and to safeguard the shareholders' and investors' interests, Folli Follie Group of companies has adopted a framework of principles, rules and internal procedures which are in line with the respective regulations regarding Corporate Governance (L. 3016/2002, Decision 5/204/2000 of the Capital Market Commission).

This framework of principles and procedures regulates matters relating to the composition, the responsibilities, and the differentiation of BoD members into executive and non-executive members. Furthermore, matters relating to the internal organizational structure of the Company, the responsibilities of its Managers, the setup and functionality of departments such as Investor Relations, Corporate Governance and Internal Audit that secure, the timely and accurate flow of information and the shareholders' protection, as well as a network of rules and policies that define the Group's relations to third parties.

One of the group's main targets is the development of high growth business areas, like for example the joint venture with Lapin House in the Chinese market under the brand name "Folli Follie Baby".

Further strategic targets is the continuation of the successful development of the group in the Asian market, through an increase of sales in the existing points of sale, an increase of Folli Follie's brand awareness through future sponsorships and events for example to profit the highest possible from the Chinese Olympic Games.

The US market entry is another strategic goal for the year 2007.

With regard to the dividend of the business year 2006, the board of directors will propose on the Annual General Shareholder meeting on 14th June 2006 a dividend of € 0,12 per share.

Dimitrios Koutsolioutsos
Chairman of the Board of Directors

EXPLANATORY REPORT OF THE BOARD OF DIRECTORS ACCORDING TO LAW 3371/2005 PAR. 1 ART. 11A

Structure of the Company's share capital.

The Company's share capital amounts €9,884,062.50 dividend into 32,946,875 common registered shares of a par value €0.30 each. Each share provides the right of one vote. The Company's shares are listed in the Securities Market of the Athens Stock Exchange, under the "Large Capitalization" classification.

Each share incorporates all the rights and obligations established by the Law and Folli Follie's Articles of association, the latter not including any provisions more restrictive than those of the Law. Shareholder liability is limited to the nominal value of the shares they hold. Holders of share certificates automatically accept Folli Follie's Articles of association and the legal decisions of the General Meetings of the Shareholders. Folli Follie's Articles of association do not grant any special rights to specific shareholders, nor do they contain any terms relating to changes to the capital and to the rights of shareholders that are more restrictive than those established by Law. Shareholders exercise their rights regarding the Management of the Company by means of the General Meetings. Each shareholder is entitled to participate in the General Meetings of the Company's shareholders either in person or by proxy. Each share gives right to one vote.

For shareholders to participate in the General Meetings they must first block all or part of their shares through their Operator in the Dematerialized Securities System (SAT) or (if their shares are in the SAT Special Account) through the Central Securities Depository S.A. The relevant certificate attesting to such blocking of shares, together with the representation documents need to be furnished to the Company at least 5 clear days prior to the date set for the General Meeting, and each shareholder must receive a receipt in order to be able to attend such meeting. Each shareholder may request the annual financial statements and the relevant reports of the Company's Board of Directors and Auditors 10 days prior to the date of the Ordinary General Meeting.

Shareholders holding 5% of the Company's paid up share capital shall be entitled to request from the Court of First Instance in the location of the Company's seat to appoint one or more auditors specifically to audit the Company under Articles 40 and 40 (e) of Law 2190/1920. They may also request that an Extraordinary General Meeting of the shareholders is convened. In that case the Board of Directors is required to convene such General Meeting within 30 days from the submission of the request with the Chairman of the Board of Directors. The requesting parties must state in the request the issues on which the General Meeting is called upon to decide.

Shareholders have option rights for each future increase of the Company's share capital in proportion to their participation in the Company's current share capital, as set forth in Article 13 (5) of Codified Law 2190/1920.

The dividend of each share is paid within 2 months from the date of the Ordinary General Meeting that approved the financial statements. The place and terms of payment are communicated to shareholders in the Press. Dividends are distributed from profits already taxed; hence shareholders are not subject to taxation for the dividends they receive. Dividends that have not been claimed for five years are derecognized and are paid to the Government.

Any disputes between the Company and its shareholders or any third party shall fall under the jurisdiction of ordinary Courts, and the Company may only be brought before the courts of the area where its headquarters are.

Restrictions on the transfer of the Company's shares.

The transfer of the Company's shares is affected in accordance with the law and the Athens Exchange Rulebook and there are no restrictions on their transfer pursuant from the Company's Articles of incorporation.

Significant direct or indirect participations in the sense of P.D. 51/1992.

Shareholder	Shares	Percentage (%)
Dimitrios Koutsolioutsos	16,490,048	50.05
As of date of: 31.03.2007		

No other physical or legal entity holds percentage larger than 5% of the share capital.

Holders of any type of a share that provide special rights of audit.

There are no shares of the Company that provide special rights of audit.

Restrictions on voting right.

No restrictions on the voting rights deriving from the Company's shares.

Company's Shareholders' agreements.

The Company is not aware of any agreements between its shareholders which might result in restrictions on the transfer of the Company's shares or on the voting rights conferred by its shares.

The share is undivided with regards to the exercise of rights and fulfilment of obligations that stem from it. Should there be more than one owner or beneficiaries per share, their representation towards the Company will be carried out by a single person determined by joined agreement.

Rules of appointment and replacement of Board of Directors' members and amendment of Articles of incorporation.

The rules provided in the Company's Articles regarding the appointment and replacement of its Board of Directors members, as well as the amendment of its Articles are in accordance to those provided for in codified law 2190/1920.

Specifically, according to article 16 of the Company's Articles of Association, the Board of Directors consists of three (3) to seven (7) members and is elected by the Company's General Shareholders' Assembly for a five-year term, which is extended until the first General Assembly following the end of its term, which in any case cannot exceed six years. The members of the Board of the Directors can be reelected or assigned freely.

In case of death or resignation or departure for any reason, of a Board of Directors' member, the remaining members of the Board of Directors, at three (3) members, are required to elect a temporary advisor in replacement of the former for the remaining of the relevant member's term. This election is subject to approval by the first, subsequent to the election, General Shareholders' Assembly. The non-ratification of this election does not affect the validity of the Board of Directors' decisions, which were made during the period from the aforementioned election up to the first subsequent General Assembly.

Competency of the Board of Directors or some of its members to issue new shares or purchase owned shares.

According to article 6 of the Company's Articles of Association, it is stipulated that the Board of Directors has the right, during the first five years since the establishment of the company, by means of a relevant decision made by a majority of at least two thirds (2/3) of its members, to increase the Company's share capital partially or in full through the issuance of new shares, for an amount that cannot exceed the initial share capital.

This authority may also be assigned to the Board of Directors by a decision from the General Assembly, which is subject to the disclosure statements of article 7b of C.L. 2190/1920. In such a case, the share capital can increase up to the amount of capital that is paid up during the date when the relevant authority was granted to the Board of Directors.

By exception of the provisions of the two aforementioned paragraphs, if the Company's reserves exceed one fourth (1/4) of the paid up share capital, then a decision by the General Assembly is at all times required with the exceptional quorum and majority defined by one twentieth (1/20) of the total paid up share capital, according to article 25 of the Company's Articles of Association.

As regards to the share buy back according to article 32 of the Company's Articles of Association, the Company may go forward with the acquisition of own shares through the Stock Exchange, with the objective of supporting the share's price based on the terms and conditions of paragraphs 5 to 14 included, of article 16 of C.L. 2190/1920 as is in effect.

Important agreement contracted by the Company, which will enter into effect, will be amended or will expire in case of change in the Company's control following a public offer and the results of this agreement.

There is no such agreement.

Agreements that the Company has contracted with the members of the Board of Directors or with its personnel, which provide for the payment of compensation in case of resignation or release without substantiated reason or in case of termination of their term or employment due to a public offer.

There are no agreements of the Company with members of its Board of Directors or its personnel, which provide for the payment of compensation especially in case of termination of their term or employment due to a public offer.

HIGHLIGHTS 2006



General

For yet another year, the company presents high growth rates in sales and profits for 2006. This success is a result of several combining factors, which are listed in detail below.

Sales Network

With respect to Folli Follie's sales network, there was a balanced development internationally throughout 2006 with the exception of the Asian market, where the strengthening of the network was highly significant and strengthened even further. The fast developing and promising Chinese market was again emphasized upon in Folli Follie's Sales Network Development Plan. By the end of 2006, Folli Follie had successfully opened 66 stores in the most prestigious shopping areas. By the end of 2006, Folli Follie's points of sales reached over 330, an important increase from 2005 (when shops were 308) and a clear sign of a fast developing brand identity throughout the world.





HIGHLIGHTS 2006

Product Collections

Folli Follie's in-house designers are constantly enriching the collections with new ideas and approaches to jewellery, watch and accessories making.

In 2006, the company introduced a pioneering new material to the jewellery world; stainless steel in the colour of gold; namely the "Gold Fantasy Collection". Sheer in look and feel, this material made an impact in the jewellery field worldwide and is a fine example of Folli Follie's mastery in pioneering ideas.

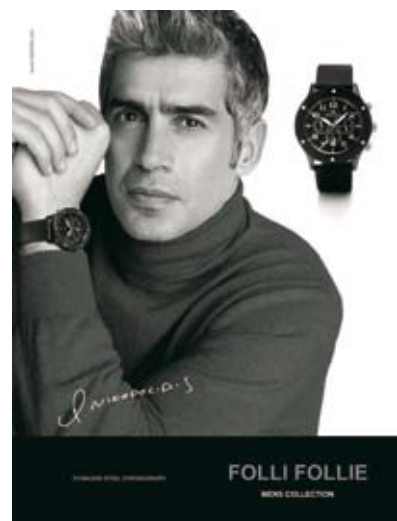
Also in 2006 the company re-launched the FOLLI FOLLIE men's watches. The new collection was first presented in the Basel world Show 2006, in Switzerland. The company's aim was to address men in the 20-40 year old age range, who show an increased interest in fashion and believe the external appearance of their watch is just as important as its functions.



With the introduction of these timepieces, Folli Follie took the initiative to sign Mr. Antonis Nikopolides as the personality, who would promote the men's watches and star in its global advertising campaigns. Mr. Antonis Nikopolides is the goalkeeper for the Greek football team Olympiakos and the long running star goal keeper of the Greek National Football team, which triumphantly won the European Cup in 2004.



Folli Follie stand at Baselworld 2006



HIGHLIGHTS 2006



Advertising and Public Relations

Advertising and Public Relations are a priority means used to communicate the Folli Follie brand globally. The year 2006 was yet another successful year with further worldwide advertising campaigns launched and supported by thorough Public Relations activities. Besides magazine advertisements, various forms of media communications took shape in the form of outdoor advertising mediums. Folli Follie featured once again the successful transport campaign on bus panels in both Europe (Great Britain, France, Spain) and Asia (Japan, Hong Kong), as well as metro stations (Hong Kong).



Charter Road Central, Hong Kong



Bus panels in Tokyo



MTR, Admiralty Billboard, Hong Kong

Travel Retail Sector

2006 was a beneficial and profitable year for Folli Follie in the travel retail sector with additional investments and further activity in this field. The travel Retail sector is a highly significant strategic channel for Folli Follie not only in terms of financial performance, but also in terms of brand development, as its customers are representative of today's global consumer and therefore of Folli Follie's mission statement, which is to "fulfil the needs of today's global consumer for fashionable and affordable luxury". In 2006, the company became further active in this field by increasing its presence in international airports and airlines. Folli Follie is listed on board airlines such as British Airways, Cathay Pacific, Korean and Japan Airlines.



FOLLI FOLLIE S.A

ANNUAL FINANCIAL STATEMENTS COMPILED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS YEAR 2006

(Period from 1 January to 31 December 2006)

It is declared that the accompanying Financial Statements are those, which have been published by posting them on the internet, at the address www.follifollie.com. It is noted that, the published in the press “Condensed Financial Data and Information for the Year 2005 from 1 January 2006 to 31 December 2006”, according to the Joint Ministerial Decision No. 172/10.01.2006 of the Ministers of Finance and Development, aim at providing the public with certain general financial data and information but they do not present a comprehensive view of the financial position and of the results of operations of the Company and those of the Group, in accordance with the International Financial Reporting Standards.

Therefore, it is recommended, to any reader, before proceeding to any kind of investment decision or other transaction with the Company, to visit the Company’s web site, at the internet address www.follifollie.com where are posted the annual financial statements prepared according to the International Financial Reporting Standards accompanied with the Auditors’ Report of the Certified Public Accountant Auditor.

Athens, 9 March 2007

For account of FOLLI FOLLIE S.A.

Dimitrios Koutsolioutsos

Chairman of the Board of Directors

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of «FOLLI FOLLIE ABEE»

Report on the Financial Statements

We have audited the accompanying financial statements of «FOLLI FOLLIE ABEE » as well as the consolidated financial statements of the Company, which comprise the balance sheet as at December 31, 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Greek Auditing Standards, which are based on International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and that of the Group as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

We do not state any ambiguity as regards the Report conclusions however, we would like to call your attention to the Note 4 to the financial statements which indicates that the tax obligations for the year 2006 of the company have not yet been audited by the tax authorities and accordingly its tax obligations for this year are not considered final. The outcome of the tax audit could not be previewed at this stage.

Report on Other Legal and Regulatory Requirements

The content of the Management's Report is consistent to the accompanying financial statements.

Athens, 14 March 2007

The Certified Public Accountant

Georgios I. Varthalitis

SOEL. Reg. No: 10251

BAKER TILLY HELLAS

Certified Public Accountants - Consultants A. E.

76, 3rd Septembriou Str., 104 33 Athens, Greece

SOEL Reg. No: 148

1. DATA FROM BALANCE SHEET

(amounts reported in euro)

ASSETS	NOTE	THE GROUP		THE COMPANY	
		1/1-31/12/2006	1/1-31/12/2005	1/1-31/12/2006	1/1-31/12/2005
Tangible Assets	(5)	69.403.677,02	29.269.571,73	17.160.799,87	17.175.960,39
Investments in PPE	(5)	15.380.000,00	15.380.000,00	15.380.000,00	15.380.000,00
Intangible Assets	(6)	330.053.867,28	4.185.089,70	627.009,14	750.442,44
Investments in associates	(7)	0,00	40.395.445,88	387.438.470,75	159.505.501,95
Deferred income tax assets	(16)	2.109.039,58	2.660.750,50	352.870,16	703.225,42
Other long term receivables	(7)	6.676.684,23	6.838.204,67	293.421,34	419.574,43
Total non-current assets (a)		423.623.268,11	98.729.062,48	421.252.571,26	193.934.704,63
Inventories	(8)	125.598.481,85	71.758.888,21	13.583.250,86	14.134.365,54
Trade Receivables	(9)	140.239.131,14	121.290.148,36	15.850.440,84	18.872.475,88
Other Receivables	(10)	24.453.461,03	6.199.578,58	2.204.855,35	2.395.951,33
Other financial assets at fair value through profit or loss	(10)	3.419.646,43	2.921.508,63	1.464.116,71	2.921.508,63
Cash and cash equivalents	(11)	109.310.713,75	33.892.169,63	22.402.656,98	13.247.662,22
Total current assets (b)		403.021.434,20	236.062.293,41	55.505.320,74	51.571.963,60
TOTAL ASSETS (a) + (b)		826.644.702,31	334.791.355,89	476.757.892,00	245.506.668,23
<u>EQUITY & LIABILITIES</u>					
Long-term borrowings	(14)	406.901.777,95	125.149.592,17	341.000.000,00	119.499.958,91
Retirement benefit obligations	(14) & (17)	8.476.568,05	3.356.944,74	620.917,00	540.126,00
Deferred income tax liabilities	(16)	15.247.131,09	1.047.943,78	1.251.176,41	1.035.080,14
Prov. for other liabilities-charges	(14)	11.105.905,03	4.054.878,43	524.253,57	698.272,82
Total non-current liabilities		441.731.382,12	133.609.359,12	343.396.346,98	121.773.437,87
Trade payables	(15)	34.806.413,96	15.829.100,60	2.874.807,77	3.487.817,55
Short-term Borrowings	(15)	11.811.849,44	5.047.457,92	9.210.173,45	4.863.495,62
Other current liabilities	(15)	68.657.923,18	18.332.977,03	6.671.670,58	6.052.479,60
Total current liabilities		115.276.186,58	39.209.535,55	18.756.651,80	14.403.792,77
Total Liabilities (a)		557.007.568,70	172.818.894,67	362.152.998,78	136.177.230,64
Share capital	(12)	9.884.062,50	9.884.062,50	9.884.062,50	9.884.062,50
Share premium	(12)	62.531.731,47	62.531.731,47	62.531.731,47	62.531.731,47
Other reserves	(13)	8.832.577,14	24.513.525,66	20.184.566,82	19.679.018,84
Own Stock	(13)	-1.339.856,41	0,00	-108.985,61	0,00
Retained earnings	(13)	207.356.278,78	161.106.539,24	22.113.518,04	17.234.624,78
Exchange differences	(13)	-32.706.043,74	-12.980.009,96	0,00	0,00
Other capital and reserves attributable to equity holders of the Company	(13)	-88.927.927,73	-88.927.927,73	0,00	0,00
Total capital and reserves attributable to equity holders of the Company (b)		165.630.822,01	156.127.921,18	114.604.893,22	109.329.437,59
Minority interest (c)		104.006.311,60	5.844.540,04	0,00	0,00
Total Equity (d) = (b)+(c)		269.637.133,61	161.972.461,22	114.604.893,22	109.329.437,59
TOTAL EQUITY AND LIABILITIES (e) = (a)+(d)		826.644.702,31	334.791.355,89	476.757.892,00	245.506.668,23

2. DATA FROM INCOME STATEMENT FOR THE YEAR PER OPERATION (amounts reported in euro)

		THE GROUP		THE COMPANY	
		1/1-31/12/2006	1/1-31/12/2005	1/1-31/12/2006	1/1-31/12/2005
Sales Revenue	(18)	484.399.340,17	222.796.934,45	35.032.150,23	36.980.835,86
Cost of goods sold		-223.688.912,80	-88.446.212,13	-12.017.987,36	-12.905.798,37
Gross profit		260.710.427,37	134.350.722,32	23.014.162,87	24.075.037,49
Other Operating income	(18)	16.831.147,48	6.066.792,76	1.968.034,27	4.643.121,97
Administrative expenses	(18)	-27.589.763,56	-11.586.965,70	-5.517.592,12	-4.793.128,43
Selling and marketing costs	(18)	-134.369.191,45	-61.797.910,10	-12.224.539,25	-10.346.725,55
Other expenses	(18)	-2.303.769,50	-2.556.704,96	-1.015.247,11	-792.398,81
Operating profit		113.278.850,34	64.475.934,32	6.224.818,66	12.785.906,67
Finance costs – profit		3.236.809,39	1.331.144,45	989.781,05	1.188.934,36
Finance costs – expenses		-14.666.330,16	-5.148.235,89	-12.545.570,22	-4.857.480,26
Share of profit of associates		4.177.374,06	9.395.738,69	20.988.636,25	9.671.639,04
Profit before taxes (EBT)		106.026.703,63	70.054.581,57	15.657.665,74	18.788.999,81
Income tax expense	(19)	-24.302.074,07	-13.391.086,52	-1.457.037,00	-3.360.297,83
Profit for the period (after taxes)		81.724.629,56	56.663.495,05	14.200.628,74	15.428.701,98
Attributable to:					
Equity holders of the Company		65.160.341,01	55.428.778,38		
Minority interest		-16.564.288,55	-1.234.716,67		
Earnings (after taxes) per share - basic (expressed in €)		1,98	1,68	0,43	0,47
Amortisation - Depreciation		7.952.028,91	3.082.378,44	1.054.074,99	949.794,62
Earnings (profit) before taxes, financing and investing results and depreciation - amortisation (EBITDA)		121.230.879,25	67.558.312,76	7.278.893,65	13.735.701,29
Earnings (profit) before taxes, financing and investing results (EBIT)		113.278.850,34	64.475.934,32	6.224.818,66	12.785.906,67
Proposed dividend per share (expressed in €)				0,12	0,26

3. DATA FROM STATEMENT OF CHANGES IN EQUITY FOR THE YEAR (amounts reported in euro)

	THE GROUP		THE COMPANY	
	1/1-31/12/2006	1/1-31/12/2005	1/1-31/12/2006	1/1-31/12/2005
Net equity of period Open. Balance (1/1/2006 and 1/1/2005 respectively)	161.972.461,22	95.908.062,29	109.329.437,59	101.349.048,11
Issue of share capital				
Dividends	-43.611.451,25	-8.125.853,46	-8.566.187,50	-7.248.312,50
Directors Fees	-313.514,50	-326.541,80	-250.000,00	-200.000,00
Net income recognised directly in Equity	0,00	1.660,89	0,00	0,00
Minority interest (Due to: New Subsidiaries / Increase of participation)	81.599.975,98	0,00	0,00	0,00
Net amounts effected directly Equity (Due to: New Subsidiaries / Increase of participation)	9.439.947,00	0,00	0,00	0,00
Profit for the period, after taxes	81.724.629,56	56.663.495,05	14.200.628,74	15.428.701,98
Adjustment in foreign currency translation differences	-19.835.058,79	17.851.638,25	0,00	0,00
Own Stock	-1.339.855,61	0,00	-108.985,61	0,00
Net equity of period Closing Balance	269.637.133,61	161.972.461,22	114.604.893,22	109.329.437,59

4. DATA FROM CASH FLOW STATEMENT (amounts reported in euro)

	THE GROUP		THE COMPANY	
	1/1-31/12/2006	1/1-31/12/2005	1/1-31/12/2006	1/1-31/12/2005
Cash Flows related to Operating Activities				
Net Profit before taxes	106.026.703,63	70.054.581,57	15.657.665,74	18.788.999,81
<i>Adjustments in respect of non-cash transactions:</i>				
Depreciation and Amortisation	7.952.028,91	3.082.378,44	1.054.074,99	949.794,62
Provisions	1.067.649,93	1.188.610,09	232.823,00	854.320,94
Cash flows from investing activities	-6.005.841,35	-11.528.844,11	-21.500.927,58	-12.083.378,02
Debit interest and similar expenses	8.029.971,77	4.724.103,21	7.952.112,89	4.668.063,61
Other non-cash expense/income	0,00	0,00	0,00	0,00
Operating profit before adjustments of working capital	117.070.512,89	67.520.829,20	3.395.749,04	13.177.800,96
Decrease/(increase) of Inventories	5.492.850,82	-21.232.011,83	551.114,68	-2.703.139,87
Decrease/(increase) of Receivables	-27.213.232,14	-28.318.885,55	5.048.631,02	-5.921.292,33
Increase/(decrease) of payable accounts (except Banks)	-30.445.404,23	2.751.752,10	-529.254,41	1.573.232,40
Interest paid and similar expenses	-10.648.306,80	-5.148.235,89	-8.433.121,20	-4.950.020,20
Income Tax paid	-29.617.235,32	-11.332.373,00	-3.287.032,72	-1.950.571,40
<i>Net cash inflows/(outflows) from Operating Activities</i>	<u>24.639.185,22</u>	<u>4.241.075,03</u>	<u>-3.253.913,59</u>	<u>-773.990,44</u>
Cash Flows related to Investing Activities				
Purchases of subsidiaries, associates and other investments	-209.320.322,31	0,00	-227.789.431,30	-1.772.539,39
Purchases of tangible and intangible assets	-8.793.806,02	-10.272.671,44	-927.023,46	-1.982.571,72
Proceeds from sale of tangible and intangible assets	1.429.524,58	95.690,76	20.960,00	12.007,22
Proceeds from sale of financial assets	2.070.853,98	643.044,41	1.961.153,98	643.044,41
Dividends received	0,00	9.164.303,46	20.990.210,29	9.735.942,50
Interest received	2.618.335,03	424.132,68	481.008,31	281.956,59
Decrease/(increase) of other long-term receivables	3.292.142,66	1.272.691,65	-19.846,91	-42.682,56
<i>Net cash inflows/(outflows) from Investing Activities</i>	<u>-208.703.272,08</u>	<u>1.327.191,52</u>	<u>-205.282.969,09</u>	<u>6.875.157,05</u>
Cash Flows related to Financing Activities				
Cash received from issue of share capital				
Own Stock	-1.339.855,61		-108.985,61	
Proceeds from Loans	294.233.581,31	1.010.172,79	225.846.718,92	0,00
Repayment of Loans	0,00	0,00	0,00	-27.604,87
Payments for leases	-583.819,39	-632.199,66	-117.569,61	-123.547,81
Dividends paid	-29.551.841,65	-8.069.321,96	-7.928.286,26	-7.211.863,40
<i>Net cash inflows/(outflows) from Financing Activities</i>	<u>262.758.064,66</u>	<u>-7.691.348,83</u>	<u>217.691.877,44</u>	<u>-7.363.016,08</u>
Net increase/(decrease) in cash and cash equivalents	78.693.977,80	-2.123.082,28	9.154.994,76	-1.261.849,47
Cash and cash equivalents at the beginning of the period	33.892.169,63	33.723.558,93	13.247.662,22	14.509.511,69
Exchange rate differences from the conversion of cash equivalents	-3.275.433,68	2.291.692,98	0,00	0,00
<i>Cash and cash equivalents at the end of the period</i>	<u>109.310.713,75</u>	<u>33.892.169,63</u>	<u>22.402.656,98</u>	<u>13.247.662,22</u>

5. NOTES TO THE CONSOLIDATED AND PARENT'S SEPARATE FINANCIAL STATEMENTS

1. General information

FOLLI – FOLLIE S.A. (“the Company”) with distinctive title “FOLLI FOLLIE” and its subsidiaries (together “the Group”) is engaged in the sector of silver and gold products, in particular manufactures jewellery and watches from precious and semi-precious metals and stones as also in the sector of accessories. In the object of the Company as stated in the Articles of Association is included the distribution of the aforementioned products by retail and wholesale in the domestic and international market.

The address of the Company's registered office is 23 Km Athens – Lamia National Road, Ag. Stefanos, Attica, its web-site is www.follifollie.com and it has its primary listing on the Athens Stock Exchange since 1997.

Folli Follie following its listing on the Athens Stock Exchange and the increase of the share capital that arose, extended its development abroad, thus placing the foundation of its multinational character. Nowadays, Folli Follie continues to develop its activities in new strategically important markets around the world while strengthening its presence in existing ones.

The consolidated financial statements, which are presented, refer to Folli Follie S.A. and the subsidiaries of the Group.

These financial statements have been approved for issue by the Board of Directors on 7th of May 2007.

The Structure of the Group Folli Follie has as follows:

COMPANY	REGISTERED OFFICE	% PARTICIPATION	RELATION THAT COMMANDED THE CONSOLIDATION
FOLLI FOLLIE HONG KONG LTD	HONG KONG	99,99%	Direct
FOLLI FOLLIE UK LTD	LONDON	99,99%	Direct
FOLLI FOLLIE FRANCE SA	PARIS	100%	Direct
FOLLI FOLLIE SPAIN SA	MADRID	100%	Direct
FOLLI FOLLIE CZECH SRO	PRAGUE	100%	Direct
FOLLI FOLLIE POLAND SZOO	WARSAW	100%	Direct
FOLLI FOLLIE SLOVAKIA SRO	BRATISLAVA	100%	Direct
FOLLI FOLLIE GERMANY GmbH	TRAOUNSTAIN	100%	Direct
MFK FASHION LTD	NICOSIA	100%	Direct
PLANACO SA	ATHENS	76,67%	Direct
HELLENIC DUTY FREE SHOPS	ATHENS	52,28%	Direct
FOLLI FOLLIE JAPAN LTD	TOKYO	40%	Direct
FOLLI FOLLIE ASIA LTD	HONG KONG	99,99%	Indirect
FOLLI FOLLIE TAIWAN LTD	TAIPEI	99,99%	Indirect
FOLLI FOLLIE KOREA LTD	SEOUL	99,99%	Indirect
FOLLI FOLLIE SINGAPORE LTD	SINGAPORE	99,99%	Indirect
BLUEFOL GUAM LTD	GUAM	99,99%	Indirect
BLUEFOL HAWAII LTD	HAWAII	99,99%	Indirect
BLUEFOL HONG KONG LTD	HONG KONG	99,99%	Indirect
FOLLI FOLLIE MALAYSIA LTD	KUALA LUMPUR	99,99%	Indirect
BLUEFOL THAILAND LTD	BANGKOK	99,99%	Indirect
FOLLI FOLLIE CHINA (PILION LTD)	SHANGAI	85,00%	Indirect
HELLENIC DISTRIBUTIONS SA	ATHENS	52,28%	Indirect
LINKS (LONDON) LIMITED	LONDON	52,28%	Indirect
LINKS OF LONDON COM LTD (UK)	LONDON	52,28%	Indirect
LINKS OF LONDON ASIA LTD (HK)	HONG KONG	52,28%	Indirect
LINKS OF LONDON INC (USA)	NEW YORK	52,28%	Indirect
LINKS OF LONDON (FRANCE)	PARIS	52,28%	Indirect
HDFS SKOPJE DOO (П.Г.Δ.М.)	SKOPJE	52,28%	Indirect
HELLENIC TOURIST BUREAU A.E.	ATHENS	52,28%	Indirect

2. Summary of significant accounting policies applied by the Group

2.1. Basis of preparation

These consolidated and parent's separate financial statements of FOLLI FOLLIE S.A. at 31 December 2006 have been prepared under:

- The historical cost convention
- The going concern basis
- The accrual basis of accounting
- The consistency and relevance of presentation
- The materiality of data

and are in accordance with the International Financial Reporting Standards (IFRS) as these have been published by the International Accounting Standards Board (IASB), as well as their interpretations, as published by the International Financial Reporting Interpretations Committee (I.F.R.I.C.) of the IASB and which have been adopted by the European Union by the regulation Number 1606/2002 of the European Union as of 31 December 2005.

The financial statements for the previous year were prepared under IFRS 1 "First-time Adoption of International Financial Reporting Standards", given that they were the first financial statements prepared, and were published in accordance with IFRS (year 2005). The date of the Group's transition to the new standards, in accordance with IFRS 1, is 1 January 2004.

The accounting principles mentioned below, have been applied with consistency to all periods presented.

The financial statements of FOLLI FOLLIE S.A. have been prepared in accordance with the accounting principles of the Uniform Greek General Chart of Accounts (GGCA) up to the year that ended on 31 December 2004. The principles of the GGCA differ in some respects from those of the IFRS. The comparative figures for 2004 were restated in accordance with the adopted accounting principles and accounting estimates for the IFRS.

The preparation of financial statements in conformity with the IFRS requires the use of analytical accounting estimates and assumptions in the process of applying the accounting principles.

2.2. Consolidation – Measurement of subsidiary and associate companies

Subsidiaries are all entities over which the Parent company has the power to govern. Subsidiaries are fully consolidated (full consolidation) from the date on which control is transferred to the Group and are de-consolidated from the date on which control ceases. In the case of Folli Follie, as it arises also from the table set out above, the subsidiaries are fully consolidated by the full consolidation method.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains of transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The investments in subsidiaries in the parent's separate Balance Sheet are measured at acquisition cost net of any accumulated impairment loss.

The application of the policy to business combinations that occurred before the date of transition to IFRSs, is covered by 10 optional exceptions based on IFRS 1. In particular, based on circumstance i, goodwill recognised directly as a deduction from equity, under previous GAAP shall not be recognised and restated in the income statement the disposal of all the entity or part of it with which is related goodwill or if the investment in the subsidiary becomes impaired. This was applied by the company during the first preparation of the consolidated financial statements in accordance with IFRS.

In accordance with the Group's standard practice, investments in affiliates are recorded according to the equity method. The Group's share following the participation acquisition in the affiliates is recorded directly to the Profit and Loss Account, whereas the changes in reserves for the same period are recorded to the Group's reserves. The accumulated changes affect the accounting value of the investments in associated Companies.

Unrealized gain from transactions between the Group and its related parties are eliminated according to the Group's participation percentage in these related parties. The accounting principles followed by the related parties have been modified in order to be in conformity with those adopted by the Group.

a. Until 30.04.2006, the Folli-Follie Group exercised a significant influence over KAE (Hellenic Duty Free Shops) having a 24.68% stake of the Company's total voting rights. In May 2006, the Group increased its stake by 24.6777%, paying a consideration of 202,987,184.00 euros, and thus on 30.06.2006 the Group held 49.36% of the share capital of Hellenic Duty Free Shops (KAE), a company listed on the Athens Stock Exchange, namely 25,999,000 shares. Through this increase, the Group also increased its percentage of indirect participation in the subsidiaries of KAE, which are the following:

a) Hellenic Distributions (ELLINIKES DIANOMES)

b) H.D.F.S SKOPJE DOO

c) HELLENIC TOURIST BUREAU S.A.

Moreover, on 17/07/2006 the Folli Follie Group acquired 1.540.000 shares of H.D.F.S. Following this acquisition representing 2.92% of H.D.F.S.' total number of shares, the total participation of Folli Follie to H.D.F.S. at 31.12.2006 has reached 52.28%.

The Group had included on 30.06.2006 in its consolidated financial statements the Hellenic Duty Free Shops S.A for the period, applying the full consolidation method, from 05/05/2006, date on which it acquired control of the company; for previous periods the consolidation was performed by applying the equity method.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

2.3. Segment reporting

Primary reporting format

The registered office of the Group is in Greece. The segments

The presentation is based on

Amounts in thousands Euro	Greece		Europe	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
"Net" sales abroad	236.530	25.824	37.625	11.632
Operating profit/Segment result	118.841	18.858	24.393	5.624
Unallocated expenses				
Operating result				
Finance costs				
Share of profit of associates	4.177	9.396		
Profit for the year				
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Assets	500.048	75.948	98.117	16.844
Investments in associates		40.395		
Unallocated Assets				
Total Consolidation				
Liabilities	503.107	134.023	4.438	4.043
Unallocated Assets				
Total Consolidation				
Capital expenditure	4.523	2.021	107	-107
Depreciation	4.561	950	1.232	561

-Geographical segments

are mainly the points of sales of inventories and services.
where the assets are located.

Japan		Other Asian markets		Consolidated items	
31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005
43.007	50.578	167.237	134.763	484.399	222.797
29.889	35.614	87.587	74.255	260.710	134.351
				-147.431	-69.874
				113.279	64.477
				-11.429	-3.818
				4.177	9.396
				106.027	70.055
31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005
21.240	27.524	205.131	171.919	824.536	291.735
				0	40.395
				2.109	2.661
				826.645	334.291
11.964	14.811	13.775	10.913	533.284	163.790
				23.724	9.529
				557.008	173.319
1.488	691	3.637	7.668	9.755	10.273
625	885	848	686	7.952	3.082

2.4. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Euros, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-momentary financial assets and liabilities measured at fair value, are reported as part of the fair value and therefore recognised as also the differences of the fair value.

(c) Group companies

The financial statements of all the Group companies, that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Equity is translated at the exchange rates ruling at the date it is incurred.
- Income and expenses are translated at average exchange rates of the period.

All resulting exchange differences are recognised as a separate component of equity and transferred to the income statement recognised as part of the gain or loss on sale when a foreign operation is sold.

2.5. Property, plant and equipment

a) Property, plant and equipment is stated at historical cost less subsequent depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Installations on third parties' property (establishment of stores) are depreciated over the estimated term of the lease.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method over their estimated useful lives, as follows:

- Buildings (privately owned)	50 Years
- Electro-Mechanical etc. Installations on privately owned buildings	20-25 Years
- Installations on third parties' property	8-12 Years
- Mechanical equipment	6,67-9,09 Years
- Motor vehicles	6,67-9,09 Years
- Other equipment	6,67 Years
Residual values are recognised only on privately owned buildings.	

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

b) Investments in Property

All investments in property are measured at fair value. According to this method the investments, at each closing balance sheet date, are measured at their fair value and the differences from the cost or the previous measurement is recognised in the income statement.

2.6. Intangible assets

(a) Intangible Market Value of Retail Stores

The Intangible market Value of the Company's retail stores is measured at cost less depreciation. Depreciation is performed based on the lease term of the stores, which is 8 to 12 years.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives, which in the case of Folli Follie is estimated depending on the application of each software and is from 4 to 7 years approximately.

2.7. Impairment of non-financial assets

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is recognised as expenditure in the income statement when incurred.

2.8. Financial Assets

(a) Loans and receivables

Trade receivables

Trade receivables are recognised initially at fair value which agrees with their nominal value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due, according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(c) Financial assets at fair value through profit or loss

Folli Follie classifies its financial assets in this category that are acquired principally for the purpose of selling in the short term including also derivatives. Purchases and sales of investments are initially recognised at fair value and on trade-date. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. The fair value of quoted financial assets are based on current bid prices.

2.9. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost formula. The cost in progress comprises the cost of raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, current and time deposits, as formed at the closing of the period from the company and the Group.

2.11. Share capital

The shares of Folli Follie are ordinary registered shares which are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.12. Income taxes

The Group is subject to various income tax rates depending upon the country of establishment. Furthermore, it must be noted that with regards to the matter of tax audit of the companies that participate in the consolidated statements, in the country where Folli Follie Hong Kong Ltd., Folli Follie Asia Ltd. and Bluefol Hong Kong Ltd. operate the tax audit for finalizing the fiscal period taxes is not mandatory. The authorities accept the data as declared by the companies following the audit by Certified Auditors. The tax authorities may conduct a select audit, only for the last seven fiscal years reported. After the lapse of seven years, the fiscal periods are rendered final.

The Company has been audited by the tax authorities for Fiscal Year 2005, therefore Fiscal Year 2006 is not audited at present. For Fiscal Year 2006, the Company decided not to form a relevant provision. Consequently, the subject matter presented on the Audit Report issued by the Certified Auditors relates to the un-audited Fiscal Year of the Company.

2.13. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method.

2.14. Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax is determined using tax rates (and laws) that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.15. Employee benefits

(a) Short - term employee benefits

Short - term employee benefits towards the employees in money and in kind, are recognised as an expense when accrued.

(b) Post - employment benefits

Post - employment benefit schemes comprise both defined contribution plans (Government pension insurance) and defined benefit plans (lump sum benefit paid to employee on retirement dependent on years of service that is imposed by the L. 2112/20). Accrued cost of defined contribution plans is recognised as an expense over the vesting period.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. According to this method, the defined benefit obligations that relate to past - service at the date of value determination are accounted for separately from the expected benefits at the year after the date of value determination (employees remaining in service for a specific period of time). The most significant assumptions that were used at the two as above dates are as follows:

Date of value determination	Discount interest rate	Inflation	Future salary increases
31/12/2005	4,0%	2,5%	3,0%
31/12/2006	4,0%	2,5%	3,0%-4,0%

2.16. Provisions

Provisions are recognised when:

- a) There is a present legal or constructive obligation as a result of past events,
- b) It is more likely than not that an outflow of resources will be required to settle the obligation and,
- c) The required amount has been reliably estimated.

2.17. Government grants

No grants were received during the current year.

2.18. Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value - added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognised when the Company has delivered products to the customer; the customer has accepted the products; and collectibility of the related receivables is reasonably assured. The sales of goods – wholesale are mainly carried out on credit.

(b) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided by Folli Follie, as a proportion of the total services to be provided.

(c) Interest income

Interest income is recognised on a time - proportion basis using the effective interest method.

(d) Income from Rent

Income from rent is recognised on an accrual basis in accordance with the substance of the relevant agreements.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established, that is when approved by the body entitled to pay them out (General Meeting).

2.19. Leases

(a) Operating leases

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(b) Finance leases

Finance leases are treated as hire purchase contracts, as a consequence the leased assets to be disclosed as assets of the Group (and to be depreciated), with respective recognition of the finance liability to the lessor or lessors. The finance cost is carried to the Income Statement as an expense, when accrued.

2.20. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the parent's separate financial statements and in the consolidated financial statements in the period in which the dividends are approved by the General Meeting of the company's Shareholders.

2.21. New accounting standards and IFRIC interpretations

The International Accounting Standards Board (IASB) as well as the International Financial Reporting Interpretations Committee (IFRIC) has already published a series of new accounting standards that interpretations, which are not included in the "IFRS Stable Platform 2005". The IFRS and the IFRIC are mandatory for accounting periods beginning on 1 January 2006. The Group's assessment of the impact of these new standards and interpretations is set out below:

- **IFRS 6, Exploration for and Evaluation of Mineral Resources**
The Group does not have any exploration and evaluation assets.
This standard will not affect the Group's financial statements.
- **IFRIC 3, Emission Rights**
Not applicable to the Group and will not affect the Group's financial statements.
- **IFRIC 4, Determining whether an Asset contains a Lease**
Not applicable to the Group and will not affect the Group's financial statements.
- **IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**
Not applicable to the Group and will not affect the Group's financial statements.
- **IFRIC 6, Liabilities arising from Participating in a Specific Market: Waste Electrical and Electronic Equipment**
Not applicable to the Group and will not affect the Group's financial statements.
- **IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies**
Not applicable to the Group and will not affect the Group's financial statements.
- **IFRIC 8, Scope of IFRS 2**
Not applicable to the Group and will not affect the Group's financial statements.

2.22. Contingencies

The Group has no contingent assets and contingent liabilities.

3. Financial risk management

3.1. Financial risk factors

(a) Credit risk

The Group has no significant concentrations of credit risk since the wholesale sales of products are made to customers with an appropriate credit history, as they are airports, department stores, large airline companies and also selected new customers from which the Group receives guarantee letters for security. Thus, the credit risk is at low levels.

(b) Liquidity risk

The Group has no liquidity risk, due to the availability of significant cash and cash equivalents and sufficient credit lines.

(c) Cash flow and fair value interest rate risk

The Group has interest-bearing assets due to placing its cash and cash equivalents at bank time deposit accounts, of zero risk, at an interest rate fixed in advance, the floating of which is not significant as such to rise a cash flow and fair value interest rate risk.

The Group's interest-rate risk arises from long-term borrowings. Group policy was to maintain the total of its borrowings at floating interest rate (euribor). The department managing the cash and cash equivalents of the group with continuous following of the course of the interest rates (euribor) from the contracting of the long-term borrowings up until today, aiming to continue the best management of this risk proceeded, before the 1st upward change of the interest rate (euribor), into an Interest Rate Swap contract for a significant part of its long-term borrowings.

(d) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising primarily with respect to the US dollar. The management's object is to hedge the risk balancing the group's receivables and liabilities per currency. The Group buys and sells foreign exchange in advance.

4. Transition to IFRS

4.1. Basis of transition to IFRS

4.1.1 Application of IFRS 1

The Company's and the Group's financial statements for the year ended 31 December 2005 were the first annual financial statements that comply with IFRS. These financial statements had been prepared as described in Note 2.1 The Group had applied IFRS 1. The reporting date of those financial statements was 31 December 2005. The IFRS adoption date was 1 January 2005. In preparing these financial statements, the Group had applied certain of the optional exemptions from full retrospective application of IFRS.

4.1.2 Consistency of estimates under Greek GAAP and IFRS and reconciliations between IFRS and Greek GAAP

The consistency of estimates between Greek GAAP and IFRS, the Table of adjustments of the period opening net equity (01.01.2005 and 01.01.2004 respectively) and the Table of adjustments of the results for the period 01.01.2004-31.12.2004 are analyzed at the annual Financial Statements of 31.12.2005, pages 24-25.

5. Property, plant and equipment

The Group

	Land	Buildings & Building Installations	Plant & Machinery	Vehicles	Furniture, fittings & equipment	PPE in course of construction	Total
01.01.2005							
Cost	4.509.886,92	29.105.308,35	1.776.013,65	622.386,00	7.798.539,43	0,00	43.812.134,35
Additions	7.895.819,22	3.248.557,06	12.975,76	0,00	1.006.535,45	33.599,64	12.197.487,13
Disposals	0,00	583.551,38	0,00	0,00	366.574,54	0,00	950.125,92
Balance 31.12.05	12.405.706,14	31.770.314,03	1.788.989,41	622.386,00	8.438.500,34	33.599,64	55.059.495,56
Accumulated depreciation							
Balance 01.01.2005	0,00	2.678.658,10	1.151.082,68	284.019,73	4.563.128,15	0,00	8.676.888,66
Depreciation charge	0,00	966.603,08	158.158,20	73.083,48	1.382.008,72	0,00	2.579.853,48
Decrease of Depreciation	0,00	489.785,24	0,00	0,00	353.797,57	0,00	843.582,81
Balance 31.12.05	0,00	3.155.475,94	1.309.240,88	357.103,21	5.591.339,30	0,00	10.413.159,33
Exchange differences	207.241,95	-672.397,03	2.160,85	4.858,55	459.558,14	1.813,04	3.235,50
Net book amount 31.12.2005	12.612.948,09	27.942.441,06	481.909,38	270.141,34	3.306.719,18	35.412,68	44.649.571,73
01.01 – 31.12.2006							
Additions	688.759,62	3.747.938,17	300.900,77	25.438,47	3.264.636,47	851.739,59	8.879.413,09
New Subsidiaries	2.323.479,35	27.837.840,83	3.928.303,99	1.628.859,03	26.744.546,61	4.472.032,96	66.935.062,77
Disposals	0,00	557.787,56	477,00	209.836,16	932.407,50	526.669,14	2.227.177,36
Depreciation charge	0,00	1.719.860,03	336.959,33	52.008,00	3.484.261,75	0,00	5.593.089,11
Depreciation of New Subsidiaries	0,00	7.813.700,00	2.341.517,59	1.066.087,78	17.133.633,92	0,00	28.354.969,29
Decrease of depreciation	0,00	350.873,71	2,74	99.181,39	851.921,08	0,00	1.301.978,92
Exchange differences	-453.797,08	616.397,75	5.575,30	-10.730,53	-24.624,68	-939.934,48	-807.113,72
Net book amount 31.12.2006	15.171.389,98	50.404.143,93	2.037.738,26	684.957,76	12.592.865,49	3.892.581,61	84.783.677,03

The Company

	Land	Buildings & Building Installations	Plant & Machinery	Vehicles	Furniture, fittings & equipment	PPE in course of construction	Total
01.01.2005							
Cost	4.509.886,92	24.517.626,36	1.578.863,59	475.114,42	3.003.431,27	0,00	34.084.922,56
Additions	4.055.157,82	-1.030.346,53	7.420,00	0,00	329.926,12	0,00	3.362.157,41
Disposals	0,00	0,00	0,00	0,00	11.694,51	0,00	11.694,51
Settlement between Assets							
Balance 31.12.05	8.565.044,74	23.487.279,83	1.586.283,59	475.114,42	3.321.662,88	0,00	37.435.385,46
Accumulated depreciation							
Balance 01.01.2005	0,00	869.619,62	1.041.272,52	269.235,29	1.893.383,88	0,00	4.073.511,31
Depreciation charge	0,00	383.824,62	113.108,69	38.795,35	281.879,32	0,00	817.607,98
Decrease of Depreciation	0,00	0,00	0,00	0,00	11.694,22	0,00	11.694,22
Balance 31.12.05	0,00	1.253.444,24	1.154.381,21	308.030,64	2.163.568,98	0,00	4.879.425,07
Net book amount 31.12.2005	8.565.044,74	22.233.835,59	431.902,38	167.083,78	1.158.093,90	0,00	32.555.960,39
01.01 – 31.12.2006							
Additions	0,00	419.309,50	56.817,11	45.871,28	392.271,97	0,00	914.269,86
Disposals	0,00	0,00	0,00	29.055,88	7.517,89	0,00	36.573,77
Depreciation charge	0,00	434.617,05	97.197,62	28.806,68	357.266,74	0,00	917.888,09
Decrease of depreciation	0,00	0,00	0,00	24.418,54	612,94	0,00	25.031,48
Net book amount 31.12.2006	8.565.044,74	22.218.528,04	391.521,87	179.511,04	1.186.194,18	0,00	32.540.799,87

6. Intangible Assets

	THE GROUP		THE COMPANY
	Special assessment	Amortisable expenses	Amortisable expenses
01.01.2005			
Cost		9.622.004,36	1.399.039,19
Additions		-529.792,28	9.306,26
Disposals		89.727,53	0,00
Balance 31.12.05		9.002.484,55	1.408.345,45
Accumulated amortisation			
Balance 01.01.2005		2.731.082,55	525.716,37
Amortisation charge		207.795,96	132.186,64
Decrease of amortisation		99.033,79	0,00
Balance 31.12.05		2.839.844,72	657.903,01
Exchange differences		-1.977.550,13	0,00
Net book amount 31.12.2005		4.185.089,70	750.442,44
01.01 – 31.12.2006			
Additions		876.254,35	12.753,60
New subsidiary		117.965.030,00(*)	0,00
Disposals		-739.798,54	0,00
Amortisation charge		-2.606.436,86	136.186,90
New subsidiary depreciation		-11.456.954,00(*)	
Decrease of amortisation		703.136,56	0,00
Special assessment of New Subsidiaries	221.489.685,53(**)	0,00	0,00
Exchange differences		-362.139,46	0,00
Net book amount 31.12.2006	221.489.685,53	108.564.181,75	627.009,14

(*): This amount consists of :

- (i) Tax Free sales rights (of HDFS S.A.) € 109,7 mil.
- (ii) Sea shore usage rights (Planaco S.A.) € 2,99 mil.
- (iii) Other formation expenses (of HDFS S.A.) € 5,3 mil.

(**): This amount consists of :

- (i) Goodwill of Folli Follie's direct participation in HDFS S.A. € 164,8 mil.
- (ii) Goodwill of Folli Follie's indirect participation in LINKS LTD € 56,5 mil.
- (iii) Goodwill of Folli Follie's indirect participation in PILION LTD € 0,2 mil.

a. During the year 2006 Folli Follie acquired consequently the percentages of 24,6777% and 2,92% of the share capital of HDF5. The full consolidation for the period between the acquisition date and the closing date (31.12.2006) had the following results:

Positive change in Turnover of the Group (in 000's) 238.120,00 €

Increase of operating profit before taxes (EBITDA) (in 000's) 52.464,00 €

Increase of Equity (in 000's) 98.792,00 €

If the Group of Hellenic Duty Free Shops had been fully consolidated from the beginning of the period (1.1.2006), the effect at 31.12.2006 would have been positive both on Turnover (by € 300.047,00) and on Operating profits before taxes (by 64.823,00 €).

From the specific increase – acquisition of the additional percentage of 24.6777% - the Group acquired a goodwill of 151.266.165,00 euros which has been determined as follows:

- Date of acquisition	05/05/2006
- Percentage	24,6777%
- Shares (Total amount)	52.675.000
- Shares acquired	12.999.000
- Nominal value per share	0,30 euros
- Purchase value per share	15,60 euros
Total cost of shares	
- Cash paid	202.784.400,00 euros
- Direct Expenses related	
to the acquisition	202.784,00 euros
- Dividends from benefits before	
the acquisition	(10.398.400,00 euros)
Total Cost of acquisition	192.588.784,00 euros
Less: Fair value of Assets and liabilities	(41.322.619,00 euros)
Goodwill	151.266.165,77 euros

Analytically the assets which were acquired, the liabilities and the contingencies which were undertaken by the Group during the acquisition of 24,6777%, are as follows:

Book Value (thou. euro)	Fair Value (thou. euro)	
Tangible Assets	25.856	25.856
Intangible Assets	52.551	103.551
Deferred income tax assets	467	467
Other long term receivables	3.268	3.268
Inventories	54.299	54.299
Trade and other receivables	12.556	12.556
Other financial assets at fair value through profit or loss	1.826	1.826
Cash and cash equivalents	77.580	77.580
Long- term borrowings	(4.484)	(4.484)
Deferred income tax liabilities -		(12.750)
Trade payables	(49.211)	(49.211)
Current income tax	(3.369)	(3.369)
Dividends payable	(42.140)	(42.140)
	129.199	167.449
		24,6777 %
		41.323

Fair Value

It should be noted that, the Company performed a first estimation of all assets acquired and also of all liabilities and contingent liabilities.

Also, an independent surveyor performed an estimation of intangible assets, assignment of licenses (royalties) of exclusive use (article 120 of Law 2533/1997) of tax free sales based on future cash flows.

From the increase – acquisition of the additional percentage of 2.92% - the Group acquired goodwill of 13.490.439, 09 euros.

b. At this point it should be mentioned that, at the end of May 2006, the Company acquired 76.67% of the Share Capital of the company Planaco S.A. by participating in the partial share capital increase with an amount of 2.700.000,00 €. Planaco S.A. was consolidated for first time at this current period. The Group consolidated Planaco S.A. in its financial statements since 01/06/2006, date of verification of the share capital increase.

The results of the period ended at 31.12.2006 were not affected by the aforementioned acquisition, while if Planaco S.A. had been consolidated at the beginning of the period, the influence would be immaterial.

It should be noted that, the fair value of all assets acquired by the Group, and of all liabilities, and contingent liabilities undertaken as well as the fair value of the Company's intangible assets were estimated by an independent surveyor.

c. In addition to the above, it shall be mentioned that, at the end of July 2006, the Folli Follie Group acquired the British jewellery, watches and luxury items brand LINKS OF LONDON Ltd. Specifically, the company "HELLENIC DISTRIBUTIONS S.A.", fully owned by the company "HELLENIC DUTY FREE SHOPS" and a member of the FOLLI FOLLIE Group, acquired the total number of shares (100%) of the British company.

d. It must be noted that during the last quarter of year 2006, the Group obtained the Retail Licence for operating in China. As a consequence the financial data of the Group for the last quarter of the current fiscal year include the results of the Chinese Market

7. Participations and other Long-term receivables

	The Group		The Company	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Participations to Subsidiaries	0,00	0,00	387.438.470,75	41.300.601,74
Participations in associates	0,00	40.395.445,88	0,00	118.204.900,21
Other long-term receivables	6.676.684,23	6.838.204,67	293.421,34	419.574,43
	6.676.684,23	47.233.650,55	387.731.892,09	159.925.076,38

8. Inventories

	The Group		The Company	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Products-Merchandise-Raw materials & Packing items	126.098.481,85	72.258.888,21	14.083.250,86	14.634.365,54
Provisions for impairment of inventories	500.000,00	500.000,00	500.000,00	500.000,00
	125.598.481,85	71.758.888,21	13.583.250,86	14.134.365,54

9. Trade receivables

	The Group		The Company	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Trade receivables	140.239.131,14	121.290.148,36	15.850.440,84	18.872.475,88

10. Other receivables

	The Group		The Company	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Sundry debtors	20.309.012,13	3.097.109,80	1.823.541,34	1.176.636,85
Marketable securities	3.419.646,43	2.921.508,63	1.464.116,71	2.921.508,63
Other receivables	4.144.448,90	3.102.468,78	381.314,01	1.219.314,48
	27.873.107,46	9.121.087,21	3.668.972,06	5.317.459,96

11. Cash and cash equivalents

	The Group		The Company	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Cash in hand	3.253.200,00	885.869,82	528.867,13	362.228,45
Current and time deposits	106.057.513,75	33.006.299,81	21.873.789,85	12.885.433,77
	109.310.713,75	33.892.169,63	22.402.656,98	13.247.662,22

12. Share capital and share premium

	Number of shares	Ordinary shares	Authorised capital	Share premium	Treasury shares	Total
31st December 2004	32.946.875	32.946.875	9.884.062,50	62.531.731,47	0	72.415.793,97
31st December 2005	32.946.875	32.946.875	9.884.062,50	62.531.731,47	0	72.415.793,97
31st December 2006	32.946.875	32.946.875	9.884.062,50	62.531.731,47	0	72.415.793,97

The total authorized number of ordinary shares is 32.946.875 million shares with a par value of € 0,30 per share. All issued shares are fully paid.

13. Retained earnings and other reserves

	The Group		The Company	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Profit carried forward	207.356.278,78	161.106.539,24	22.113.518,04	17.234.624,78
Reserves	8.832.577,14	24.513.525,66	20.184.566,82	19.679.018,84
Own Shares	-1.339.856,41	-	-108.985,61	-
Consolidation differences according to previous Accounting Standards	-88.927.927,73	-88.927.927,74	-	-
Consolidated exchange differences	-32.706.043,74	-12.980.009,96	-	-
Third party rights	104.006.311,60	5.844.540,04	-	-
	197.221.339,64	89.556.667,24	42.189.099,25	36.913.643,62

14. Non-current liabilities

	The Group		The Company	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Provision for employee benefits	8.476.568,05	3.356.944,74	620.917,00	540.126,00
Guarantees for rent	0,00	240.683,52	251.428,35	240.683,52
Debenture Loan	1.295.151,81	1.526.282,82	-	-
Other – Liabilities for Leasing	799.957,11	1.258.720,49	262.209,86	359.983,10
Deferred income tax liability	15.247.131,09	1.047.943,78	1.251.176,41	1.035.080,14
Other provisions	9.010.796,11	1.029.191,60	10.615,36	97.606,20
Non current liabilities to Banks	406.901.777,95	125.149.592,17	341.000.000,00	119.499.958,91
	441.731.382,12	133.609.359,12	343.396.346,98	121.773.437,87

15. Trade and other payables

	The Group		The Company	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Trade payables	34.806.413,96	15.829.100,60	2.874.807,77	3.487.817,55
Taxes – duties	13.776.936,38	5.855.424,27	572.196,80	1.873.784,69
Current liabilities to Banks	11.811.849,44	5.047.457,92	9.210.173,45	4.863.495,62
Dividends payable	38.366.076,20	2.962.674,96	3.600.576,20	2.962.674,96
Other payables	13.672.127,03	9.514.877,80	663.397,58	1.216.019,95
Customers' prepayments	2.842.783,57	-	1.835.500,00	-
	115.276.186,58	39.209.535,55	18.756.651,80	14.403.792,77

16. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The offset amounts are as follows:

COMPANY	31.12.2006	31.12.2005
Deferred tax assets:		
To be recovered after more than 12 months	326.853,95	605.769,66
To be recovered within 12 months	26.016,21	97.455,76
	352.870,16	703.225,42
Deferred tax liabilities:		
To be recovered after more than 12 months	1.235.715,40	978.631,12
To be recovered within 12 months	15.461,01	56.449,01
	1.251.176,41	1.035.080,13

The movement in deferred tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Intangible assets	Provisions	Other	Total
Balance 1/1/2005	606.380,95	280.429,72	2.252,61	889.063,28
Movement year 2005 (Results)	-381.181,30	197.596,05	-2.252,61	-185.837,87
Balance 31/12/2005	225.199,66	478.025,77	0,00	703.225,42
Movement period 2006 (Results)	-152.558,75	-197.796,51	0,00	350.355,26
Balance 31/12/2006	72.640,91	280.229,25	0,00	352.870,16

Deferred tax liabilities

	Tangible assets	Finance leases	Total
Balance 1/1/2005	447.065,83	39.260,07	486.325,90
Movement year 2005 (Results)	518.855,47	29.898,76	548.754,23
Balance 31/12/2005	965.921,30	69.158,83	1.035.080,13
Movement period 2006 (Results)	210.380,50	5.715,78	216.096,28
Balance 31/12/2006	1.176.301,80	74.874,61	1.251.176,41

GROUP	31.12.2006	31.12.2005
Deferred tax assets:		
To be recovered after more than 12 months	2.003.587,60	1.619.017,71
To be recovered within 12 months	105.451,98	550.796,39
	2.109.039,58	2.169.814,10
Deferred tax liabilities:		
To be recovered after more than 12 months	13.911.804,68	518.928,75
To be recovered within 12 months	1.335.326,41	38.078,63
	15.247.131,09	557.007,38

The movement in deferred tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Provisions	Finance leases- Other	Total
Balance 1/1/2005	1.566.081,68	349.484,51	1.915.566,19
Movement year 2005 (Results)	218.642,95	12.026,14	230.669,09
Exchange differences year 2005	20.201,38	3.377,44	23.578,82
Balance 31/12/2005	1.804.926,01	364.888,09	2.169.814,10
Movement period 2006 (Results)	89.379,33	-150.352,45	-60.973,12
Exchange differences period 2006	9.507,87	-9.309,27	198,60
Balance 31/12/2006	1.903.813,21	205.226,37	2.109.039,58

Deferred tax liabilities

	Intangible assets	Tangible assets	Finance leases	Total
Balance 1/1/2005	618.292,43	-280.729,42	-39.260,07	298.302,94
Movement year 2005 (Results)	-375.168,23	-457.714,21	-29.898,76	-862.781,20
Exchange differences year 2005	8.443,59	-972,71	0,00	7.470,88
Balance 31/12/2005	251.567,79	-739.416,34	-69.158,83	-557.007,38
Movement period 2006 (Results)	-175.751,29	-38.896,06	-59.405,89	-274.053,24
Movement period 2006 (Total Equity)	-14.308.152,37	0,00	0,00	-14.308.152,37
Exchange differences period 2006	-100.870,35	-3.215,54	-3.832,21	-107.918,10
Balance 31/12/2006	-14.333.206,22	-781.527,94	-132.396,93	-15.247.131,09

17. Retirement benefit obligations (L. 2112/20)

Based on the provisions of L. 2112/20 the company is obliged to pay to the retired employees a lump sum multiple amount of the monthly salary at the time of retirement (determined by the Law), on the basis of the years of service. These benefits were determined by an independent actuary. The main actuarial assumptions used are as follows:

	2006	2005
Discount interest rate (%)	4,0%	4,0%
Future salary increases	3,0%	3,0%

The movement of the account from 01.01.2005 to 31.12.2006 had as follows:

	The Group	The Company
Balance of obligations at 01.01.2005	3.068.805,44	482.542,29
Expense charged to period 2005	536.903,35	100.972,00
Paid compensation 2005 & Other Movements-Exchange Differences	-248.764,05	-43.388,29
Balance of obligation at 31.12.2005	3.356.944,74	540.126,00
Expense charged to period 01.01.-31.12.2006	1.185.069,04	142.823,00
Paid compensation period & Other Movements-Exchange Differences	-246.082,73	62.032,00
Acquisition of New Subsidiaries	4.180.637,00	0,00
Balance of obligation at 31.12.2006	8.476.568,05	620.917,00

18. Operating results

	The Group		The Company	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Sales Revenue				
Income from Sales of Inventories –F. F . Group	246.279.253,52	222.796.934,45	29.766.588,56	31.927.427,16
Income from Sales of H.D.F.S.	238.120.086,65	-	-	-
Income from Sales of services	-	-	5.265.561,67	5.053.408,70
Total	484.399.340,07	222.796.934,45	35.032.150,23	36.980.835,86
Other income	4.447.501,48	6.066.792,76	1.968.034,27	4.643.121,97
Income of Marketing Rights (H.D.F.S.)	12.383.646,00	-	-	-
Grand Total	501.230.487,55	228.863.727,21	37.000.184,50	41.623.957,83
Expenses				
Administrative expenses	27.589.763,56	11.586.965,70	5.517.592,12	4.793.128,43
Selling and marketing costs	134.369.191,45	61.797.910,10	12.224.539,25	10.346.725,55
Other	2.303.769,50	2.556.704,96	1.015.247,11	792.398,81
Total	164.262.724,51	75.941.580,76	18.757.378,48	15.932.252,79
Analysis of Significant Expenses				
Employer's Cost	63.410.818,09	26.481.654,17	8.671.643,74	7.553.322,95
Rent	31.156.160,44	8.648.879,06	1.660.558,39	1.263.576,56
Advertising Expenses	10.245.336,45	7.521.354,35	2.376.165,64	2.109.500,58
Depreciation	7.952.028,91	3.082.378,44	1.054.074,99	949.794,32
Total	112.764.343,89	45.734.266,02	13.762.442,76	11.876.194,41

19. Income tax expense

	The Group		The Company	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Current tax for the period	23.967.047,71	12.771.690,10	890.585,46	2.625.705,73
Deferred tax	335.026,36	619.396,42	566.451,53	734.592,10
	24.302.074,07	13.391.086,52	1.457.037,00	3.360.297,83

20. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Company and held as treasury shares.

	31.12.2006	31.12.2005
Net profit for the period (Group)	81.724.629,56	56.663.495,05
Attributable to:		
Equity holders of the Company	65.160.341,01	55.428.778,38
Minority interest	16.564.288,55	1.234.716,67
Weighted average number of ordinary shares in issue	32.946.875	32.946.875
Basic earnings per share	1,98	1,68

21. Dividends per share

The dividends that are already paid by the Mother Company in 2006, amount to € 8.566.187,50 (€ 0,26 dividend per share) and concern the year 2005 earnings. For the year 2006 the proposed dividend per share amounts to € 0,12.

22. Related – party transactions

The following transactions concern transactions with related parties, as set out in IAS 24.

i) Sales of goods and services

	31.12.2006	31.12.2005
Sales of goods to subsidiaries	9.804.297,54	11.156.356,10
Sales of goods to associates	546.849,51	1.802.897,60
	10.351.147,05	12.959.253,70

ii) Year-end balances arising from sale of goods and services

	31.12.2006	31.12.2005
Between Mother Company and Subsidiaries	5.720.240,37	8.933.488,91
Between FF Group and other related parties as set out in IFRS 24	0,00	2.725.128,03
	5.720.240,37	11.658.616,94

iii) Acquisitions from related parties

	31.12.2006	31.12.2005
Mother Company from Subsidiaries	670.647,91	1.414.121,63
FF Group from other related parties as set out in IFRS 24	728.000,00	5.077,60
	1.398.647,91	1.419.199,23

iv) Payables to related parties

	31.12.2006	31.12.2005
Mother Company to Subsidiaries	387.905,79	4.679,41
FF Group to other related parties as set out in IFRS 24	215.000,00	453.094,35
	602.905,79	457.773,76

23. Number of employed personnel

Average number of employed personnel at the end of the current period: Group 3.297, Company 284 persons.

24. Real liens

There are no real liens on the property assets of company.

25. Contested or under arbitration disputes

There are no contested or under arbitration disputes nor any decisions of national or arbitral courts, which may have a material effect on the financial position or operation of the company.

26. Events after the balance sheet date

Further to that afore-mentioned there are no events after the balance sheet at 31 December 2006, that concern either the Company or the Group, in respect of which, according to the International Financial Reporting Standards a reference should be made in these Notes.

IMPORTANT NOTE FOR INVESTORS

The current annual report, the annual financial statements and the auditor's reports of the companies included in the consolidated financial statements as well as the reports of the Board of Directors are posted on the Company's website www.follifollie.com.

**Report of transactions of Folli Follie S.A. with its associated companies during 2006
(01/01/2006 – 31/12/2006) in accordance to article 2 par. 4 of codified Law 3016/2002**

COMPANY	AMOUNT
SALES OF GOODS TO SUBSIDIARIES	
FOLLI-FOLLIE JAPAN LTD	148.166,07
FOLLI FOLLIE UK LTD	734.765,76
FOLLI FOLLIE FRANCE SA	462.640,08
FOLLI FOLLIE POLAND	10.546,93
FOLLI FOLLIE CZECH	102.907,42
FOLLI FOLLIE SLOVAKIA	69.836,21
FOLLI FOLLIE SPAIN SA	1.747.556,85
FOLLI FOLLIE GERMANY	-377.291,62
MFK FASHION LTD	285.874,92
HDFS S.A. SINCE 01/05/2006	1.569.142,29
PLANACO SA SINCE 01/06/2006	54,61
TOTAL	4.754.199,52
SALES OF SERVICES TO SUBSIDIARIES	
FOLLI-FOLLIE H.K. LTD	5.050.098,02
LOANS TO SUBSIDIARIES	
FOLLI FOLLIE GERMANY	610.000,00
PURCHASES OF GOODS FROM SUBSIDIARIES	
HDFS SINCE 01/05/2006	6.742,28
PLANACO SA SINCE 01/06/2006	663.905,63
TOTAL	670.647,91
ACQUISITIONS OF SERVICES FROM SUBSIDIARIES	
FOLLI FOLLIE GERMANY	27.364,00
HDFS SINCE 01/05/2006	29.387,80
TOTAL	56.751,80

FOLLI FOLLIE SHARE PRICE

The company's shares were listed for trading on the Athens Stock Exchange on October 27th 1997. Data concerning the evolution of the company's share, such as the closing price of the last session of each month and the trade volume in number of shares, for the period 01/01/2006 – 31/12/2006 is presented below:

Date	Volume	Share Price €	ASE	FTSE 20
31/01/2006	3.068.530	25,82	3.977,84	2.175,07
28/02/2006	1.318.388	24,76	4.202,85	2.334,44
31/03/2006	3.106.321	23,62	4.122,34	2.252,41
28/04/2006	710.954	22,58	4.139,96	2.232,66
31/05/2006	1.911.450	20,58	3.753,21	2.018,48
30/06/2006	1.158.639	18,28	3.693,75	2.018,15
31/07/2006	520.754	18,12	3.747,98	2.043,70
31/08/2006	1.323.136	20,90	3.868,62	2.103,14
29/09/2006	1.304.756	22,90	3.931,05	2.143,57
31/10/2006	1.680.010	23,60	4.128,60	2.269,20
30/11/2006	2.142.674	28,00	4.220,50	2.319,24
29/12/2006	1.673.025	29,90	4.394,13	2.377,11

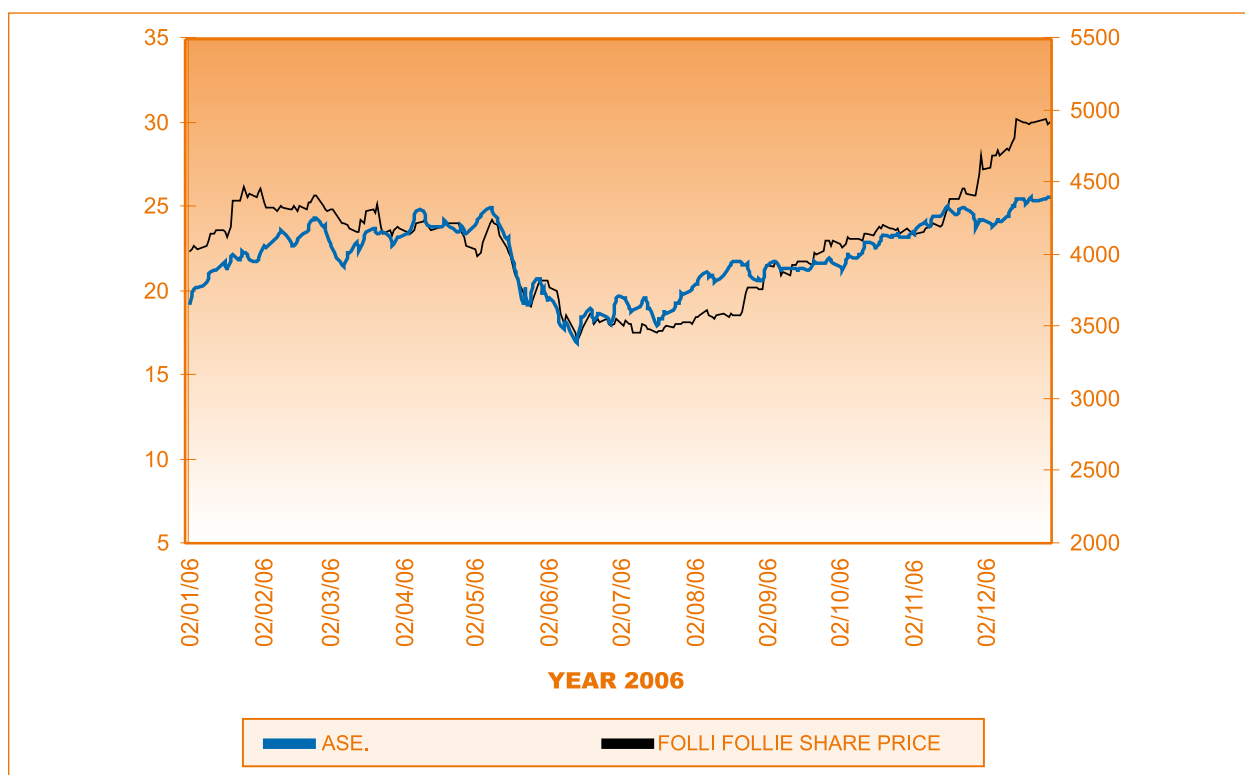
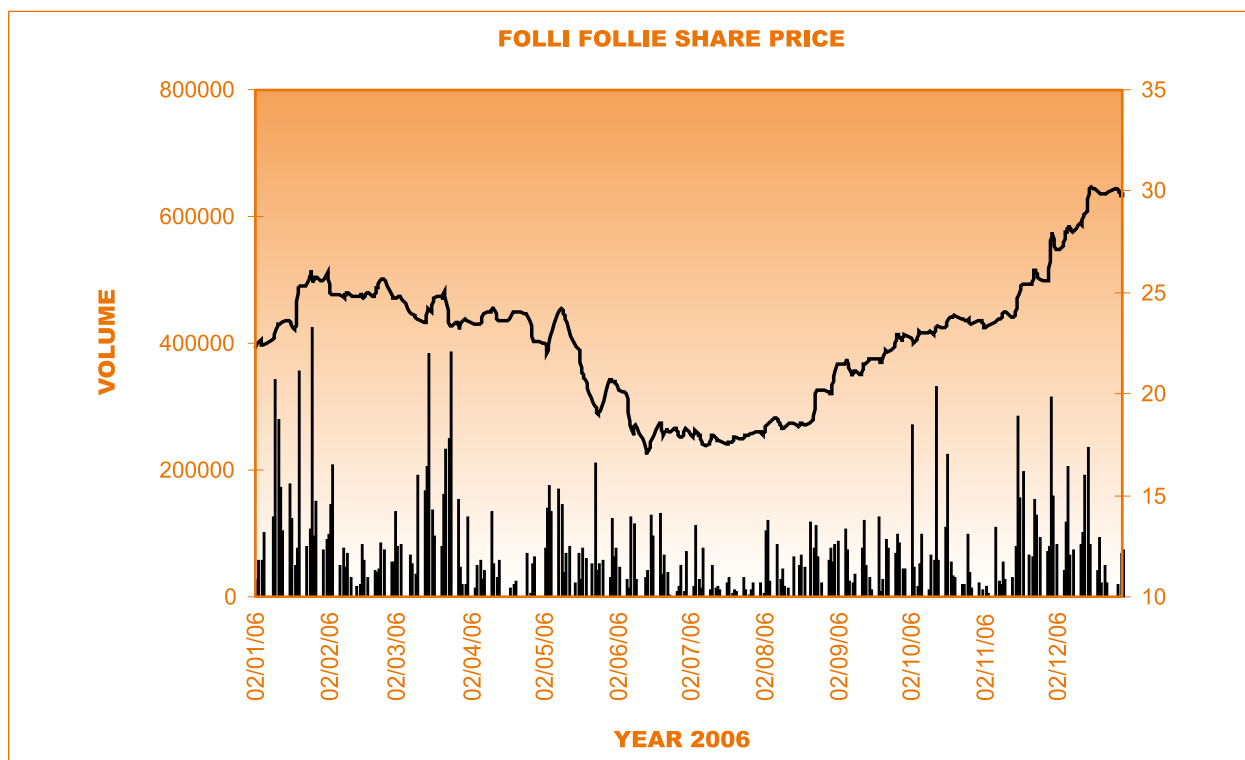
After reaching in June 2006 a respectively low level, the share price recovered impressively after strong financial results and a positive news flow on the company's dynamic business development in the second half of 2006. On 15th December 2006 the share price hit a historical high of € 30, 16.

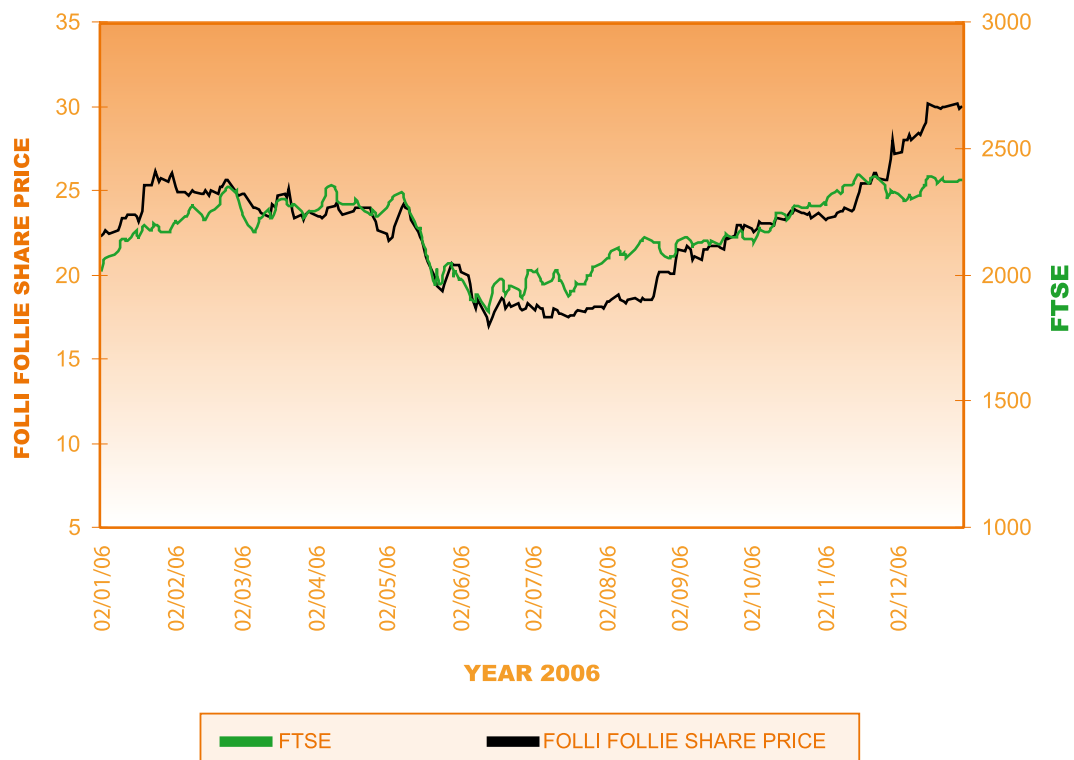
The share's marketability remained at high levels and could even slightly increase compared to the year before, to approximately 79.150 shares per session, indicating the high interest shown on the part of investors, especially institutional investors.

Stock Data	
High/ Low (52 wk)	€ 17,00 / € 30,16
Market cap. (€ mil)	€ 985,11*
Shares outstanding	32.95
Free Float (% , € mil)	49,95%, 492,06 mil
Index constituent & weight	FTSE 20 (0,60%), FTSE 140 (0,49%)**

**Market cap calculated on closing price 29th December 2006*

***As per 29th December 2006*





CORPORATE GOVERNANCE



The company's continuous growth and the steady increase in shareholder value are the two major objectives set by the Board of Directors, Folli Follie's strategic body. Nominated at the Annual General Meeting held in June 28th 2002, Folli Follie has a six-member Board of Directors, whose duty ends on 14th June 2007. Three members of the Board of Directors are independent and free of interests with respect of the Company.

BOARD OF DIRECTORS

The board of directors are:

Dimitris Koutsolioutsos

President and Chief Executive Officer,
Executive Member

George Koutsolioutsos

Vice President, Executive Member

Ketty Koutsolioutsos

Member, Executive Member

Elias Culucundis

Non Executive Independent Member

Charalambos Papadopoulos

Non Executive Independent Member

Zacharias Mantzavinos

Member, Non Executive Member

Shareholders (31/3/2007)	No. of Shares	%
Dim. Koutsolioutsos	16.490.048	50.05%
Investors	16.456.827	49.95%
Total	32,946,875	100%

CORPORATE GOVERNANCE

GENERAL MANAGEMENT

The General Management team consists of:

Dimitris Koutsolioutsos

President and C.E.O. since the establishment of the Company. Mr Koutsolioutsos graduated from Athens College high school and from L.BOCCONI University, in Milan with a degree in Economics.

George Koutsolioutsos

Vice President of the Board of Directors. After completing his high school education at the Italian School of Athens, he studied Economics at the University of Hartford, Paris and gained two post graduate degrees; one in Business administration and a second in Marketing both at Hartford University, Connecticut, USA. Mr. Koutsolioutsos' work experience started in New York where he spent two years in the jewellery sector.

Vassilis Agapitos

Group General Manager. Mr. Agapitos is a graduate of ASOEE University of Economics in Athens and holds a Master's degree, which he obtained at the University of Warwick in England. He has held amongst others, management positions at Deloitte & Touch, Johnson & Johnson and Bic and joined the company in 2005.

John Zannos

Tax, Accounting and Financial Consultant. A graduate of ASOEE University of Economics in Athens. Mr Zanos has been working for the Company since 1982

John Begietis

Group Finance Director. Mr. Begietis is a financier, who obtained both an MBA (KCBA-TAU) and a Bachelor in Science degree (BSc) in the USA. He has held previous executive positions at P&G, HASBRO and RIDENCO amongst others and joined Folli Follie in 2006.

Irene Niotis

Treasurer. Graduated from the College of Economics of Saint-George and has been working for the Company since 1986. Since joining the Company, Mrs. Nioti has been heading treasury management and budget planning.

George Alavanos

Folli Follie S.A. Finance Director. A graduate of Piraeus University of Industry (ABSP) and he holds a degree in I.F.R.S. (of the Association of International Accountants). He has an experience in the Private Field since 1991, Mr Alavanos has worked as an Accountant in the food and industrial sector. Mr Alavanos has been head of the Accounts Department since 1996.

Mantalena Kasidiaropoulou

Investor Relations. Miss Kasidiaropoulou graduated at the University of Heidelberg, she holds a Masters degree from the University of Basle in Economics, European law and political science and did postgraduate studies in Management at the University of Brussels. She started her professional career in the European Parliament in Brussels and joined in 1997 the Bank of New York. After seven years at Deutsche Bank, she joined in 2006 Folli Follie.

Anna Douka

Internal Auditor. Miss Douka is a graduate of Panteion University with a degree in Public Administration and holds a Master's degree in Financial analysis from Piraeus University. From 1998 until 2003 Miss Douka worked for Auditing Companies and joined Folli Follie in 2003.

Vassiliki Anagnostopoulou

Head of Procurement and Technical Department, since the end of 1996. A graduate of The Polytechnic University of Patra in Chemical Engineering. Between 1993-1995, Mrs. Anagnostopoulou worked in the Department of Research at ETV and specifically in the technical support of European programs. During 1995 to 1996, she was an executive member of a Consultancy firm specializing in Research development.

Johnnie Voutsas

New Business Development Director. Mr Voutsas holds a Bachelor degree and a Masters degree in Electrical Engineering from Rensselaer Polytechnic Institute, New York and an MBA from The London Business School in London. He was Managing Director of Amathus UK, in London, a subsidiary of the Lanitis Group of companies and a Business Consultant at Andersen Consulting in New York, Athens and London. Mr Voutsas joined the company in 1999.

Eleana Pagoulatou

Head of Marketing. Mrs Pagoulatou holds a degree in Statistics and I.T obtained from ASOEE University in Athens and an MBA specializing in marketing which she obtained from Stirling University, Scotland. Her professional career began at Athenian Breweries in Athens and then Virgin Atlantic in the respective marketing departments. She spent 7 years at Ericsson Hellas as Head of Marketing before joining Folli Follie at the beginning of 2003.

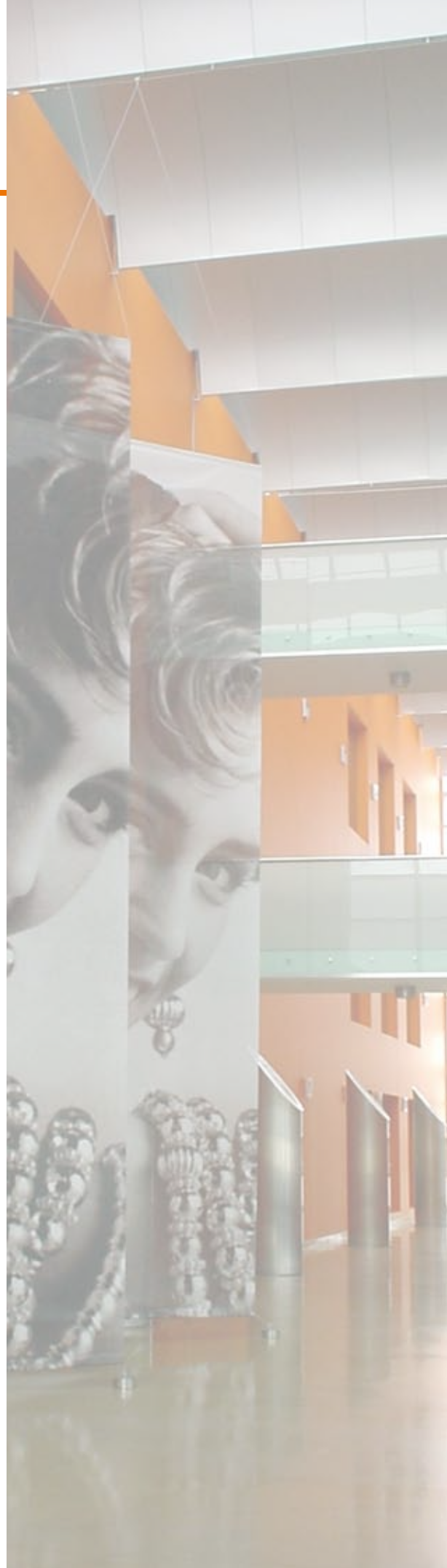
Aphrodite Pighi

Head of Communications and Public Relations. A graduate of Swansea University with a degree in English and Italian Literature. Miss Pighi went on to complete a Masters degree in Public Relations at Stirling University in Scotland. Her professional career began at L'Oreal's headquarters in London and from there continued at Publicom / Hill and Knowlton PR in Athens. Her position as Head of Communications and PR began at the beginning of 2003.

The Executives' postal address is:

Folli Follie

23 Km Athens- Lamia National Highway
Agios Stefanos, Athens 145 65
Greece



CORPORATE PROFILE



WHO WE ARE

Folli Follie is a Greek company which designs, manufactures and distributes jewellery, watches and fashion accessories. Folli Follie creates fashion in 24 countries with more than 330 points of sale worldwide.

PHILOSOPHY

Our philosophy is to offer a “full fashion concept” of branded, trendy jewellery, watches and accessories of high quality at affordable prices, appealing to the needs of the modern, fashion-conscious working woman.

MISSION STATEMENT

Our mission is to fulfill the demand of today's global consumer for affordable fashionable luxury.

VISION

Folli Follie seeks the continuous development of strategically important markets around the world, while strengthening its presence in existing ones. Our Vision is to spread the Folli Follie logo globally, establishing the brand as one of the most recognizable and reputable ones worldwide.



CORPORATE PROFILE



HISTORY

- 1982: Folli Follie founded in Greece by Mr. Dimitris Koutsolioutsos and his wife Ketty. First store opens in downtown Athens
- 1992: Mr. George Koutsolioutsos, son of the founders and now Folli Follie Vice President, joins the company
- 1994: Launch of the Folli Follie women's watch collection
- 1995: Japanese market entry and shop openings in New York, Hawaii, Guam
- 1997: Company listing at the Athens Stock Exchange
- 1998: Entry in key Asian markets Launch of the Folli Follie accessories collection
- 1999: Folli Follie subsidiaries in France and UK
- 2000: Acquisition of 40% of the Japanese distribution operation
- 2002: Entering the Spanish and Chinese markets and the Travel Retail Sector
- 2003: Purchase of 20% of Hellenic Duty Free Shops ("HDFS")
- 2006: Raising the stake in HDFS to 52,28% (May)
HDFS acquisition of Links of London (July)
Obtainment of the Chinese retail license (November)
Launch of Folli Follie Baby (December)

Folli Follie



CORPORATE PROFILE



THE COLLECTION – PRODUCT STRENGTH

The core product category of the Folli Follie brand is jewellery, which depending on the market, represents about 60% of total sales. Folli Follie established itself as a true pioneer in the market when it introduced, amongst its first collections, unique jewellery creations made of silver combined with murano glass. Recently, the Greek brand introduced complete jewellery collections made of stainless steel in silver or gold colour combined with diamonds – a trend followed later by others. Within the jewellery category, in a core retail price range from 100 to 200 euros depending on the materials used (18K gold, sterling silver, stainless steel, bronze, precious and semi-precious stones), the company offers an unrivaled assortment of styles. Indeed, in the jewellery market where only the 15% is estimated to be consisting of branded products, Folli Follie is amongst the few global branded companies within its chosen market segment.

In the last few years, the company's watch lines have played an ever increasing role and have successfully established themselves as fashionable and affordable alternatives to the traditional high-end brands, thanks to their design, quality and price characteristics. Obviously, this phenomenon has been strengthened by the fact that nowadays, ladies watches are no longer considered as simple time pieces or expensive jewels, but everyday fashion accessories, to be mixed and matched. The Folli Follie Ceramic Collection, the Rubber Collection and the Jewellery Watches are amongst the few that have been embellishing female wrists worldwide.

As the fashion industry has showed signs of an increasing influence on the design of men's watches, Folli Follie re-launched its men's collection in March 2006 creating various watch designs to suit the changing lifestyles of the modern man and his need for both a "primary" and a "secondary" watch. Ambassador of Folli Follie men's watches is Mr. Antonis Nikopolides, the long running star goal keeper of the Greek National Football Team, European Champion 2004.

In addition to its core jewellery line, Folli Follie offers comprehensive assortments in fashion accessories such as handbags, small leather goods, belts, pashminas and sunglasses. Following the same philosophy of "affordable, fashionable luxury", the exclusively designed pieces add breadth to the company's identity and are now globally recognized amongst accessories brands.

The “full fashion concept”, which Folli Follie aspires to, is a modern approach to the world of fashion jewellery and accessories making. Working with “themes” throughout its collections, Folli Follie jewellery, watches and accessories compliment each other, providing an alternative and fresh fashion experience for customers over the world.

THE COLLECTION - “DESIGN” STRENGTH

Folli Follie has an experienced design team based in Milan, which consists of international designers; each specialized in the jewel, watch or accessories sector, but in close collaboration with each other to create two collections per year: Autumn/Winter and Spring/Summer. The collection’s highlight is the premium K Collection, which includes unique and limited edition pieces, inspired and supervised by Mrs. Ketty Koutsolioutsos personally. Our designer’s goal is to maintain a fashion orientation complementing the prevalent fashion trends.

The design however, does not stop at the product itself but extends into all Folli Follie visible associations such as: shop layout, décor, window display, product presentation, furniture, packaging and promotional material. In other words, our Art team strives to create a “Folli Follie world”, which ensures a consistent brand image amongst all Folli Follie shops and products immediately recognizable by the global consumer.



CORPORATE PROFILE



Madison Av., New York, USA

INTERNATIONAL PRESENCE

The launch of Folli Follie in the very demanding Greek jewellery market was followed by an unprecedented success that convinced the owners to steer the brand towards additional categories of fashion accessories and led the way towards the brand's international expansion through selective shop locations. Nowadays, the company has a presence in 24 countries with more than 330 points of sale, including shops in the most fashionable streets of the world's major cosmopolitan cities: London, Tokyo, Paris, Honolulu, Hong Kong, Dubai, New York, Athens, Beijing, Seoul. Folli Follie products are sold through flagship stores, such as Rue Royale in Paris, New Bond Street in London, Ginza area in Tokyo and Central district in Hong Kong, as well as stand-alone shops and shop-in-shop in department stores, such as Isetan and Takashimaya in Japan and Corte Ingles in Spain. Folli Follie has a direct control of its international distribution network by vertically integrating its operations from production to retail. As a result, it has established a direct line of communication with its customers having adopted the required flexibility to respond to their changing demands.

Folli Follie has a strong presence in the travel retail market with points of sale in numerous airports around the world, such as Seoul, Athens, Beijing, Vancouver and Taipei among others. In addition, Folli Follie products are also available in flight in major international airlines, such as British Airways, Cathay Pacific, Chinese Airlines, Japan Airlines, KLM, Korean Airlines, Qatar Airlines, Singapore, United Airlines, Virgin Atlantic etc.

In 2006 Folli Follie raised its participation in Hellenic Duty Free Shops to 52,3% by clearly expressing the strong commitment towards a long standing and successful participation. Folli Follie acquired the first stake of HDFS already in 1999 and gradually increased its participation in the following years. HDFS keeps an outstanding market position by exclusively holding a Duty Free operator's license for the Greek market until the year 2048. The management agenda for HDFS targets to enrich the strategic goals of HDFS and implemented with the acquisition of Links of London in July 2006 the first step towards this new management agenda.



Festival City, Dubai, UAE



Magna Plaza, Amsterdam, the Netherlands



Raffles City, Shanghai, China



Harbour City, Hong Kong

THE PRODUCT RANGE







Throughout 2006, Folli Follie's jewellery collection showed a substantial increase in sales and continued its strong growth as expected, according to the company's suppositions for the year.

The stainless steel jewellery collection, which was first introduced in 2003, continued to excel in 2006, accounting for a big percentage of the company's profitability in the jewellery section. This time, the brand introduced a pioneering new material to the jewellery world; stainless steel in the colour of gold; namely the "Gold Fantasy Collection". The new collection took the fashion elite by storm, offering designed necklaces, bracelets, rings and earrings which were totally in tune with the prevalent fashion trend of gold. Sheer in look and feel, this material made an impact in the jewellery field worldwide and is a fine example of Folli Follie's mastery in pioneering ideas.

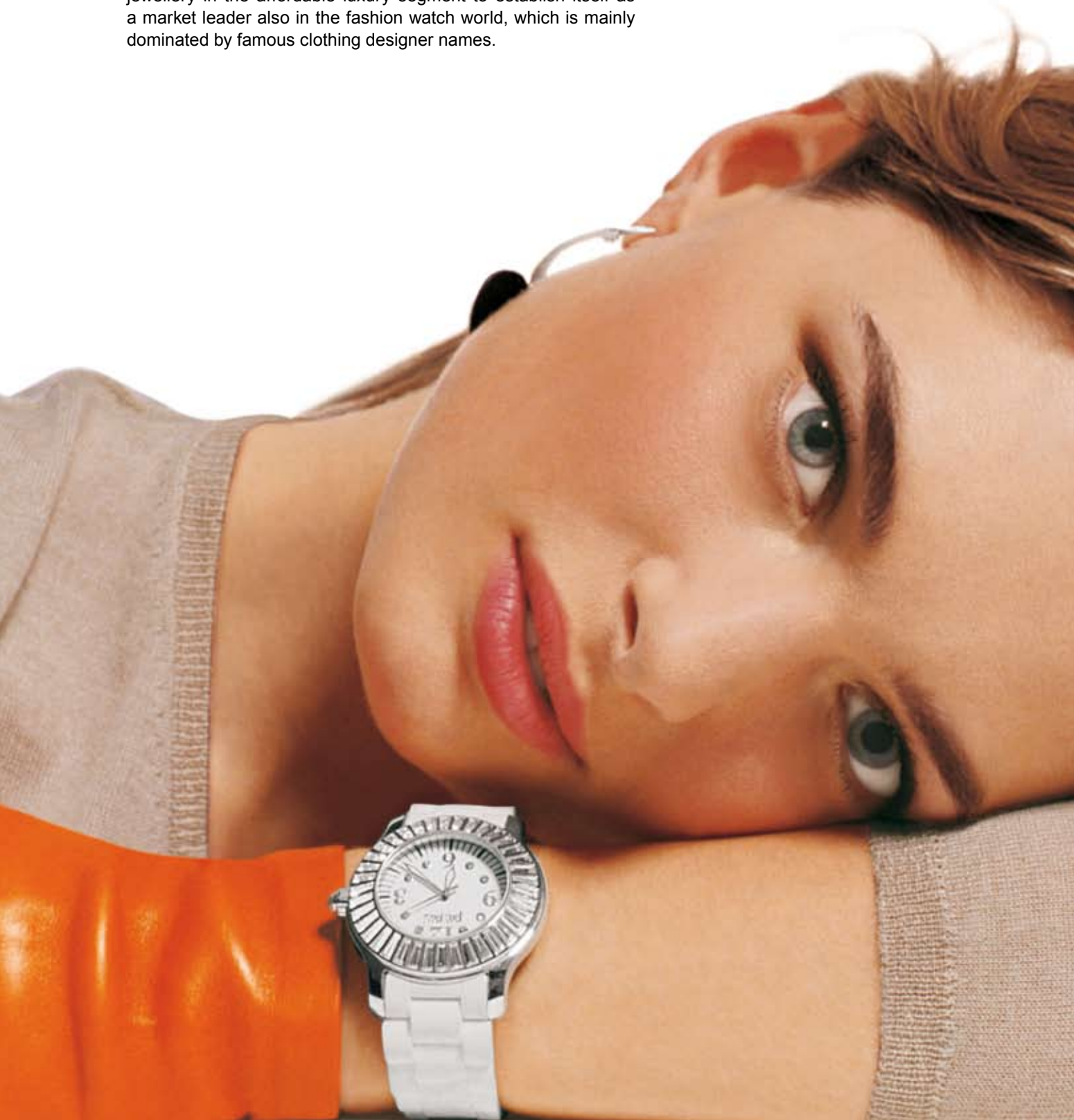
Of course, the K Collection, linked to Mrs Ketty Koutsolioutsos, the Image Director of Folli Follie, also recorded further sales in 2006 proving that the popularity of natural stones in jewellery design is increasing and unusual styles are becoming more desirable. The overall design concept of the collection is supervised by Mrs Koutsolioutsos and the designs, which feature gold, silver, precious and semi-precious stones have been popular in Europe but also in Asia. Natural elements are the main inspiration for this line, which is both original and unique. K Collection jewellery conveys an originality, evident in the designs, which are characterized by a cultural blend and interesting mix of materials.

The jewellery line continues to record the highest percentage of sales with the originally jewellery company investing in pioneering ideas in design and materials to strengthen even more its presence in the market.

The year 2006 saw the re-launch of the FOLLI FOLLIE men's watches. The new collection was first presented in Baselworld Show 2006 in Basel, Switzerland. This dynamic new collection featured iconic and skillfully shaped masculine watches, which truly interpreted the styles of the moment in men's timepiece designs. The company's aim was to address men in the 20-40 year old age range, who show an increased interest in fashion and believe the external appearance of their watch is just as important as its functions. Folli Follie approached this notion with a collection of "primary" and "secondary" watches for men, incorporating three varying styles; "Trendy", "Classic" and "Sporty". With the introduction of these timepieces, Folli Follie took the initiative to sign Mr. Antonis Nikopolides as the personality, who would promote the men's watches and star in its global advertising campaigns from September 2006 until September 2008. Mr. Antonis Nikopolides is the goalkeeper for the Greek football team Olympiakos and the long running star goal keeper of the Greek National Football team, which triumphantly won the European Cup in 2004. Particularly in Greece, Mr Nikolopides' synonymity with Folli Follie not only increased awareness of the new men's watch collection but was a great selling point too.

As regards to the women's watch lines, 2006 saw the introduction of interesting styles and materials, in which Folli Follie will continue to invest. With the philosophy that women's watches are recognized as a fashion accessory and no longer as a simple time keeper, Folli Follie created watches that are in fine tune with the latest fashion trends. The rich variety of women's designs included sporty and everyday watches to evening timepieces combining luxury and glamour. Folli Follie has incorporated its fashion codes into the design of modern and trendy, feminine, seductive and fashionable watches, with colour variations being their main characteristic. Watch making and fashion were fused together further with Folli Follie's ceramic timepieces- a thoroughly modern take on the traditional stainless steel watch. The ceramic collection with its modern and advanced appearance combined with its aesthetically pleasing design, rendered these watches serious fashion accessories and an affordable extravagance. Another collection that made a huge impact especially in the European region is the "Rubber Collection", consisting of watches with rubber bands in various colours combined with stainless steel cases adorned with crystal stones.

Folli Follie believes that the boom of the fashion watch industry is more than a trend, it is market reality for the decades to come. Looking at the wristwatch as a fashion accessory, almost as a piece of jewellery, it is the right time for the pioneer of branded jewellery in the affordable luxury segment to establish itself as a market leader also in the fashion watch world, which is mainly dominated by famous clothing designer names.





Folli Follie's leather collections were enthusiastically received by customers and were highly successful with the press. The accessories line, which includes handbags, small leather goods, belts, scarves and accessories, follows Folli Follie's philosophy for affordable, fashionable luxury.

In 2006 Folli Follie presented glamorous handbags for nights out, such as the "Gondola" style, as well as everyday trendy handbags, such as the "Antistress" line made of nylon or the "Metallic Pleats" with interesting designs in silver and bronze shades. The philosophy behind the collections was to offer a variety of designed handbags to choose from for every occasion. Matching wallets, belts, beauty cases and sunglasses offered a total look for unique appearances.

INTERNATIONAL MEDIA PRESENCE & ADVERTISING



Bus panel in Paris

Folli Follie continues to enhance its image on a world wide spectrum through various forms of marketing, advertising and promotional activities. Within the year 2006, the company effectuated various global campaigns, which were executed and coordinated from its Athens Headquarters to guarantee a united image and harmonious advertising concept throughout the world.

The advertising imagery was once again captivating, inspiring and creative. Identical images were displayed in Folli Follie's store windows and light boxes universally and presented in the same uniform catalogue deployed all over the world.

Folli Follie invests in print media and more specifically in women's and men's magazines in all regions it operates in. The advertisements for Spring Summer and Autumn Winter during 2006 appeared in European and Asian titles such as Vogue, Elle, Cosmopolitan, In Style, Madame Figaro and Tatler.

Besides magazine advertisements, various forms of media communications took shape in the form of outdoor advertising mediums. Folli Follie featured once again the successful transport campaign on Bus panels in both Europe (Great Britain, France, Spain) and Asia (Japan, Hong Kong), as well as metro stations (Hong Kong).



Sanlitun Fashion, China



Train panels in Taipei

Moreover, media trips were once again organized in which selected titles were invited to Greece by Folli Follie throughout the Summer. As an example, Folli Follie welcomed editors from China's airlines in flight Air Travel magazine, Hong Kong's Harper's Bazaar and Jessica, and Taiwan's Marie Claire, TVBS and Next.

Throughout the year, advertising campaigns were supported by media investments and public relations activities. Consistent communications with the media in the form of press releases, meetings with the press (presentations of collections prior to the seasons) and various press events paved the way for some very high profile coverage. Folli Follie's product has been welcomed and unanimously praised throughout the world, as the company communicates its brand to international media in various forms.



Tram panels in Hong Kong



Marie Claire, Taiwan



Airtravel, China

INTERNATIONAL MEDIA PRESENCE & ADVERTISING



"Smile Angel" event

CORPORATE SOCIAL RESPONSIBILITY

The corporate social responsibility of Folli Follie is defined by the management's commitments against the stakeholders; a group that includes the employees, the shareholders, the clients, the suppliers, and the society at large. In a wider sense, these stakeholders constitute a family, in which Folli Follie grows and creates value, operating with responsibility and respect for the very principles it has set itself.

Social contribution is an integral part of Folli Follie's strategy, no matter where it operates, since the company believes that a dynamic and successful enterprise has to participate actively and contribute productively to the social process. Contribution to society is one of Folli Follie's fundamental principles and reflects the anthropocentric mind-set of the company and its founders.

Culture has been a major feature of the social contribution of Folli Follie; strong association with cultural institutes and organizations that promote culture and art, is considered to be an act of major social and national importance, since it safeguards the priceless heritage of each country and supports the efforts of artists. In the past Folli Follie has sponsored cultural events, such as the first Kabuki Theatre which took place in Athens Megaron Hall of Music and the concert of the Greek singer Dionyssis Savvopoulos at the Benaki Museum in Athens. Naturally, our philosophy regarding culture and the arts applies globally; in October 2005 Folli Follie was most honoured to support the best

female artist of all time and UNICEF's International Goodwill Ambassador, Mrs. Nana Mouskouri's farewell concert in Hong Kong. In 2006 Folli Follie sponsored a concert in Geneva, Switzerland celebrating "80 years of Manos Hatzidakis", an event organised by the "Association des Dames Grecques de Geneve".

The activities of Folli Follie extend to long-lasting charity initiatives throughout Greece, covering the needs of schools, non-profit institutions and NGOs that involve children, the tenderest part of society. During 2006, Folli Follie supported the good causes of ELEPAP (Hellenic Society for Disabled Children), ELPIDA (Association of Friends of Children with Cancer), Centre of Life, MDA Hellas, Hatzikiriakio Institute of childcare, Society for the Protection of Spastic, Friends of the Child and many more either with the form of gift giving or with donations. Furthermore, Folli Follie continued to support Lifeline Institute, whose Patron is HRH Crown Princess Katherine of Yugoslavia, dedicated to distributing humanitarian aid throughout former Yugoslavian people. Folli Follie was also one of the sponsors



"Pink Revolution" event

of the "Anniversary of 150 Years Paediatrics", which aimed to promote Agia Sofia Children's Hospital and to further improve its infrastructure.

The company's charity activity extends to all the countries Folli Follie is present at. In the Asian region, Folli Follie also sponsors or donates to various charitable causes dedicated to public welfare. Folli Follie was the major sponsor of Hong Kong Cancer Fund Pink Revolution 2006, supporting Hong Kong Cancer Fund's annual breast cancer awareness and fundraising campaign in line with the global initiative for breast cancer. In China, Folli Follie supported the "Smiling Angel" a charity institution under the Red Cross, which aims to raise a fund for the children suffering from CLP (Cleft Lip or / and Palate).

Folli Follie continues to demonstrate its sensitivity to issues of social solidarity that are not direct business actions but topics, which the company feels a great responsibility to bring to the public's attention.



"Smile Angel" event

FORESEEING 2007



The company's long term target and strategy is to further establish its brand name in the fashion jewellery, watches and accessories field on a worldwide level.

For 2007, the company aims to strengthen its already successful presence in its existing markets, where prominence will be given to the Asian countries as well as the US market entry. The company will also continue to invest in the dynamic Chinese market, where the already well established brand name could be used in order to enter a new business line with "Folli Follie Baby".

As far as the company's product range is concerned, Folli Follie is constantly enriching its jewellery, watches and accessories collections. The new store concept gives special emphasis to the leather accessories which has become a most important item in the branded fashion world.

Finally, it is worth reiterating how undeniably important the travel retail sector is in the strengthening and recognition of the Folli Follie brand name. The company's existing presence in international airports such as Vancouver, Athens and Seoul, as well as listings on more than 35 board airlines such as British Airways, Cathay Pacific, Qatar Airlines, United Airlines, Japan and Korea Airlines has proved very successful. Folli Follie will continue to invest in international airports and airlines as it considers this venture highly important in its strategy towards establishing a world wide brand name.



